

## TAX DEDUCTIONS AND COMMON SENSE

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Although I do not know many folks who really enjoy paying income taxes, taxes are obviously a necessity to provide for certain needs and benefits of the country we live in.

Having said that, many folks are so opposed to paying taxes, they sometimes forget the overall financial impact or economics of decisions made solely to avoid paying taxes.

One example that I have come across numerous times in my years in the business, silly as it may seem, goes something like this.....

Joe and Jane have finally reached the point in their life they are ready to pay off the last of their home mortgage. For the past several years, Joe has bemoaned the fact that his deductions are decreasing, therefore his taxes have increased slightly. When talking with a friend, his buddy indicated that he went out and borrowed some money on his home equity line so that he could continue to get an interest deduction and lower his tax burden. He figured in his tax bracket he was saving 25% plus in Federal and State income taxes on that money.

Joe so loathed paying taxes he thought this was a great idea. Most of you can already see the issue with this. I had to point out the obvious to him. Although he might be saving 25 cents in tax on every dollar of interest he paid, he does not get to keep the other 75 cents.....it goes to the bank!

This is just one simple example of poor decisions made solely to avoid taxes. Another common area, although not as popular as it was many years ago, is when folks get into investments that provide a "write-off" on their taxes. In some cases, these are poor investments, and although one might get a write-off, you could also lose your investment.



If you have questions about this or any other business or tax issue, please contact your Account Manager or [John Martens, CPA](mailto:John.Martens@connerash.com), at (314) 205-2510 or via email at [jmartens@connerash.com](mailto:jmartens@connerash.com).