

Questions and answers with Joshua Jensen

It's time to play Beat the Clock with tax decisions, expert says.

Q: What should businesses keep in mind when considering last minute tax strategies?

A: They need to remember that once 2005 closes, there isn't much CPAs and financial planners can do to save you 2005 tax dollars, outside of IRA or SEP contributions.

Q: Are there any investment strategies people can use?

A: It may not be wise to allow tax considerations to drive investment decisions. However, if someone is showing a large capital gain in 2005, he or she might want to consider selling an underperforming stock at a loss to offset the gains dollar for dollar, or at least realize a loss up to \$3,000.

Q: What else can people do?

A: When possible, defer income to the next tax year, which will allow more time to pay taxes on that income. It may also help some stay under certain thresholds that phase out other tax deductions and credits. It will also drive down minimum tax payments due throughout 2006. Another great way to reduce income this year is to pay all tax-deductible expenses before the end of the year. Mailing the check before the year closes gets the write-off this year. Pay January expenses in late December and get the deductions now. For example, pay your January mortgage payment in December because if the payment is processed by Dec. 31, 2005, you will get an extra interest deduction. Also, be sure your real estate taxes are paid by the end of the year.

Additionally, you can increase pretax deductions. If you deduct pretax expenses through your paycheck, such as a 401(k), Simple Plan, child care, medical expenses and premiums, be sure you are maximizing your deductions. Be sure to max out your HSA contribution for 2005, too.

Q: What about charitable donations?

A: Definitely. Gather old clothes, furniture and household items you don't need and donate them to a charity. Remember, you get to claim a deduction for the fair market value of the items donated. Get a receipt no matter what and let your CPA help you maximize the deduction.

Recently, the tax law changed to allow you to deduct 100 percent of your income given to charity between Aug. 28 and Dec. 31, 2005. This should not be construed that your charitable deductions will be protected from the itemized deduction phase-out, which still exists. Because it can be complicated, you should not act without your CPA's advice.



Joshua Jensen

Today's Q&A is with the owner of Joshua Jensen CPA PC in Nichols Hills that has served legal and medical practices for more than 12 years.