How to Minimize Your Taxes

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Who likes paying taxes? No one! Below are some ways you may be able to minimize or avoid taxes:

Real Estate Taxes

- **Abatements**. You may already be aware of the senior and veterans abatements, but did you know that you could be eligible for other abatements in your community. Contact the Assessor's Office to inquire.
- **Senior tax work-off.** Your community has a tax work-off program that allows you to substantially reduce your tax bill by "working off" or volunteering in designated town departments. Contact your Council on Aging to ask about eligibility and application deadlines.
- **The state "circuit breaker" program**. If your taxes (plus 50% of water and sewer bills) exceed 25% of your annual income, Massachusetts will reimburse you for part of the bill up to $1,000, even if you do not pay state income taxes. You can also apply retroactively if you failed to apply for this over the past 2 years.

Income Taxes

- **Maximize your medical deductions**. Seniors who get care at home or live in an assisted living community or nursing home typically have many medical expenses. The cost of care and even the "rent" may be a medical deduction that can offset your income and reduce taxes. It may be a great time to pull tax-deferred funds and reduce or eliminate the taxes you would have paid.

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- **Offset your gifting.** If your kids each received an equal share of your IRA before taxes, they may actually receive an unequal share after taxes if their federal tax brackets are different. To offset this, give your tax-deferred money to the children with less income and balance it off by increasing the shares to the others from other assets. Or, consider giving your IRA to charity; the charity receives it tax free *and* it may reduce your estate tax.

Estate Taxes

- **Don't worry about it unless your estate will be worth more than $1 Million when you pass away.**
- **Give it away before you die**. If you (or your Power of Attorney agent) give away all your assets the day before you die, you will have reduced your taxable estate to zero and, therefore, your estate tax to zero. Remember, there is no gift tax unless you give away more than $11,580,000 during your lifetime. If you can't give it all away, any amount you do give is not taxed in your estate, which will save Mass. estate tax.

For more information, please feel free to contact me at (508) 860-1470 or abergeron@mirickoconnell.com. I will also focus on this issue in my August virtual seminar, which will be aired on local cable stations. You can also find the seminar on Frank and Mary's YouTube channel, www.youtube.com/elderlawfrankandmary. Frank and Mary's YouTube channel may be a helpful resource during COVID-19, as my co-hosts and I address many common issues facing seniors and the resources available during the pandemic through weekly virtual local cable TV shows.

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