



# TAX PLANNING GUIDE



## It's tax season. Here are 7 tax planning opportunities and responsibilities to consider - and to share with your clients.

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### Tax Planning Opportunities and Responsibilities

If you assist clients with income tax planning, you have some unique opportunities as well as responsibilities. Congress extended the Bush tax cuts in December 2010 providing a two year window to save income taxes. The current low rates will continue for 2011 and 2012. In 2013 they will revert to the higher rates and will also include a new tax on investment income to shore up Medicare.

#### Here are some things to consider:

- 1. Roth conversions and IRA distributions may make sense for 2011/12.**
- 2. Harvest long term capital gains before the rates revert to 20%.**
- 3. Electing out of installment sale treatment may make sense if there are capital loss carryovers or if the lower rates result in less tax.**
- 4. Distributions of qualified dividends from closely held corporations will continue to be taxed at the 15% rate for 2011/12, but could revert to ordinary income rates in 2013.**
- 5. Investment portfolios may need restructuring to generate more dividends rather than interest.**
- 6. The payroll tax holiday for 2011 may mean that it is better to take bonuses this year.**
- 7. It may make sense to simply accelerate income and defer deductions.**

When considering these types of tactics, it is important to always consider the time value of money effects. Does it make more sense to pay tax earlier?