



Summer Tax Tips

By Mary F. Bernard, CPA

There is no need to wait until year-end to think about tax planning. There has already been one major tax act passed and the year is only half over. Don't procrastinate until December. There are many things to consider now while you're enjoying the sun and fun of summer.

Timing Is Everything

Deductions and credits can be maximized by correctly planning the timing. If your itemized deductions are close to the standard deduction (\$10,300 for joint filers and \$5,150 for single filers) you can plan to bunch deductions into one year by accelerating or postponing year-end deductions like property taxes, charitable contributions, mortgage payments and state estimated tax payments. Taking advantage of this every-other-year timing of deductions can make a difference in your tax liability.

Tuition credits can also have a major impact on your taxes. If you qualify for the credit, the timing of the second semester tuition payment can frequently be paid in either December or January. This gives you the option of claiming the credit in the year that makes the most sense for your personal tax situation. This becomes especially important when more than one child is in college at the same time.

Retirement Planning

You can enjoy your summer better knowing that you have planned properly for retirement. Your first plan of attack should be to maximize your employer's retirement plan whenever possible. Be sure to at least contribute enough to receive the maximum employer match, if available. If you have no employer plan, consider making an IRA or Roth IRA contribution as early as possible in the year to accelerate the tax deferral or savings of the earnings. There is no need to wait until the deadline to make your annual contribution.

Beware the Expanded Kiddie Tax

Prior to 2006, children under 14 were subject to tax at their parents' highest marginal tax rate if they had unearned income in excess of \$1,600. Effective this year, this so called "Kiddie Tax" applies to all children under 18 years of age with unearned income in excess of \$1,700. This change in the law can impact common income shifting techniques used among family members.

To make sure that your tax planning doesn't get derailed by the Alternative Minimum Tax, check with your tax advisor to ensure that you will truly benefit from these tax tips.

If you have any questions about these and other tax planning tips, please call Mary Bernard at 401-274-2001.

About the Author – Mary F. Bernard, CPA, MST:

Ms. Bernard joined the firm early in 1994, bringing a solid background in all phases of tax planning and compliance. She has over twenty years of experience with national and local accounting firms working with a variety of individual, partnership and corporate clients. She has provided advisory and compliance services to non-profit and construction clients.

She earned a Bachelor of Arts degree in Mathematics from Bridgewater State College (MA), a Master of Arts degree in Accounting from Bentley College, (MA), and a Master of Science degree in Taxation from the University of Hartford (CT).

Ms. Bernard is a member of the AICPA, the Massachusetts Society of CPAs, and serves as Vice President of the board of directors for the Rhode Island Society of CPAs. She also serves as Treasurer of the Rhode Island Council on Alcoholism and Other Drug Dependence. She has recently been appointed a Member of the AICPA Council.

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