Say Goodbye to 2007 with Some Smart Tax Moves

December's a busy month, but it's not too late to focus on last-minute tax savings. Consult a tax or financial advisor such as a Certified Financial Planner™ professional to see if these might work for you:

Do an AMT sweep: One of the reasons why it's wise to consult a tax adviser before you start accelerating deductions is that certain people over $75,000 find themselves more susceptible to the alternative minimum tax if they proceed. The AMT is an alternative taxation process that's figured separately from your regular tax liability and you have to pay whichever tax is higher. State and local income taxes and property taxes, for example, are not deductible when figuring the AMT. Under the regular rules, medical expenses that exceed 7.5 percent of adjusted gross income can be deducted under the regular rules, but under the AMT, that threshold is 10 percent. Also, under regular rules, interest on up to $100,000 of home-equity loan debt is deductible no matter how the money is used, but under the AMT, the deduction holds only if the money was used to buy or improve a primary or second home. It pays to check your AMT risk before you execute any end-of-the-year tax-savings strategy.

Check investment gains and losses: If you have some capital losses in your taxable investment accounts, see if it makes sense to sell and offset them against any capital gains you've realized this year. Such losses can offset 100 percent of capital gains plus up to another $3,000 in ordinary income. Any losses in excess of that number can be carried forward to the next tax year.

Prepay property taxes: If it makes sense to accelerate that deduction, pay those early 2008 taxes before the end of the month.

Prepay state taxes: Again, if it makes sense based on your tax situation, consider making a fourth-quarter estimated state tax payment due in January this month to accelerate the deduction.

Defer income if possible: Self-employed people and some business owners might elect to invoice customers in January so they don't have to include that income on their 2007 return. Keep in mind that it only makes sense to defer income if you think you will be in the same or lower tax bracket next year.

Got time to go green? December isn't exactly everyone's favorite month for home renovations, but if you are inclined to replace windows, insulation or heating/air conditioning systems that meet particular energy conservation standards, you might qualify for a credit up to $500.

Consider the sales tax/income tax tradeoff: Taxpayers in 2007 will again have the option of claiming either state income tax paid or state sales taxes paid as itemized Schedule A deductions. If your state doesn't have an income tax, definitely start totaling all the sales taxes you've paid. However, if you do pay a state income tax but have purchased such big-ticket items as cars, boats or construction supplies and equipment during the year, run the numbers anyway. The total sales tax deduction is figured on an amount from the IRS state sales tax tables in addition to the actual sales tax amounts paid on the major purchase items. The alternative is to ignore the IRS Tables, and simply add up all sales tax payments.

Plan a stock donation to charity: If you have stock with a large unrealized capital gain that you've held longer than a year, you can give that stock to a qualified charity and claim a deduction for the current fair market value of the security. If you have a stock with an unrealized capital loss, do the opposite – sell the stock, claim the capital loss, then donate the resulting cash proceeds to charity. This is actually better than just donating cash, because you get the same deduction and never have to pay the capital gains taxes from the appreciated security.

Make sure donations are documented: As of January 1 this year, you now must have a either a receipt or a canceled check to back up any contribution, regardless of the amount. If you don't have such a written record, the IRS will reject the write-off if the lack of proper record keeping is discovered in an audit.

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