



Client Tax Letter

Tax Saving and Planning Strategies from your Trusted Business AdvisorSM

July/August/September 2015

Citation and Resource Guide

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Are Tax Refunds Good or Bad?

- The IRS provides details about Form W-4, **Employee's Withholding Allowance Certificate**, at www.irs.gov/taxtopics/tc753.html.

Above-The-Line Tax Deductions

- The IRS explains the alimony deduction at www.irs.gov/taxtopics/tc452.html.

Holding Stocks in Retirement Accounts

- The IRS explains the tax rules for capital gains and losses at www.irs.gov/taxtopics/tc409.html.

Finding a Low-Tax State

- To see the rules on deducting state and local taxes, go to www.irs.gov/taxtopics/tc503.html.

Turn Relatives Into Employees to Reduce Taxes

- The IRS explains the tax issues involved with hiring family members at www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Family-Help.

When Workers Are Independent Contractors

- The IRS has tips for business owners on how to handle employee-vs.-independent contractor issues at www.irs.gov/uac/Employee-vs.-Independent-Contractor-%E2%80%93-Seven-Tips-for-Business-Owners.

Practice Development Tip

In Uncertain Times, Tax Savings Can Be Certain

As of this writing, financial advisors are reporting increased investor concern about volatility. Even though stocks are still near record highs, ongoing reports about lower oil prices, global terrorism, deflation in Europe and possible interest rate hikes in the U.S. have sent stock markets sharply lower one week and sharply higher another week. Such swings may make people uncomfortable about their holdings.

Indeed, it's likely that many of your clients share this unease. You may not be able to address their concerns about market volatility, but you can point out that clients may be able to save taxes, no matter how stocks fluctuate. This explanation can be delivered in personal meetings, broad mailings, or website posts.

Your suggestions might include taking capital losses when possible; clients who hold oil stocks or funds or other securities that have dropped recently can act now. Net capital losses up to \$3,000 a year can be deducted on tax returns, in addition to using losses to offset the tax on capital gains.

While describing the capital loss rules you also can cover wash sales. A client who sells oil company stock at a loss, for example, will lose the tax benefit by buying back the same stock right away. To have the loss as well as an ongoing investment position, the client could buy a different oil stock, buy an energy fund or wait more than 30 days before buying the stock previously sold at a loss.

Other tax-saving ideas could include maximizing retirement plan contributions. Large contributions to plans such as 401(k)s and Simplified Employee Pension (SEP) plans can trim a client's adjusted gross income, year after year. If clients put

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some or all of that money into volatile equities, they'll actually increase their share purchases when prices are down, which could help long-term returns.

Suggesting tactics such as harvesting capital losses and loading up on pre-tax retirement plan contributions are hardly startling. However, these ideas can help reduce clients' anxiety when financial markets fluctuate wildly. Bulls and bears will have their days, but every day is a good time to lock in tax savings.

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