

2013 Year-End Planning Tips

As the year 2013 comes to an end there are some important last minute steps that can be taken to mitigate income taxes owed in April.

Make sure to pay in the Safe-Harbor tax Amounts

- **Estimated tax safe harbor for higher income taxpayers.** If your 2013 adjusted gross income was more than \$150,000 (\$75,000 if you are married filing a separate return), you must pay the smaller of 90% of your expected tax for 2014 or 110% of the tax shown on your 2013 return to avoid an estimated tax penalty.
- Safe-Harbor amounts need to be paid quarterly through withholding or estimated payments
- If you are behind on making quarterly payments consider withholding more taxes on a year-end bonus (withholding is considered to be paid quarterly)

Plan to avoid Additional Medicare Tax

- **Additional Medicare Tax.** For tax years beginning after December 31, 2012, a 0.9% Additional Medicare Tax applies to Medicare wages and self employment income over a threshold amount based on your filing statuses.

Filing Status	Threshold Amount
Married filing jointly	\$250,000
Married filing separate	\$125,000
Single	\$200,000
Head of household (with qualifying person)	\$200,000
Qualifying widow(er) with dependent child	\$200,000

- Amounts are automatically withheld on all salaries & wages above \$200,000, with the 'true-calculation' of Medicare taxes to be completed/adjusted when you file your tax return.

Plan to avoid Net Investment Income Tax

- Same thresholds as the additional 9% Medicare tax, however, if you are an individual who is exempt from Medicare taxes, you still may be subject to the Net Investment Income Tax if you have Net Investment Income and also have modified adjusted gross income over the applicable thresholds.
- In general, investment income includes, but is not limited to: interest, dividends, capital gains, rental and royalty income, non-qualified annuities, income from businesses involved in trading of financial instruments or commodities and businesses that are passive activities to the taxpayer

Take Advantage of Arizona Tax Credits

See Arizona tax Credit alert handout from BFCo

- Private School Tuition Organization Credit
- Public School Credit
- Charities that Provide Assistance to the Working Poor
- Arizona Military Relief Fund