

Start Planning Now for April 15



Although we're still months away from the April 15th tax deadline, here are some tips to help you avoid the last minute

heartburn of tax filing season.

Itemized Deductions

Some people automatically take the standardized deduction and overlook some itemized deductions that could save them money.

For example, if you're between jobs, it would be advisable to save receipts relating to looking for a new job, such as phone bills, resume expenses and travel expenses.

Real estate taxes are deductible, so be sure you deduct taxes paid through a mortgage escrow account. And if you recently purchased a house, look at your settlement statement for any taxes for which you reimbursed the seller at the closing – these are deductible.

You can also deduct the software expenses and tax preparation expenses as miscellaneous itemized expenses.

Always have your tax returns from the previous year in front of you when you're preparing your taxes.

It would be a good idea to review your withholding allowances at least every couple of years. IRS controls how many allowances you can have, but judging from all the taxpayers who receive refunds each year, most taxpayers claim too few deductions rather than too many. If you see it as a way of saving money, there are better ways to accomplish that goal and earn interest on the money. Uncle Sam doesn't pay interest.

A home equity loan may offer you great tax savings opportunities. Home equity lines of credit have become popular with millions of homeowners.

These loans are secured by your home and often carry lower interest rates than unsecured borrowing, plus you are still able to deduct the interest on your taxes. However, be aware that by securing such a loan with your home, you risk losing your home should you be unable to repay the loan.

There is a tax withholding rule that applies to lump-sum payments from company retirement plans. Whether you receive a lump sum payment when you retire, quit or are laid off, your employer is required to withhold 20% in taxes. This is true even if you intend to roll the money over into an IRA or another pension plan within the allowed 60 days. In order to avoid the withholding trap, simply have your employer roll the funds into an IRA. They will handle the transfer and you will not have to pay taxes.

There are many itemized deductions that may apply to you including: child tax credit, college student and family, loans to family members, income in respect to death of family member, repairs on rental property, stocks and bonds, and your 401K. Also, remember to save all of your receipts from charitable and church donations for additional income tax credit when preparing your return.

If you have any questions about possible deductions, it is best to check with a tax or financial planning advisor to make sure you get the most allowable deductions possible.

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