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3 Quick Year End Steps Pay Off Big April 15

Tax reporting is annual, with every tax year standing alone. And by the time you figure your 2014 taxes in April 2015, it’s too late. Consider your own circumstances and focus on the biggest bottom-line effect. Here are three tax steps to consider as New Year’s approaches:

1. Get Paid This Year Or Next? It usually pays to defer income and accelerate deductions. Yet his year it may pay to *accelerate* income into 2014. Depending on your numbers, if you anticipate paying AMT, a little extra income in 2014 might take you back *out* of AMT. It might pay to grab income in 2014 rather than getting paid in 2015. Conversely, if you’ll be better off getting paid in 2015, consider trying to delay payments coming your way. You may not be in control of your own income, but you may have *some* degree of control. Just be careful of constructive receipt rules, since sometimes ‘pay me later’ means taxes now.

2. Pay Your State Taxes. For many taxpayers, one of the most important tax deductions is state income taxes. If you own a home, property taxes can also be big. Figure out approximately how much you will owe your state in April 2015 for 2014. If you pay the state taxes in December 2014, you can deduct them on your 2014 federal tax return. If you wait until April 2015 to pay, you can’t deduct them until you file your 2015 federal return in ***2016***.

Nevertheless, don't write a big state income tax and property tax checks on December 31 if they create an AMT problem. Figure your AMT by running the numbers. Many *regular* tax breaks are disallowed for AMT purposes. Examples include property taxes, state income taxes (or state sales tax), miscellaneous itemized deductions, and personal exemptions. If you elect to claim a sales tax deduction instead of a state income tax deduction, consider accelerating big purchases into 2014 to assure a deduction for sales taxes.

While you're figuring state taxes, it can be tempting to seek greener pastures. This isn't a year-end move or something to take lightly. However, if you think you can save a bundle, consider moving to a low-tax or no-tax state–for next year. See Moving To Beat High State Taxes? Watch Out.

3. Optimize Deductions, Including Charitable Contributions. Tax return time in April or October can be especially frightening if you haven't planned ahead. Before year end, tally your income and deductions and see how it looks. Often, that act alone will inform you what to do. You really can't handicap this without calculations. Try to claim deductions when you get the best benefit. Usually that's earlier, but not always. Consider using a credit card to prepay expenses if they'll generate deductions this year. Remember, credit card payments are like writing a check for tax purposes, even though you might not receive—or pay—the credit card bill until next year.

Every year end is a good time to think about charity and deductible contributions. Consider supersizing your tax deduction with stock or other property if you can. As year-end 2014 loomed, charities were holding their breath, hoping for a boost. Some enhanced charitable contribution rules that were set to end in 2013 also apply for 2014. There is an enhanced deduction for food inventory. There is also a rule facilitating charitable contributions by S corporations. Finally, there is another year of the charitable IRA rollover. IRA owners 70-1/2 or older can exclude up to $100,000 a year by having funds in their IRA paid directly to certain public charities.

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