November 21, 2014

Year-End Planning for 2014

With the end of 2014 quickly approaching, now is the time to consider actions you can still take to minimize your taxes. There are many options available based on your unique tax situation, but here are a few interesting ones to consider:

- **Donate to the California College Access Tax Credit Fund -** A new California personal and corporate tax credit became available last month and is effective for tax years 2014 through 2016. Making a cash donation to the College Access Tax Credit Fund before year-end will not only help fund additional Cal Grants to eligible students, but could mean as much as 88% (vs. 53% for donations to other charities) in tax savings for every dollar contributed. Interested donors must submit an application that takes up to 10 days to process, so act now if you'd like to make a contribution by year-end.

- **Donate appreciated securities -** Giving appreciated stock held for more than one year to a charity will give you a deduction for the full fair market value for both regular and AMT purposes and allow you to avoid capital gains tax on the appreciation. If you would like to retain a position in the security, you can then use the cash you would have otherwise donated to purchase new investments with a "refreshed" basis, effectively receiving a step-up in basis in addition to meeting your charitable goals.

- **Contribute to a donor-advised fund (DAF) -** Contributing property (such as cash or appreciated securities held for more than one year) to a donor-advised fund by year-end will lock in a tax deduction equal to the fair market value of the property in the year of the gift. Assets are deposited into an investment account where they can grow tax-free until you decide when and to which charities to distribute.

- **Harvest losses using the "double-up" strategy** - If you would like to realize losses while retaining a position in a security, consider buying more shares in those securities (doubling up your position) by no later than November 28th, holding for 31 days, and selling the original loss position by December 31st.

- **Accelerate year-end income or deductions to break even with AMT -** Consider paying fourth quarter state taxes, both property tax installments, and other expenses due in early 2015 before year-end to accelerate the deductions into 2014. Time the receipt of year-end bonuses or the exercise and sale of incentive stock options to minimize taxes. AMT consequences should be considered in such planning.

- **Fund a Health Savings Account (HSA) -** If you are enrolled in a high-deductible health plan (HDHP), consider making an HSA contribution by April 15, 2015 to get a federal tax deduction for 2014. The funds, including earnings, can be withdrawn tax-free to pay for qualified medical expenses. There is no deadline to make a withdrawal, so you can leave the funds to grow tax-free in your account and reimburse yourself in future years for medical costs you incur now. If you do not currently have a HDHP plan, you may be able to enroll by December 1st and still be eligible to contribute the full amount allowed for 2014.

- **Max out your 401(k) contributions** - If you don't need the funds to pay for living expenses, consider directing more of your final paychecks into your 401(k) to maximize your elective deferrals. The maximum for 2014 is $17,500 ($23,000 if you are 50 years or older).

Before implementing any of the above tax planning strategies, please call us to discuss how they relate to your specific situation and needs.