

Start the New Year Off Right

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Each January, many of us firmly resolve to make things better for ourselves in the New Year. Many times these resolutions involve our health. Here are just a few suggestions for good, tax-related **financial** health in the New Year of 2006!

In General

Make tax planning a priority. Every dollar you pay in taxes is a dollar that isn't available to save, invest, or spend somewhere else.

Keep yourself informed. Don't overlook your own continuing education about financial issues and taxes. And, if you have questions, please don't hesitate to ask. The sooner you have the answers you need, the sooner you can begin to make any changes that may be needed to improve your financial health.

Resolve to get yourself organized. You will be better able to take advantage of tax strategies that minimize income and maximize deductions and tax credits if you keep accurate records on a timely basis.

Claim all available deductions and credits. For a **business**, this means strategizing and making the right decisions about depreciation methods, accounting methods, choice of business entity, and the most tax effective way to offer benefits for your employees. For **individuals**, put your emphasis on tax efficient investing, making the most of employer retirement plans, finding tax-wise ways to finance education, and taking advantage of the low tax brackets of children by shifting some income from the parents.

Stay ahead of the IRS. If you are self employed or a business owner, put aside enough to pay your estimated taxes on time; don't fall into the black hole of paying off last year's liability. Do the same with your other tax liabilities as well.

Monitor your situation. Changes in your personal and/or business life may alter your tax situation and suggest new planning possibilities. Address these changes and their financial ramification before they happen or before you make final decisions, whenever possible.

Especially for Business

Give yourself a raise. Raise your prices to keep up with inflation. Research current industry standards and your competition's pricing to determine what the market will bear. Increasing your income gives you some cushion against ever-increasing taxation.

Collect your old receivables. Like problem children, work to resolve aging receivables, and go on. Make the hard decisions about continued credit extension or status as an ongoing client. You will then be able to invest your energies in more productive and income producing ways.

State and Local tax issues make a difference, especially in this multi state region in which we do business. Each type of government is beefing up enforcement to make sure all available revenue is captured. Make sure you know what your obligations are; strategize about small changes that can change the outcome.

New Federal tax credits can be helpful. From energy efficient renovations to buildings, to hybrid vehicles, to special tax credits for hiring or training certain types of workers, Federal tax credits are not to be overlooked. Contact us for more information specific to your circumstances.

Issues for Individuals

Consider the Alternative Minimum Tax (AMT). Tax law changes over the years now extend the reach of this tax. This second system of taxation was enacted in the 1960s to ensure that a minority of people paid a minimum level of tax. Today, many people with very ordinary circumstances are caught in this net, and often surprised by the resulting higher tax burden.

Know your marginal tax rate. This is the rate at which the NEXT dollar of income is taxed, and is the determining factor for the tax effect of additional deductions and income.

Understand the value of your exemptions and itemized deductions. At certain levels of income, these lose their value, and can increase your marginal tax rate.

Review the Federal and State income tax withholding levels in your paycheck. Make sure that you aren't giving Uncle Sam an interest free loan during the year. Instead, increase your take home pay and invest the difference. Most employers have the ability for direct transfer into a savings account or mutual fund. Make that rainy day fund a reality!

Complex and ever-changing tax laws make planning a priority. Minimizing taxes is one good way to move toward better financial health—and increased wealth—in 2006!