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Now's the Time to Consider Year-End Tax Implications

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JOHN ADAMCZUK: As another year draws to a close, this is a good time for clients to consider possible changes coming in the 2011 tax laws, and what actions, if any, they might take now.

TOM MINIGIELLO: And, because most accountants and financial planners—including us—expect tax rates to be higher in 2011, the recommended actions this year tend to run counter to the advice of years' past.

ELIZABETH THORLEY: For example, it has been generally good counsel in the last few years to encourage people to defer income beyond January 1. However, with 2011 tax rates expected to be higher, it seems more prudent to accelerate income into the current year wherever possible.

JERRY RANDISI: Clients might also consider recognizing capital gains before the end of 2010, since the capital gains rate is scheduled to increase beginning January 1, 2011.

JOHN: Part of the uncertainty in planning is that the current federal tax law is scheduled to expire at midnight on Dec. 31. If Congress doesn't act, the income tax rates will go back to their levels prior to 2001.

JERRY: We know those pre-2001 income tax rates are higher than the present rates, and estate taxes also would revert to higher levels. It could be that municipal bonds will be the last remaining true tax shelter.

ELIZABETH: Some tax breaks were extended and modified in 2008 and, in general, they will expire at the end of this year. These include deductions for sales tax, for educator expenses, and also for tuition and fees.

TOM: Also, the economic stabilization act of 2008 extended tax credits for various home projects that improved energy efficiency. Some of these credits will expire at the end of 2010, but there still may be time to take advantage of them by acting soon.

JOHN: These credits are for items like new heating and cooling systems, energy efficient windows, insulation, and even gas fireplace inserts.

ELIZABETH: There also has been quite a bit of talk and communication recently about doing Roth conversions—even some rumors that they might no longer be possible. Roth conversions will continue, but the ability to spread the taxes over two years ends on December 31, 2010.

NOTEWORTHY



Crossbridge Underwrites WXXI's 'Nightly Business Report'

If you watch PBS television's popular "Nightly Business Report," you may have noticed a new name—Crossbridge Financial—among the list of the program's underwriters. The half-hour show is telecast at 6:30 pm, Monday through Friday, on WXXI-TV in Rochester (Ch. 21, cable 11, or HD cable 1011).