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Ring in the Tax Savings Before You Ring out the Year

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IMGCAP(1)]With only weeks remaining in 2013, many Americans have finalized their financial planning for the year, thinking they've done all they can to maximize tax savings. But many do not know there are still a number of opportunities to do some last-minute finagling to save as much as possible.

CPAs may have tipped off their taxpaying clients about several ways to stave off taxes as they come due in April 2014, but many may be so mired in year-end details they have forgotten to advise clients of some important strategies—whether their clients are individuals or business owners. The following four tips might help save a little or a bundle:

1. Make a charitable contribution deduction, even if you don't know who the beneficiary will be. There are a number of ways to make a charitable contribution deduction, such as a charitable lead annuity trust, a charitable limited liability company and a charitable reminder trust. But even if you haven't determined who the ultimate beneficiary will be, you can still open a donor-advised fund at a community foundation (e.g., the California Community Foundation) and receive the deduction this year while you decide on the beneficiary next year.

2. Invest in oil and gas drilling partnerships. These types of partnerships offer 90 to 100 percent deductions for the investment, and may provide distributions of 5 to 9 percent in gas, or 15 percent in oil, over decades. They can also be legacy assets for heirs. Gas prices may be at historic lows right now, but as the U.S. opens up its export market to a hungry global marketplace, prices are likely to increase over the coming decades.

3. Form a Section 831(b) captive insurance company. For closely held businesses, this can be the largest deduction available to you as the first $1.2 million of premium can be received tax free by the captive. It's typically owned by you (the operating business owner) or by a trust that benefits your heirs. Currently permissible in 30 states, formation can be complicated and captive managers may charge a hefty fee. Nonetheless, the overall advantages—to asset protection, risk mitigation, and income and estate tax benefits—can be stunning.

4. Make sure you have a defined benefit pension plan. Skewing the benefits to the owner-employee is still the safest and second biggest deduction available to businesses with 30 employees or less. Enlisting a skilled tax attorney to work with the actuary can help you achieve a very favorable result.

Bruce Givner, Esq., is a tax lawyer with the Los Angeles law firm of Givner & Kaye, A Professional Corporation. He can be reached at Bruce@GivnerKaye.com.