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[How To Beat Taxes and Not Beaten, If Possible, At the End of 2010](#)

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There might still be some time to take advantage of some losses to offset some gains or make some intelligent and praiseworthy charitable contributions. In addition, some people should avoid making some tax moves in the event they will be snared by Alternative Minimum Tax idiosyncratic rules. Let us explore what could be done and what should not be done.

1. CAPITAL LOSSES VS. CAPITAL GAINS

If you have bonds, stocks, mutual funds or other securities which are performing poorly and have been thinking to part with them, this MIGHT be the time for such partition.

RATIONALE FOR VALUE OF CAPITAL LOSSES

Capital losses, if used appropriately, could reduce your taxable income. In fact, CAPITAL LOSSES could trim your CAPITAL GAINS dollar for dollar, WITH NO LIMIT.

OVERSIMPLIFIED EXAMPLE

Let us say you have owned a stock for several years for \$15,000 gain. Coincidentally or otherwise, you also sell another stock you have owned for several years and make a \$15,000 loss. The latter capital loss would wipe out your entire capital gain dollar for dollar for the year.

2. CAPITAL LOSS VS. ORDINARY LOSS

Capital losses could still be valuable even if your capital losses are less than your capital gains. In that case you can deduct up to \$3,000 (if married filing jointly) OR \$1,500 (if married BUT filing separately from your spouse) of the CAPITAL LOSS from your wages or other ordinary income.

3. ITEMIZED DEDUCTIONS VS. CHARITABLE CONTRIBUTIONS

If you itemize your deductions, then it is an opportune time to make charitable contributions to the lofty causes you care about. Even if you do not have the money now, you could charge your credit card, even though you will pay next year.

Nonetheless, if you do not plan to itemize your deductions for 2010, then you SHOULD NOT make charitable contributions this year and wait for 2011 for such deductions and contributions.

4. ITEMIZED DEDUCTIONS VS. ALTERNATIVE MINIMUM TAX

CAVEATS

If you itemize your deductions, you SHOULD NOT PREPAY your state and federal taxes this year, if you SUSPECT you will be snared by ALTERNATIVE MINIMUM TAX. The most prudent approach, possibly, is to just pay such taxes until they are due next year. The reason is under ALTERNATIVE MINIMUM TAX, federal and state taxes are not allowed.

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