

## Beware of AMT

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You have already been bombarded with "tips" and ideas of how to get those last minute tax deductions in order to reduce your taxes or even get yourself a nice refund. These tips usually include:

- Paying property taxes in December instead of January to increase your itemized deductions
- Making an extra mortgage payment to increase your interest expense deduction.
- Now that sales tax has been extended, there are ads telling you to buy a new vehicle before the end of the year and deduct your sales tax
- Pay your investment fees in December instead of January as another way to increase your itemized deductions
- Paying your medical expenses in December instead of January

While all of the above are good suggestions to decrease your regular tax you may inadvertently subject yourself to AMT by doing so.

Since more and more taxpayers are being caught in the AMT trap, you shouldn't increase your deductions at year end without first doing a little tax planning to figure out if you will be subject to AMT.

If you find that you will be subject to AMT then instead of trying to increase your deductions you should be trying to decrease your "non-AMT" deductions and increase your income. Some ways to achieve this include:

- Pay your property taxes in January instead of December (assuming you won't be hit with a penalty)
- Do not make any extra mortgage payments in December
- Wait until next year to pay any medical expenses if the total of your medical expenses do not exceed 10% of your adjusted gross income
- Pay your employee business expenses, union dues, investment expenses, etc. in 2007
- Spread the exercise of your stock options over multiple years
- Redeem savings bonds or CDs before year end
- Sell short-term securities for a gain before year end

Every time they try to simplify the tax code it gets more complex, which means that every year is more important than the last to do tax planning in order to avoid or minimize any unexpected tax situations such as AMT.

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