Tax Tips

10 Big Deductions Too Many People Miss

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(NAPSA)—If you don't know about a potential tax break, you won't take it. How many times have you done your taxes and learned you had missed the opportunity for a deduction? Here are deductions a lot of taxpayers seem to forget.

Noncash contributions: Charity begins with...a tax deduction. Get a receipt from the charity to which you made a donation. If you gave things away, their value is deductible. Get a written receipt.

New points on refinancing: Any points you pay to refinance your home can be deducted on a monthly basis over the life of the new loan.

Old points on refinancing: All unamortized points on an old refinancing are deducted in the year of a new refinancing. Say you refinanced in 2003 and paid $2,400 in points. You refinanced again in 2004. You can deduct all the remaining points.

Health insurance premiums: They are deductible as long as all your medical expenses exceed 7.5 percent of adjusted gross income.

Educator expenses: If you're a qualified educator, you can get an above-the-line deduction of $250 for materials you bought—books, supplies, even computer equipment.

Student higher education expenses: If your adjusted gross income isn't more than $65,000, you can get an above-the-line deduction of $4,000 for higher education expenses you paid.

Clean fuel deduction: You can get another above-the-line deduction of up to $2,000 for buying a clean fuel vehicle such as a hybrid car. Write "clean fuel" on your Form 1040.

Too many taxpayers discover too late they missed an opportunity for a deduction.

Investment and tax expenses: Deduct tax planning and investment expenses that exceed two percent of your adjusted gross income. Track your business expenses, tax preparation fees and the portion of your legal or accounting fees related to tax planning. In a divorce, legal time spent relating to the tax aspects of alimony and child support would qualify. So do the tax aspects of estate planning.

Casualty deductions: People in areas the government declared a disaster area can claim their loss.

Retirement tax credit: What you contribute to your retirement account isn't taxed currently. So, it's like a deduction off your income. In addition, you get a credit of as much as half of the first $2,000. Contributions to a 401(k), 403(b), SEP, traditional or Roth IRA all qualify.

For additional tax tips and access to other helpful tools like Microsoft Money's Deduction Finder, which helps to maximize your deductions and refund, see www.microsoft.com/money/.