



WHAT CAN YOU DO BETWEEN NOW AND TAX TIME?

As we are approaching the end of the year, tax time will creep upon us without notice and time to get prepared. Here are three tips to assist the burden at tax time if you are a U.S. employee:

1. Withholding Tweaking:

If you want a large refund check next year, then decrease your withholdings to possibly “0” on the Form W-4. However, that refund check represents *your* money lent to the government interest-free. Most likely, you would prefer your money now so adjust your withholding to receive the minimal refund to the break-even point. Take the money you are now getting back and invest it by starting a savings account.

2. Retirement savings:

Are you contributing to a 401K at your job? Are you contributing to an IRA account? By funding a retirement savings account, you are saving for the future but possibly also on your taxes at tax time.

Depending on your situation, up to \$5,500 may be funded to a Traditional or Roth IRA each year. If you are 50 years or older, the amount increases to \$6,500 per year. If you can make few small contributions during the year, the account growth can be substantial once you reach retirement age. There are some good options between a traditional and a Roth IRA. If you open a Traditional IRA, the current year’s contributions may be deductible contingent on your income. The earnings in the IRA grow tax free until distribution time. When you retire, and receive distributions, your tax will be assessed. If you contribute to a Roth IRA, it is not tax deductible initially. However, as the fund grows, it is tax free with the distributions tax free as well. Moreover, it is possible to withdraw some of the contributions—but not earnings—without having to pay a tax penalty before you retire.

3. Health Savings Accounts – open one if you can!

During the open enrollment time at your employment, research the health savings account (HSA) benefits. You can receive a tax deduction for your HSA contributions and you don’t have to spend the balance by year-end, which is the case of the flexible spending accounts.

Contact your tax professional for further questions or clarification at info@mirtaxes.com.