

TAX TIPS

2008 TAX TIPS NEWSLETTER



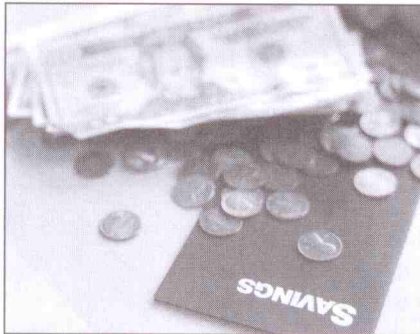
WILLIAM D. CUMMINGS, EA
Cummings Tax Service
(603) 262-1634
www.cummingstaxservice.com

Tax Tips 2008 Tips to Reduce Your Taxes

Remember that your obligation is to pay your fair share of taxes, but NOT A PENNY MORE. By understanding the tax laws you can make sure your obligation takes full advantage of tax savings opportunities. The tips discussed here offer numerous ideas to reduce the risk of paying too much.

Tips to Reduce Your Taxable Income in 2008

Tip 1 **Defer Income in Retirement Accounts.** There are numerous savings plans that allow you to contribute current income toward your retirement. This income is not taxed during 2008, only when you withdraw the money from your retirement account in a later year. The most common plans are 401(k), 403(b) or 457 plans. These employer sponsored plans often have the added bonus of employer matching contributions. Many IRA plans also offer this tax-deferred status as well.



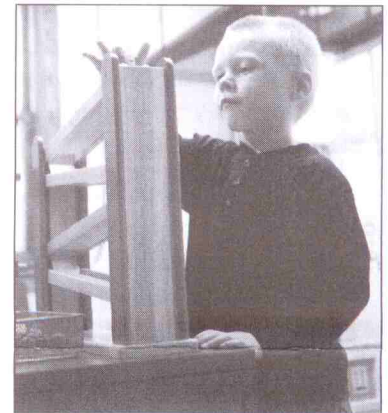
Tip 2 **Defer Income/Accelerate Expenses.** While this is not always possible, sometimes it is. Remember your tax return is on a "cash basis". If you did not effectively receive the income in 2008, you can defer it into 2009. Or if you write the check this year for the deductible expense on December 31st you can deduct it. This knowledge is especially helpful for self-employed individuals. Changing the timing of your billing or receipt of income (like a bonus check) can make a big difference in your taxable income.

Tip 3 **Effectively Use Capital Losses.** Each year you can write off up to \$3,000 in excess capital losses (i.e. stock loss) as an offset to income. Capital losses are first offset against capital gains, but excess losses up to the \$3,000 limit can eliminate high tax rate ordinary income. Better still, if you have a capital gain from a property you held for less than one year, you could offset this gain from an investment loss up to the total gain amount! The tax benefit is often much lower if your capital loss is used to offset long-term capital gains.

Tip 4 **Open a Health Savings Account (HSA).** This relatively new health insurance benefit allows you to set up an IRA-like account to pay for medical and

dental expenses. Any funds at the end of the year that are not used to pay for qualified medical expenses can be invested and carried over into future years. To qualify for an HSA you must be in a high deductible health insurance program. Other limitations apply.

Tip 5 **Use Employer Spending Accounts.** Employers often offer you the ability to pay for health care and dependant care expenses through spending accounts. The benefit of these accounts is you can pay for qualified day care and medical expenses using pre-tax dollars. You sign up for this benefit with your employer each year. The income you set aside in these accounts reduces your income, but the funds must be used each year or you will lose the unspent money.



Quick Tips

Tip 1 If you have not filed your 2007 tax return, remember you have until October 15, 2008 to file and still receive your Federal tax stimulus payment. You may be eligible for the refund even if you were not required to file a 2007 tax return.

Tip 2 Small business owners have a special bonus depreciation option for new assets purchased in 2008. This added bonus can allow you flexibility in planning for your 2008 tax obligation.

