

Duvall & Associates, Inc.

Taking Care of Business

PAYMENT OF TAXES - PART UNO

"...by the time your good old Uncle Sam gets done...there goes the shirt right off my back..." Johnny Cash

Consistently the simplest things in life are overlooked. Thus, individual taxpayers on constant lookout for complex tax gimmicks often ignore basic planning regarding tax payments.

The objective is to delay payment of taxes as long as possible without incurring late payment interest and penalties. This strategy allows you, and not the IRS, to earn interest income on deferred payments.

Example - In 2010 you owe total income taxes of \$15,000 Federal and \$3,000 Ohio. For 2011, if you pay in 100% of those 2010 taxes - no penalties will generally be assessed (in taxes exceptions always linger) - even if your 2011 income skyrockets and \$1 million is owed on your final April 15 returns.

Note - The Federal safety net increases to 110% 2010 taxes if your Federal Adjusted Gross Income exceeds \$150,000.

This is a great tactic in times of increasing income, but be careful to squirrel away current savings for payment the following April 15 (Americans have a particular fetish for spending loose cash.).

If you expect income to decline, the above strategy will generate April 15 refunds which are not necessarily desirable. Although packing the emotional impact of a Vegas jackpot, refunds indicate you paid taxes too early.

If next year's income is expected to drop, consider decreasing tax payments during the year as well. Obviously, employment of this game plan requires vigilant record-keeping and planning throughout the year.

Forecast well and you can hold on to your bucks just a little longer.

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