Merry Christmas
By Gary Case

One gift you can consider giving yourself is the gift of lower taxes. There are numerous investment and planning strategies that can potentially lower your income taxes. The Tax Foundation published a recent report in which they identify Idaho as the sixth highest state for total taxes, if the pending health care reform taxation is enacted (its not much lower without the new health care taxes).

With that in mind, here are a few tax saving strategies you may wish to consider:

- Long-Term Capital Gain Versus Ordinary Income Tax—capital gains taxes on property held longer than one year are currently lower than regular income taxes
- Tax-Free Municipal Bonds--some bonds are free of both federal and state income taxes, and their taxable equivalent yield is an attractive alternative when bank rates are low
- Qualified Dividends--certain dividends are taxed at capital gains rates, making for an attractive after-tax yield
- Health Savings Accounts—provide for pre-tax contributions and any unspent balance can be carried forward for use in future years…investment alternatives go well beyond interest bearing accounts—stocks, bonds, mutual funds, etc.; accumulate a pool of funds in your HSA prior to retirement since no funding is allowed for Medicare enrollees
- Life Insurance and Annuities—cash values in these accounts accumulate tax deferred and may be accessed under certain conditions free of income tax
- Oil & Gas Depletion Allowance
- Tax Qualified Retirement Plans (401k, SEP, IRA, SIMPLE, Profit Sharing, Roth, etc.)—you can often choose how you wish to receive tax benefits, taking a current deduction for traditional plans, or deferring income tax benefits by using the Roth option...of course, Roth Conversion will be a topic for discussion in 2010
- Tax Credits/Tax Deductions, including Section 179 deduction/expense—in addition to "normal" write offs, tax credits for energy efficient items is currently en vogue…businesses should look closely as section 179 deductions as a way to lower the cost of capital expenditures. Intangible drilling costs and depletion allowances still make oil and gas investing a potentially tax friendly investment
- Certain Business Structures (LLC, LP, Corporation, etc.)—LLCs provide flexibility in allocating tax benefits to selected members, C-Corporations can deduct certain benefit expenses, such as long-term care insurance premiums, and Health Reimbursement Arrangements may provide a way for a business to use pre-tax dollars to pay for medical expenses

This is not intended to be a comprehensive list, but a conversation with your financial planner and tax-advisor might just yield some additional tax savings.

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