



Income The IRS Can't Touch

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(NAPS)—Keeping the tax man away from your money may be easier than you think. With a bit of planning, you can cut your tax bill:

Tax-free interest: Interest earned on bonds issued by a state, territory, municipality or any political subdivision is free from federal taxes. If you're in the top 35 percent bracket, a five percent tax-free rate is like a taxable rate of 7.69 percent. At investinginbonds.com you can compare taxable and tax-free yields. Some bonds may also escape state and local taxes.

Carpool receipts: Commuting to work? Bring a friend. If you form a carpool, payments from passengers for repairs, gas and so on, are not included in your income.

Sell your house: If your house was your principal residence for two of the last five years, you can exclude as much as \$250,000 in gain (\$500,000 on a joint return) when you sell it. You don't have to reinvest the money and you can claim the exclusion every two years.

Tax-free compensation: When you're due for a raise, ask your company for nontaxable compensation. Health and hospitalization insurance premiums are tax-free for you and your firm.

Cover your life: Group term life insurance coverage of \$50,000 or less paid for by your company isn't taxed to you. You pick the beneficiary; your company pays the premiums. Your company deducts the expense; you walk away with additional tax-free income.

Send yourself to school: Get educated. The courses don't have to be job-related. Your company can pay, and deduct, as much as \$5,250 per year in educational assistance that



Don't overpay taxes on income protected by the U.S. tax code.

comes to you tax-free.

Get you there: Your company can give you discount fare cards, passes or tokens to take public transportation to work as long as it's worth under \$100 a month, you get it tax-free. If you drive and have to pay for parking, your company can provide free parking, up to a maximum value of \$180 a month, to you tax-free.

Flexible Spending Accounts: Your company makes deductible contributions under a written plan, you select between taxable and nontaxable benefits. To the extent you chose nontaxable benefits, you have no additional income. nontaxable benefits may include group life insurance, disability benefits, dependent care and/or accident and health benefits.

Any time you convert taxable income into nontaxable income, you've given yourself a raise.

Microsoft Money provides access to helpful tips and tax tools such as the Tax Estimator, which tracks all types of income and expenses. For more information, see www.microsoft.com/money/.