Taxes

5

things you need to know about...

1.

Get Organized Early

During the year set up a 'tax file' and put any tax related information into the file as you go. This will make it much easier to put all your data together when tax time comes around.

2.

Missing Deductions

Use a tax checklist to make sure you are taking advantage of all the deductions you are eligible for: **http://moneycentral.msn.com/content/Taxes/P70634.asp**. Here is a link for some commonly missed deductions. **http://www.selfemployedweb.com/tax-omissions.htm**.

3.

Squeezing Deductions

If you have an unusually large income year, it can be a good idea to 'squeeze' deductions into that year. Some examples would be paying an extra property tax bill, making your state tax estimate before the end of the year or giving two years worth of charitable contributions before December 31st. Be aware though, that at income over $159,950 (for 2008) your itemized deductions may be limited.

4.

Tax-Free Investments

Some investments, such as municipal bonds pay tax free income. A muni bond is a debt of a government or municipality. If you live in the State of issue the interest payments are exempt from Federal and State income tax. Depending on your tax bracket that can add an extra 30% or more to your return!

5.

Sale of a Home

If you sell a home that is your personal residence; some or all of the gain may be tax free. The IRS states that a home that was you primary residence for two of the last five years qualifies for one time exclusion of $250,000 per person of gain. So a married couple could exclude a gain on their primary residence of up to $500,000! For more information go to **http://www.irs.gov/taxtopics/tc701.html**.