

EXPERT  
CONTRIBUTOR

For the year Jan. 1-Dec

Your first name and

If a joint return

Home address

City, town

For

Department of the Treasury

U.S. Individual

- other tax y

For calen  
Inform

Form 1065

Department of the Treasury  
Internal Revenue Service

A Principal business activity

Type

B Principal product or service

C Business number

Check account

Check account

# Tax Saving Strategies

■ By Rochelle L. Moore, CPA/PFS, CFP®, CFA®

**W**e would like to share various tax saving strategies by deferring income, maximizing deductions and more. Regardless of the strategy employed, proper documentation is important. Taxpayers may lose valuable deductions by failing to keep receipts or the detailed records that the IRS requires. Neglecting to track these deductions may lead to overlooking them as well.

It's important to also maintain record of your income. Document a gift or inheritance received in case the IRS tries to argue that it's unreported taxable income.

## Deferring Income

- Often individuals are in a higher tax bracket while working than when they later retire. When you defer income until retirement, such as with a 401(k) or 403(b) account, you may be paying taxes on those funds, and the earnings, at a lower rate.

- If your employer offers a retirement plan, contribute as much as possible. There may be an added benefit if your employer matches a portion of employee contributions. If you are unable to contribute the maximum allowed, try to contribute at least enough to receive the "free money" match from your employer.
- If you have earned income without an employer-sponsored plan available, you can accumulate tax deferred income by investing in a traditional or Roth IRA. You may also be able to contribute to a spousal IRA if your spouse has little or no earned income. IRAs defer the taxation of investment earnings. Traditional IRAs offer a potential tax deduction for the year a contribution is made. Roth IRAs allow funds to be withdrawn tax free if certain requirements are met.
- If you've earned a year-end bonus, you may be able to delay receiving it until January. This defers the related tax liability for another year. You may further save on taxes if you expect to be in a lower tax bracket the following year.

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- Take advantage of lower long-term capital gains rates by holding investment assets at least twelve months. If you have investments in a loss position, consider selling it prior to year-end. You can offset capital gains with capital losses, plus deduct another \$3,000. If you are planning to sell an investment at a gain, it may be best to wait until after the end of the year to delay the related tax liability another year.

## Maximizing Deductions

- You can achieve the same effect of deferring income by accelerating deductions, such as paying a state fourth quarter estimated tax payment in December, instead of waiting until the January 15th due date the following year.
- If you drive your personal vehicle for business, medical or charitable purposes, you may benefit from a tax deduction of \$0.70, \$0.21 or \$0.14 cents per mile, respectively (2025 rates). The IRS requires that you keep detailed records of miles driven to support your deduction.
- Medical expenses are a deductible itemized deduction to the extent they exceed 7.5% of your adjusted gross income for the year. This may be a high hurdle for many taxpayers. However, you may be able to "bunch" deductions by delaying payments in one year and then prepay the next year. By bunching two years' worth of expenses into one tax year, you may benefit from having higher itemized deductions in the year of the bunching and then claiming the standard deduction in opposite years.
- If your employer offers a pre-tax medical benefit plan, such as a Health Savings Account or Flex Spending Account, you may be able to effectively get a deduction for medical expenses by setting aside a portion of your wages on a pre-tax basis. The funds in this account are then used to pay or reimburse you for qualifying medical expenses incurred.

## More Strategies

- During 2025, you can give away or gift up to \$19,000 in cash and/or assets, or a combined value of \$38,000 with your spouse, per recipient, per year without incurring any federal gift tax. Future income on these transferred funds will then be

shifted to the recipient and taxed at their individual tax rate, which is typically lower.

- You can essentially increase the federal gifting limit by directly paying the qualified medical or educational expenses of your donee. There is no limit to the amount you can pay under these two exceptions, and the funds escape federal gift tax entirely.
- If you are thinking about making a charitable gift, consider donating appreciated assets instead of selling them and donating the proceeds. By doing so, you avoid paying capital gains tax on the sale and the charity receives a larger benefit. Additionally, you get to claim the fair market value of the property as a deduction on your tax return.
- While married couples typically file their individual income tax returns together, each year they have the option to file separately. This may be beneficial if your incomes are about equal, if one spouse has high medical expenses or an income-based student loan repayment plan. Make sure other tax breaks are not limited or lost altogether, and watch state taxes as well.
- Interest earned by investing in Treasury securities (bills, bonds, or notes) is exempt from state and local income tax. When investing in Treasury bills that mature in the following tax year, the tax liability on the earnings gets deferred another year.
- Similarly, interest on municipal (state or local) bonds is generally exempt from federal income tax and from state income tax by the issuing state or locality.

There are more strategies available for those who are self-employed. If you run your own business, there are opportunities with retirement plans, accelerating depreciation deductions, deducting health insurance, employing your children and more.

Tax strategies should be tailored to your specific situation. If you think one or more of them fits your situation, we would love to discuss it with you further. Give us a call at (309) 276-0977 or visit us online and check out the free resources available at [www.SaveMooreTax.com](http://www.SaveMooreTax.com).



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