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## Easy Year End Tax Planning

Sometimes year end tax planning does not have to be complex. The basic goal of year end planning is to accelerate already planned expenses into the current year instead of getting the tax deduction in the next year.

One of the easiest ways to accomplish this goal is through the timing of your capital expenditures and looking at those expenditures to determine if they are new assets or are a part used in a repair of an existing asset.

Tax depreciation is generally not affected by the number of days that you own equipment, if you buy more than 40% of your equipment in the last three months you must use the midquarter convention instead of the half year convention. You get the same deduction for equipment that is owned and used for six months as equipment that is owned and used for six days.

An easy way to accelerate your tax deduction is to move purchases planned for January and February into December. This is especially true for the end of 2009 as the special bonus depreciation allowance is scheduled to expire on December 31. 2009 provides an extra incentive with bonus depreciation where you can deduct about sixty percent of the cost of a computer in 2009 if it used in this year where waiting until January may bring that deduction down to twenty percent in 2010. The same amount will be deducted over the life of the computer but you will receive your tax benefit at a slower rate.

Looking at your purchases for the year you get to expense costs that are repairs to already existing equipment. The IRS issued Proposed Regulations in 2006 and 2008 to help set the standard of what is a repair versus the purchase of new equipment. The regulations still leave some items up to interpretation but do provide some guidance. The new regulations allow you to expense the purchase as long as it does not result in the betterment, restoration, or new use of the property.

These terms are defined in the regulations as follows. Betterment means that you have fixed a material defect that existed when you purchased the equipment or expand the equipment to increase its productivity. A restoration occurs when you have taken a loss from a casualty or make structural changes to the equipment or restore equipment that was previously no longer functional.

Determining if you have incurred a repair versus purchased a new asset has an even greater impact to calculation of your taxable income. This results in receiving all of the tax benefit in the current year as opposed to spreading it out over a number of years depending on the type of equipment.

These are a few simple things that everyone should analyze as they approach the end of their year. Sometimes the simple things can provide great benefits.

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