

THE TAX PICTURE

Year-end Tips For Tax Savings

(NAPSA)—The last several weeks of the year are typically packed with holiday events and tasks. This year, consider setting aside a little time for taxes. Taking just a few simple steps by December 31 could save you hundreds of tax dollars.

To start, estimate your federal and state taxes using a tax preparation solution. Companies make their tax preparation software available at different times, but TaxACT is the first to release its software each year in early October and TaxACT Free Edition estimates your federal taxes for free.

Using a tax preparation solution will help identify areas for potential savings, especially those that require action by December 31. You'll also see the impact of the latest tax law changes on your bottom line. Tax breaks you claimed last year may have expired, changed amounts or have different qualifications. Conversely, new tax breaks may be available.

Knowing early the approximate amount you'll be refunded or owe may influence your year-end spending. If you expect a large refund, you can begin planning how to invest that money. If you have a balance due, make a payment now or adjust your withholding through the end of the year so you'll owe less at tax time.

Even if you don't estimate your taxes, consider making these year-end, money-saving moves:

- Give charitably to IRS-approved organizations if you itemize deductions. Whether you donate cash, clothing or household items, save your gift receipts. Use the fair market value to determine the deductible amount of your non-cash donations.

- Some energy-efficient home improvements made before December 31, 2011 will result in tax credits. Visit energy.gov for information.

- If you (not your mortgage company) pay your own real estate taxes, consider prepaying taxes due early 2012 by December 31 so you can deduct them on your federal return.



Proper planning can mean more money for you at tax time.

- Make your January mortgage payment by December 31 to increase your mortgage interest deduction. If your mortgage interest statement does not reflect your pre-January 1 payment, deduct the correct amount on your tax return and submit a statement with your return explaining the difference between your deduction amount and the lender's statement.

- Contribute the maximum allowed amounts to your 401(k) or 403(b) retirement plans.

- Convert your traditional IRA to a Roth IRA. The gross income cap for who can convert has been removed.

- Defer income such as year-end bonuses and stock options until January 1, 2012 to decrease your taxable income for 2011.

- If you own stocks with big losses, consider selling them in order to offset taxes on gains.

- Contribute to a 529 College Savings Plan if your state offers one. Contributions are typically deductible.

- Pay your spring 2012 college tuition now if you haven't yet reached the Tuition & Fees Deduction \$4,000 maximum.

Finally, gather and organize your tax documents. Print a tax return checklist at www.taxact.com/checklist. Preparing early will allow you to file as soon as you receive all your W-2s and 1099s in January or early February. If you owe taxes, you can still file early and schedule payment anytime before the April 17, 2012 filing deadline.

Information about tax breaks for 2011 federal returns is available at www.irs.gov and you can learn more about TaxACT at www.taxact.com.