

Financial Matters to Attend to Before the End of the Year
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Before you get to the last days of the year, there are several financial matters that you should consider in order to save yourself money and maximize your tax benefits. Year-end tax planning is as much about 2011 as it is about 2010. Often, there's a real opportunity for year-end tax savings when you can predict that you'll be paying taxes at a lower rate in one year than in the other.

Here are some of the top business and tax planning considerations for farriers:

- If you bill for your service, send out invoices a little later so as to receive payment in the following year if you wish to defer income. Postponing income can be desirable for those farriers who anticipate being in a lower tax bracket in the next year due to a changed financial circumstance. However, if your customer offers payment before the year ends, you cannot decline to accept the payment under the law.
- Consider extending your subscriptions to professional journals (like the American Farriers Journal), paying professional dues (like your local farriers association), enrolling ahead of time for clinics or farrier related courses, etc., if you need to increase your expenses for the current year.
- Make charitable contributions to tax-exempt organizations. You can charge last-minute donations in the current year to a credit card and take the deduction even if you pay the bill the next year. If you make the donation by check and the charity doesn't receive the money until the next year, you can still take the deduction for this year if you mailed the check by December 31st. Charity donations made by sole proprietors or S corporations don't apply to the business. In these cases, the deductions are passed through the individual owners and reported as an itemized deduction on the individual's tax return.
- Consider making last-minute equipment purchases to exercise expensing and depreciation bonuses. Due to frequent changes to the tax laws, find out what the current deduction limits are by visiting the IRS website.
- Consider using a credit card to prepay expenses so you can generate more deductions for this year.
- Bunching strategies are ways to be able to write off more deductions by bunching the deductions to the miscellaneous itemized deductions, medical expenses and other itemized deductions categories.
- Current inventory can be used for tax deductions. Conduct an inventory count to maximize tax benefits.

- The tax rules have been gradually getting better every year for the self-employed when it comes to deducting health insurance coverage. Currently self-employed taxpayers are allowed to deduct 100% of health insurance costs. That means if a self-employed individual is paying for themselves and their family, they can get a dollar-for-dollar deduction for them. However, it would be wise to make plans to handle any expected premium increases for the following year.
- Being self-employed, it is also wise to set-up a self-employed retirement plan (SEP-IRA). Typically, you can put 25 percent of earnings into the SEP-IRA. The IRS has provided incentives for small business owners to establish retirement plans. One bonus lets small business owner's claim up to \$500 per year as a tax credit for the first three years of the plan to cover administrative costs.
- In the upcoming year there will be a phase-out of itemized deductions and exemption amounts for higher-income individuals. Knowing your exact tax bracket will be even more important in the upcoming year. Currently, there are six marginal federal income tax brackets: 10%, 15%, 25%, 28%, 33%, and 35%. These brackets expire at the end of 2010. As things stand now, in 2011 the 10% bracket disappears, and the remaining brackets return to their pre-2001 levels: 15%, 28%, 31%, 36%, and 39.6%.
- It's so important to keep accurate accounting books throughout the year. Many farmers run their businesses from their checkbooks. The balance doesn't necessarily reflect what the tax liability is going to be. If you do not keep accurate and complete records you may end up paying more taxes than is due because of lack of evidence of tax deductible expenditure and/or inaccurate sales records. If your records are more accurate this will reduce the time taken to complete your tax returns and therefore reduce the amount you may pay out to your tax preparer.
- Every small business owner should seek expert assistance from a competent tax professional for a thorough analysis of their business position before implementing tax-related decisions. The importance of having a certified tax preparer cannot be overstated.

It is imperative to review all of these items in light of your overall planning and tax situation. There are many rules surrounding the suggestions above and careful planning should be considered before taking actions. Please consult with your financial and/or tax advisor before making changes.