

# MEMO

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**Date:** 11/19/07  
**From:** Jonathan D. Weir, JD\*  
**To:** WFR Clients and Friends  
**Subject:** 2007 End of Year Tax Planning Ideas

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As the end of the year approaches, it is a good time for you to engage in tax reduction strategies. You may find planning for income taxes to be more challenging than usual because of uncertainty over whether Congress will extend AMT relief. If Congress fails to act the Department of Treasury has estimated that 25 million taxpayers will be subject to AMT in 2007 – 21 million more than were subject to the tax in 2006. The Treasury estimates that these 25 million taxpayers will pay on average an additional \$2,000 in federal income tax.

We have compiled a checklist of actions that may help you to save taxes if you act before year-end. Not all actions will apply in your particular situation, but you will likely benefit from many of them. Working with your tax advisor, you can narrow down the specific actions that you can take to tailor a particular plan for your circumstances. In the meantime, please review the following list of potential tax-saving moves:

Delete items below that do not apply to your client.

- If you have realized capital gains or losses, it may be advisable for us to meet to discuss how you can best coordinate timing your gains and losses to minimize tax on your gains and maximize the tax benefit from your losses.
- If you or a family member are thinking of selling appreciated stock or other capital assets, and your (or their) income isn't taxed at a rate higher than 15%, it may pay to hold off on the sale until 2008. That way you may pay a zero tax on the gain; if you sell this year, you will pay a 5% tax on the gain.
- It may be advantageous to try to arrange with your employer to defer a bonus that may be coming your way until 2008.
- If you are thinking of making energy saving improvements to your home, such as putting in extra insulation or installing energy saving windows, consider doing so before year end in order to qualify for a tax credit that may not be available after 2007.
- If you are thinking of buying a hybrid vehicle eligible for a tax credit, purchase it before year-end after confirming that the particular model still qualifies for the credit.

- Business clients also should consider making expenditures that qualify for the \$112,000 business property expensing option.
- Those facing a penalty for underpayment of estimated tax may be able to eliminate or reduce it by increasing their withholding.
- Self-employed individuals should consider setting up a self-employed retirement plan.
- You can save gift and estate taxes by making gifts sheltered by the annual gift tax exclusion before the end of the year. You can give \$12,000 in 2007 to an unlimited number of individuals but you can not carry over unused exclusions from one year to the next.
- This year, the kiddie tax rules apply to kids under age 18; next year they will also apply to most children age 18 and most full time students age 19 through 23.
- If you're thinking of donating a used auto to charity, you may want to inquire whether the charity plans to sell the car or use it in its charitable activities; the latter may yield a bigger deduction for you.
- If you are age 70½ or older, and own IRAs and are thinking of making a charitable gift before year-end, arrange for the gift to be made directly by the IRA trustee. Such a transfer can achieve important tax savings but it won't be available after 2007 under current law.
- If you are receiving Social Security benefits, there are a number of steps you can take to reduce or eliminate tax on your benefits. Consider asking your employer to increase withholding of state and local taxes to pull the deduction of those taxes into this year (but only if doing so won't cause an AMT problem).

These are just some of the year-end steps that can be taken to save taxes. By contacting us, we can work with you and your tax advisor to tailor a particular plan that will work best for you.

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*\* Letter from the Secretary of the Treasury dated 10/23/2007.*

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