

Personal Finance

## Things to take care of before the end of the year

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Many people make charitable gifts before year-end.

You can make the same gift and save taxes if you use appreciated stock that you've held for more than one year. By making a gift of stock rather than cash, you'll avoid paying tax on the appreciation, but you'll be able to deduct the full value of the stock.

If you're older than 70½, the recently signed Pension Protection Act of 2006 also will make your charitable giving more tax-efficient. If you meet the age criteria, you can gift up to \$100,000 per year directly from your IRA or a rollover IRA to any public charity. Unfortunately, this doesn't apply to supporting or donor-advised funds. Under the current law, this could be done in both 2006 and 2007.

Another plan to consider is the prepayment of your Colorado income-tax liability before year-end. The same money will be due by April 15, 2007, but you can ensure a 2006 federal tax deduction if you make the same payment by year-end. Make sure that alternative minimum tax issues aren't a consideration.

Having just completed the harvest holiday, we're reminded it's time to harvest our portfolios. The recent run-up in the stock market may have altered your asset allocation, meaning that some asset sales and purchases are required to rebalance your portfolio.

While you're doing this, look at your portfolio for any opportunity to harvest losses, as they can be used to offset gains and reduce your tax liability.

If you're a mutual-fund investor, you'll likely be receiving capital gains distributions from your funds in the next three weeks, and those capital gains can be offset by capital losses either from current securities sales or tax loss carry-forwards.

To the extent possible, try to offset your short-term gains with short-term losses, because the tax rate applied to your short-term gains will be the same one applied to your ordinary income.

The harvesting of gains also can have an impact on how much investment interest can be deducted; margin interest is considered investment interest. Investment interest is the interest you pay on money that was used to purchase the investments. It's tax-deductible on your tax return up to the amount of your investment income, and investment income is increased by both long- and short-term capital gains, as well as by interest and dividend income.

Finally, how would you like to get back 70 cents of every dollar you donate to charity? You can do this by making charitable donations that qualify for the Colorado Child Care Contribution Credit. That credit was established to encourage greater private support of Colorado child-care programs.

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This state income-tax credit is available to businesses and individuals who give to qualified charities that provide child-care services. The list is extensive, but you still should check with any charity that's providing child-care services to see if it qualifies.

You can claim a state income-tax credit of 50 percent of your total contribution, and still take federal and state tax deductions. Only monetary donations are eligible. In-kind gifts, such as stock or other securities, labor or equipment, don't qualify for the credit. The maximum credit you can take in any year is the lower of \$100,000 or your actual Colorado income-tax liability.

Everyone's financial situation is different, so we would encourage you to check with your tax adviser to verify that the above suggestions would be applicable to your specific circumstances.

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