

PASSING THE BUCK

CHECK OUT THESE COMMONLY OVERLOOKED TAX DEDUCTIONS AND CREDITS

BY CLAIRE YEZBAK FADDEN, ASSOCIATE EDITOR

Because of the downturn in the economy, everyone is looking for new ways to save a buck. Clipping coupons, brown bagging your lunch or even learning how to make your own lo-fat mocha latte can help stretch your dollars. But there's another, often elusive source of funds—money you've already earned—and it's hidden among the many lines of Uncle Sam's 1040 form.

"The average person overpays the IRS by over \$2,000 per year," says Roni Deutch, tax expert and author of *The Tax Lady's Guide to Beating the IRS: And Saving Big Bucks on Your Taxes*. Deutch says that there are tax deductions and credits that are often missed. For example, did you know that you can deduct the expenses associated with job hunting?

"Due to recent layoffs, more and more Americans are searching for jobs," says Deutch. "The money spent on searching for employment such as printing resumes, transportation to and from interviews and cell phone bills are tax deductible." She offers more tax tips in her book and on her website taxladybook.com.

PUTTING A KID OR GRANDKID THOROUGH COLLEGE?

Harvesting losses from your portfolio prior to year's end is a well-documented tax-saving strategy. If you have a child in college and you

are applying for federal financial aid, taking these losses prior to the end of the taxable year has an additional benefit.

"Losses from your portfolio can reduce your adjusted gross income, which in turn can increase your eligibility for gift- and merit-based aid or preferred loans," says Marc R. Hill, CCPS, RFC. A financial planner by training, Hill now works full time as a publisher and coach to educate families about ways to dramatically cut college costs while protecting retirement accounts.

Although a family itemizes, there comes a point when income reaches a certain level that all or part of the personal exemption is phased out, eliminating any tax benefit that is received from your child's personal exemption. Hill encourages parents to work with their qualified tax advisor to determine if their child can show that the parents are providing over half of their support, so they can claim the personal exemption on their tax return.

"In today's economy, many grandparents gladly assist with higher educational costs. But don't forget that you may be able to still claim the Hope or Lifetime Learning credit when preparing your annual tax return," says Hill. "These credits are available to the taxpayer who claims the student as a dependent, even if

the expenses are paid by someone else. Be sure to discuss this with your qualified tax advisor," adds Hill.

To receive Hill's free monthly e-newsletter, *College Savings Tip Sheet*, visit <http://www.reduceyourcollegecosts.info>.

A TAX CREDIT FOR NEW HOMEOWNERS

"If you bought or plan to buy a home between April 9, 2008, and June 30, 2009, you may qualify for a new tax credit," advises Brian Compton, a certified tax resolution specialist and licensed CPA. "However, you're only eligible if you haven't owned a principal residence in the U.S. during the three-year period leading up to the purchase date." Compton, a CPA, is president of Tax Resolution Services, Co. a provider of affordable solutions to people with tax problems.

The maximum credit equals the lesser of: 10 percent of the home price or \$7,500 for married filing joint status and \$3,750 for married filing separate status. "The credit offsets both your regular tax and the alternative minimum tax (AMT) and is refundable," says Compton. This means that the government will refund any amount after the credit has been used to offset your total federal income tax. "The bad news is the taxpayer must repay the credit

over a 15-year period," Compton says.

NEW PROPERTY TAX DEDUCTIONS FOR NON-ITEMIZERS

Compton adds that if you don't itemize deductions, you may qualify for a new write-off for estate and local real property taxes. This new deduction is in addition to the standard deduction with a maximum add-on of \$1,000 for married joint-filers and \$500 for all other taxpayers.

SECOND BITE OF THE STIMULUS APPLE

"In 2008, you had the chance to collect an economic stimulus rebate payment based on your 2007 tax return," Compton says. "The maximum amount was \$1,200 for a married joint-filing couple and \$600 for all others. Those taxpayers with children could be eligible for an additional \$300 per child.

"For those taxpayers who did not receive a rebate or who received less than the maximum, they have another opportunity to collect the rebate based on information reported on your 2008 tax return," he says. "Potentially, taxpayers can collect the difference between the maximum rebate and what they received last year." Visit Compton's website, www.taxresolution.com, for more information about resolving tax problems. ♦

EASY TAX EXTENSIONS IN MINUTES

Are you a tax-paying procrastinator who doesn't want to pay last-minute CPA filing fees, want to avoid the tax season rush, or just can't meet the April 15 deadline? Not to worry. You can file for a tax extension and providing a reason is not necessary.

Each year, 10 million taxpayers and 5 million

businesses file tax extensions. Extensions allow them five to six more months to file the necessary tax paperwork. FileLater, an authorized IRS E-File provider, is a safe, easy and convenient online service that provides tax extensions in minutes. When filed correctly and on time the IRS approves and grants all extensions. Extension requests

submitted by mail do not receive a notification that the request has been approved; however, FileLater sends customers a confirmation email within one day when the IRS approves their extension. Individual tax extensions launch at \$17.95 and business extensions launch at \$49.95. For more information on FileLater, visit www.filelater.com.