

# Common Sense

First Quarter 2004

**Financial News and Tips for Clients and Friends of Albertz & Associates**

## Important Dates

**March 15, 2004**

Corporate tax returns due.

**April 15, 2004**

Individual tax returns due. First estimated quarterly tax payment due.

**April 30, 2004**

City and personal property tax returns due.

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## Albertz & Associates, CPA, LLC

Mark Albertz, CPA  
Jenny Funk, Manager of Operations  
10901 Reed Hartman Highway  
Suite 218  
Cincinnati, OH 45242  
[www.albertzcpa.com](http://www.albertzcpa.com)  
(513) 891-8400

*"It's not what you earn,  
it's what you keep."*

## Seven Tax Strategies That Can Save You Thousands of Dollars

- 1. Contribute to retirement accounts.** An average taxpayer can save around \$960 in federal and state taxes by making a deductible IRA contribution of \$3,000. If your employer offers a 401(k), 403(b), or similar retirement plan, contribute as much as you can by the end of the year. To maximize tax savings, use a combination of retirement plans.
- 2. Organize your records.** This may not reduce your taxes, but it could save you a couple hundred dollars with your tax preparer and hours of your time as well.
- 3. Match capital gains with losses.** You can deduct up to \$3,000 of losses from your income before taxes are calculated. Losses greater than \$3,000 can be applied to future tax years.
- 4. Don't pay late...or early.** Most people know they'll owe penalties if they don't pay the IRS on time, but paying early can also cost you. If you make estimated payments, consult a tax advisor before making your January 15 payment in December. Deducting the payment a year early could backfire by making you liable for alternative minimum tax (see below).
- 5. File electronically.** Less than 1% of electronic returns have errors, compared with 20% of paper returns. If you owe money, you can still file electronically and delay payment until April 15th.
- 6. Consider a home office deduction.** If you've set up a home office for your own business or for your employer's convenience, you may be entitled to write off expenses associated with the portion of your home where you exclusively conduct business—including rent, utilities, insurance, housekeeping, and other costs.
- 7. Watch out for alternative minimum tax (AMT).** Recent changes to the tax code have increased the chance that you'll have to pay AMT. You're especially at risk if you claim miscellaneous deductions of more than 2% of your AGI, pay a high state income tax, or have a lot of dependents. Have your tax advisor run the numbers both ways to estimate your liability. The sooner you prepare, the more likely you'll avoid an unpleasant (and costly) surprise.

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