

It's Time to Start Thinking About Taxes — Again

I KNOW ... HALLOWEEN HAS HARDLY COME AND GONE AND I'M TALKING ABOUT TAXES! BUT NOW IS THE TIME, YOU CAN STILL IMPACT WHAT YOU WILL OWE UNCLE SAM COME APRIL 15. SO, LET'S GO THROUGH SOME OF THE NO-BRAINERS AS WELL AS DISCUSS SOME OF THOSE TIPS THAT MAY BE A BIT DIFFERENT.

BY CINDY CONGER

TIP # 1: If you haven't maxed out on your 401k contributions for this year, make sure you will have enough withheld to cover that amount by the end of the year. If you are under 50, the maximum you can contribute is \$15,500. If you are older than 50, the limit for this year is \$20,500. This tip not only reduces your taxes, but improves your chances of having enough money set aside at retirement! If you aren't making the maximum contribution now, it is time to increase your deduction every year until you do so. If you are self-employed, don't forget to make a retirement plan contribution.

TIP # 2: If you are self-employed or have some control over when you receive income, you may want to defer income until next year. If you are self-employed, it may make sense to wait until January to send out your December invoices. That way, the income will be received next year and will be counted as 2008 income. If you are an employee, and know you are due a bonus, it may make sense to ask to have it paid to you in 2008 rather than 2007.

Either of these tips only applies only if your income was high this year, and you don't expect to have as much income next year. If you expect your income to be about the same next year, there is really no advantage to delaying income until next year.

TIP # 3: If you have bought or sold real

estate this year, be sure you can locate the closing papers for that transaction. On the closing statement, you'll often find deductible expenses, such as property taxes paid at closing, and this year, for the first time, you can also deduct the private mortgage insurance or PMI, which protects the bank, not your property. Generally, the first year's premium will be paid at closing. If you sold property, you will also need the closing papers for the purchase of the property. That will give you the basic information you — or your preparer — will need to calculate the gain or loss on the sale. Also, you will need a list of any improvements you've made on the property, including the approximate date and cost of improvement. Remember, individuals do not have to pay taxes on the first \$250,000 in profit (\$500,000 for couples) on the sale of your primary residence, but you need to go through the exercise of calculating gain to be sure you are under that amount. The IRS will likely get a notice of the sale, so any property that costs more than \$250,000 will be looked at for possible gain.

TIP # 4: Yearend is always a good time to squeeze in additional charitable contributions. Be aware ... the rules have changed for documentation. In the past, you only had to have a receipt from the charity for any donation worth \$250 or more. This

year, you must have either a canceled check, check copy or a receipt for every donation no matter the worth. If you've given cash, you must have a receipt from the charity that shows the amount of cash given.

TIP #5: As you are doing the fall clean-out of your closets, be sure to keep a list of the clothes you donate. The IRS says that clothing in good to excellent condition can be given to non-profits, and you can take a donation of 20 to 35 percent of the original cost of the item. However, you need to have a list of each item, show its cost and the amount you are claiming for the deduction. Be sure to get a donation receipt from the non-profit organization to which you donate, and attach a copy of the receipt and your list to your tax return.

For example, my favorite charity to donate business clothing to is "Dress for Success." You can find the nearest address for donation at dressforsuccess.com. If you have an old computer you would like to get rid of (computers are the 21st century equivalent of hand-me-down clothes!), Families Are Special, Inc., would love to have them. Log onto arkansasadoptiontoday.org for more information. **AY**

While tax time is never fun, being able to get a head start on the process, and making sure you have your ducks in order will make the whole thing a lot less painful!

