

Federal Income Tax Planning Checklist

| Date | Item | Actions needed |
|----------|---|----------------|
| __/__/__ | <p>Be organized.</p> <p>Having your records in a usable manner will make preparing your return easier and may help you with deductions you might have forgotten about.</p> <p>Consider using a software program like Quicken or Money to keep you organized. You should also keep a file of receipts and other records you know you will need.</p> | 1. 2. 3. |
| __/__/__ | <p>Contribute to your 401(k) plan.</p> <p>By deferring wages into your plan, you will keep your taxable income lower, save money for retirement, enjoy the benefits of tax-deferred compounding of earnings within the account and probably get some form of "match" from your employer.</p> | 1. 2. 3. |
| __/__/__ | <p>Use proper withholding and estimated payments.</p> <p>Getting a large refund is nice, but wouldn't you rather have the money now instead of waiting for a refund? You may want to consult with your accountant to make sure you are properly covered.</p> | 1. 2. 3. |
| __/__/__ | <p>Consider giving appreciated stock to charities.</p> <p>By giving appreciated stock instead of cash, you can get a charitable contribution for the fair market value of the gift and not have to pay tax on the capital gain. There are some rules that apply, so consult your advisor.</p> | 1. 2. 3. |
| __/__/__ | <p>Contribute to your IRA early.</p> <p>The earlier you contribute, the sooner the earnings become tax deferred.</p> | 1. 2. 3. |
| __/__/__ | <p>Manage your itemized deductions.</p> <p>If your level of itemized deductions is close to what is needed to use them, consider "bunching" deductions every other year.</p> | 1. 2. 3. |
| __/__/__ | <p>Use tax-advantaged borrowing.</p> <p>Not all interest you pay is tax deductible. The interest paid on your mortgage and home equity loans gets treated better than interest paid on credit cards.</p> | 1. 2. 3. |
| __/__/__ | <p>Be careful of mutual fund taxation.</p> <p>Mutual funds pay no income taxes, but shareholders must report all distributions of dividends, interest and net capital gains.</p> <p>If your fund has experienced much turnover within the portfolio, there may be capital gain distributions regardless of changes in the fund's value.</p> | 1. 2. 3. |

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| <p>__/_</p> | <p>Consider tax-exempt bonds.</p> <p>The interest on bonds issued by state and municipal entities is exempt from federal taxation.</p> | <p>1.</p> <p>2.</p> <p>3.</p> |
| <p>__/_</p> | <p>Consider tax deferred investment options.</p> <p>Annuity contracts issued by insurance companies enable earnings to remain tax deferred within the contract. They act somewhat like IRAs, but can have fees and other expenses.</p> | <p>1.</p> <p>2.</p> <p>3.</p> |
| <p>__/_</p> | <p>Monitor capital gains and losses.</p> <p>Long-term capital gains on investments held for more than a year get taxed at lower rates than other types of income.</p> <p>Net capital losses up to \$3000 can be deducted with any excess carried forward.</p> <p>Review your portfolio regularly, especially near year-end, to take advantage of the capital gain rules.</p> | <p>1.</p> <p>2.</p> <p>3.</p> |
| <p>__/_</p> | <p>Alternative minimum tax.</p> <p>This "extra" tax can apply if your deductions and certain other items exceed certain levels. Millions are being surprised by the AMT.</p> <p>Discuss the AMT with your tax advisor to determine if you may be subject to it and to identify steps that may lessen the tax.</p> | <p>1.</p> <p>2.</p> <p>3.</p> |