

THE TAX PICTURE

Maximize Your Next Refund With These Tax Deductions And Credits

(NAPSA)—According to the Internal Revenue Service, more than 101 million income tax refunds were issued in 2013, averaging \$2,651 each. The average was a couple hundred dollars more for taxpayers who elected to have their refund directly deposited into a bank account.

Averages in 2014 will likely be similar because of tax legislation passed in the first couple days of 2013, according to TaxACT spokesperson Jessi Dolmage.

“The now-permanent and extended tax breaks will benefit taxpayers of all situations, including families, college students and homeowners,” said Dolmage.

The credits and deductions available on federal returns due April 15, 2014 include:

• **Child and Dependent Care Credit**—The maximum amount of child and dependent care expenses eligible for the credit is now \$3,000 if you have one child or \$6,000 if you have two or more children. These increased amounts are permanent.

• **Child Tax Credit**—The credit has been made permanent at \$1,000 per child under the age of 17 at the end of 2013. This credit may be claimed in addition to the Child and Dependent Care Credit.

• **Tuition and fees deduction**—If you, your spouse or your dependent is enrolled in a postsecondary institution, you may be able to deduct tuition expenses as an adjustment to income, even if you don’t itemize deductions. You generally take this deduction if you don’t qualify for an education credit or other tax break for the same expenses.

• **American Opportunity Tax Credit**—The maximum amount of this credit for the first four years of postsecondary education costs in a degree or certificate program is \$2,500 per student. Costs may include tuition, fees and course materials (books). If you don’t owe any tax, you may also be eligible to receive up to 40 percent of the credit (\$1,000) as a refund.

• **Educator expenses deduction**—Elementary and secondary educators can deduct up to \$250 in related job expenses as an adjustment to income, even if not itemizing deductions. Unlike most employee expenses, educator expenses are not reduced by 2 percent of your adjusted gross income.

• **Deduction for mortgage insurance premiums**—If you pay mortgage insurance premiums, also known as private mort-



According to the IRS, taxpayers who have their refund directly deposited generally receive larger refunds.

gage insurance (PMI), you may be able to deduct premiums as mortgage interest.

• **Alternative Minimum Tax**—The AMT was created to ensure wealthy taxpayers receiving large tax benefits pay some tax. It will now be adjusted for inflation each year so fewer taxpayers are subject to the tax. The exemption amount rises in 2013 to \$51,900 (\$80,800 for married couples filing jointly). For married individuals filing separately, the exemption is \$40,400.

• **Adoption credit**—You may qualify for a credit equal to up to \$12,970 of your adoption expenses including fees, court costs, attorney fees, traveling expense and other expenses directly related to and for the principal purpose of the legal adoption of an eligible child. If your employer provides adoption benefits, you may also be able to exclude up to the same amount from your income. Both a credit and exclusion may be claimed for the same adoption but not for the same expense.

• **State and local sales tax deduction**—For 2013, you can still deduct state and local sales taxes. You can take this deduction or a deduction for state income tax—but not both.

As with most tax benefits, you must meet certain criteria in order to claim them on your tax return, and even if you are eligible, you may not qualify for the entire amount.

Online and mobile tax preparation programs make it easy to do your own taxes and confidently claim all your deductions and credits. As you answer simple questions, the program completes your tax forms and checks for errors and potential opportunities. One of the top solutions, TaxACT, even helps you plan for next year with guidance for the implications of the Affordable Care Act on your taxes.

Learn more about these deductions and credits at www.irs.gov, and file your federal taxes free at www.taxact.com.