End of Year Tax Planning

**SUMMARY KEYWORDS**

accountant, tax rate, tax bill, higher tax rate

**SPEAKERS**

Carey Berger

**Carey Berger** 00:01

Hi, I'm Carey Berger and this is the Crossroads program. Today we're going to talk about year-end tax planning. No, I'm not your accountant and your accountant will have much more specific answers. But in a general sense, the idea is this, we get this call every year. This is October currently. And the question is always, what can I do? I realize I'm going to have a big tax bill, because we've worked very hard, and we've been able to achieve some good numbers for this year. What can I do between now and year end to help solve some of those tax problems? Well, again, first of all, I'm not your accountant. So, I do have to direct you back to your own individual accountant. But that's the first piece of advice number one, talk to your accountant ask the question, don't just wait till it's past, there are some potentials. Two, next question is do you have any big plans for next year? Do you indeed have an expansion some key or expensive capital expenditure you plan to make? Can that be started? And can they get done now? Or get least sort of done, at least? The question with that is always going to be well, how far do I have to be and again, I would refer you back to your accountant, the general concept is it has to be in service. So, if you're buying a new, external refrigerator, okay, so it's a standalone unit, if it's sitting on your property, even if it's not plugged in, no problem that's going to be considered in service. If you're building a new building, and it's just maybe you've ordered it and you've put some money down. It may be harder, because it's not in service, clearly not in service. But somewhere in the middle is where we start getting into those good questions about can I go ahead and deduct this and this year? Number three, is do I want to deduct it this year versus next year? Well, now you're asking me to predict the future. And I tell you, once again, my crystal ball has a crack in it as does yours, probably too. I don't know what the tax rates will be next year. But let's assume for a second, the tax rates are going to go up, for example, which in, this is 2021, that is anticipated that that will be what happens in 2022. If the tax rates go up significantly, then the pushing your taxes into that year, is pushing it subject to a higher tax rate. So that's bad, right? It is. But, if you delay paying those taxes for one year, by being able to push them into the next year, then it's possible that even if the tax rate goes up, the return on your investment during the year when you're not giving it to the IRS could help offset that increase. Additionally, sometime between now and then we also don't know what's going to be happening in terms of your revenue. Are you going to have as big of a tax bill next year? I hope you do. I hope you have a great year. But those are the kind of questions that you have to look at. What is the likely tax rate? What is the use that you would put up the money if you don't pay it now, but instead, use it for other things? What return can you get on it? And then what is your likely tax rate? Income leading to your tax bill for next year? Those are the kinds of questions. There's a lot of discussions about Can I prepay for inventory? Can I do this? Can I do that? And I'm intentionally being vague because I'm directing back to your accountant or give us a call, we'd be happy to help you talk through it. Long and the short of it is though, do it now. We're not quite to Halloween and you're busy world is getting busier already. But if you wait till December 20, I promise you, we will not get anything done to help you to deal with your taxes this year, and potentially push them into next year. So, that's the conversation for the end of year tax planning. That's what we do here at the crossroads program. And I'm Carey Berger. Thank you.