December 20, 2007

Celebrate The New Year Knowing You've Made Wise Income Tax Decisions

Huntington Offers Five Tips That May Benefit You for the 2007 Tax Year

COLUMBUS, Ohio, Dec. 20 /PRNewswire-FirstCall/ -- Before you pop that New Year's Eve champagne cork, take the time during the busy week ahead to look at the implications of recent tax code changes. This is more important than ever for the tax year ending Dec. 31, 2007 in light of some provisions that may not be extended after this year.

"Even though this is the busiest week of the year, try to schedule some time to review your taxes," said Kathy Houck, senior vice president in Huntington's private financial group. "Whether you review your taxes yourself, or schedule time with your financial advisor or accountant, you will want to consider some major tax code changes that may affect you and will require action prior to 2008 if you want to take advantage of them."

1.) Add some gifts to Santa's bag: Tax law changes effective in tax year 2008 will close the tax savings opportunity on investment gifts to children between the ages of 18-23. The so-called "kiddie tax loophole" allows the gift of appreciated stock to be gifted to children who pay lower tax rates on profits gained from the sale of the stock. Parents must act before December 31, 2007 if they want to take advantage of this gifting opportunity.

2.) Review your college savings plan: Additional changes in the tax laws have caused many to rethink traditional custodial accounts that were usually established so that parents could save money or make investments in the name of their children. Known as Uniform Gift to Minor and Uniform Transfer to Minor accounts, they were attractive because the child usually paid a lower rate on the unearned income. Changes in the law now mean that children under the age of 18 who are still in school must pay tax on the unearned income at their parents' rate. The tax expands to 18 year-olds and full-time students aged 19 to 23 beginning with 2008. The college savings plans known as 529 Plans may be the better route to go because they are not subject to the "kiddie tax". You might also consider Series EE U.S. Savings Bonds. Whatever investment vehicle you choose, it is important not to put off establishing some type of a college savings plan. When your children are old enough to go to college, it is critical that you have an established source of college funds so that you are not paying for their education with your retirement savings.

3.) Don't forget your favorite charity: Another tax law change allows you to donate appreciated assets to a qualified charity. For example, say you had shares of stock in the Acme Co. that you purchased for $10 a share. The stock is now worth $15 a share. You can donate the stock at the higher price of $15 per share. The charity will benefit by obtaining the full value of the stock and you can deduct the value of the stock up to 30 percent of your adjusted gross income. Your portfolio might also benefit from this tax provision if it enables you to remove a stock that you were holding only because of a large capital gain tax liability. So if you are feeling charitable, 2007 may be a good time to act.

4.) Establish an IRA: A provision scheduled to expire at the end of this year, allows those 70 1/2 and older to contribute up to $100,000 annually to charity from their IRA accounts, without having to pay income taxes on the IRA distributions.

5.) Check with a professional: Each individual's circumstances are unique. Make sure you discuss all tax planning strategies with your financial advisory team prior to implementation. As we all know, taxes are inevitable, but smart planning today can save you money now and in the future.

About Huntington

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