

Yuma Business Direct

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PATHWAYS TO PROFIT

Decide who you're going to pay at tax time

The end of the year is quickly approaching. So while you're making plans for turkey dinners, family gatherings and gift exchanges, sneak in a little time for tax planning.

I know that taxes aren't due until April, but the deadline for most



BY LEAH THISS

transactions to be counted in this calendar year is Dec. 31. So, you need to decide now who you are going to pay — yourself or the Internal Revenue Service. I think I know what your answer is, so I'll give you a few tips to send the payments in the

right direction. In keeping with the holiday spirit, here's how gift giving can work in your favor:

► Buy yourself a gift of new equipment for your business. The equipment may improve efficiencies or add marketable capabilities to your business, but the icing on the cake is this purchase provides one of the most significant tax deductions available. Under Section 179 of the tax code, you can take a single deduction of up to \$112,000 for equipment purchased in 2007. If you spend more, the balance can be deducted through depreciation in subsequent years.

► Give a gift to your customers. Let them know how much you appreciate their business and hopefully they'll keep coming back for more. Gifts to customers are deductible - limited to \$25 per customer per year. The cost of sending customers holiday cards (purchase price of cards and the postage) is also deductible.

► Invest in the gift of year-round tax preparation. If you haven't already, take the time and resources to put a good accounting system in place. Tracking your expenses carefully throughout the year will make tax time a breeze — and ensure that you capture all of your

expenses and deductions.

► Make a gift to your future. Maximize your contributions to your retirement plan. It may be tough to write that check (you have until April 15 to make the contribution for 2007), but knowing that money will be coming back to you in your retirement should make it a little easier.

► Give the greatest gift of all and contribute to your favorite charities. Along with the reward of giving, there are often tax benefits as well. The deduction limit for most contributions is 50 percent of adjusted gross income (30 percent for most appreciated property). Contributions in excess of the limit can be carried over for up to five years. As you "pay it forward" instead of paying the IRS, be sure the organizations you are giving to are tax-qualified charitable organizations.

Also, be sure to track all of your giving throughout the year. Big contributions that translate to big deductions are hard to overlook. But those little out-of-pocket contributions — like what you pay for supplies while you're doing charitable work or the change that you drop into the collection box — all count and can really add up.

If you drive your own car while doing volunteer work, you can deduct 14 cents a mile. If your charitable work takes you out of town overnight, you can deduct the cost of transportation and the cost of your meals and lodging. These are just a few examples.

Spending money on the right things before the end of the year will reduce your tax liability. Your accountant can provide you with specific recommendations based on your unique business and financial situation.

Pay yourself or pay it forward, but don't pay the IRS more than you have to.

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