

Give yourself some year-end tax planning

By Christina Klein

As published in the Naperville Sun and Beacon News – December 15, 2009

Saving money on taxes will probably take a front seat for many with the current state of our economy. This is the time to think about implementing tax saving strategies in order to reduce your tax burden. There are plenty of new tax breaks that can be taken advantage of before Dec. 31 to help minimize your income taxes in 2009.

Purchase a new vehicle before Dec. 31 and you can take a deduction for the sales tax on vehicle purchases up to \$49,500. This deduction is also available for taxpayers who don't itemize deductions on their tax returns but instead take the standard deduction. Income limits do apply.

The first-time homeowner buyer's credit of \$8,000 has been extended to purchases made before April 30, 2010, and the adjusted gross income limit has been increased allowing couples making \$225,000 or less to qualify. This is up from the previous AGI limit of \$150,000. In addition, current homeowners who have owned a home for five consecutive years out of the last eight years now qualify for a \$6,500 credit if they purchase a new principal residence costing less than \$800,000 between Nov. 6, 2009, and May 1, 2010. Credit for a 2010 purchase can go on your 2009 tax return.

New and enhanced energy tax credits are available to homeowners who make energy improvements to their primary residence. The new law increases the credit rate to 30 percent of the cost of all qualifying improvements and raises the maximum credit limit to \$1,500 for improvements placed in service in 2009 and 2010. The credit applies to improvements such as insulation, exterior windows and heating and air conditioning systems, and the cost of labor is included for some purchases. The improvements must meet certain energy efficiency requirements. Be sure to check the IRS Web site or manufacturer to see if your purchase qualifies.

In addition to these new tax breaks, don't forget to consider the tried and true tax breaks that are still around.

Maximize retirement contributions to your tax deferred plans. If you are not part of an employer sponsored plan such as a 401(k) or Simple IRA, you may be eligible to make a Traditional or Roth IRA contribution.

Make any charitable contributions you were considering to take advantage of the tax deduction in 2009.



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Analyze your investment portfolio and determine if selling any stocks or other investments for overall losses would be beneficial to your tax situation.

Paying any outstanding medical expenses by the end of the year could give you a better chance at being able to receive a deduction for them.

These are just a few of the ways that you could reduce your income tax burden in 2009. Most take minimal effort and give you the satisfaction of knowing you won't pay excess income taxes as this year draws to a close. You should consult with your tax adviser before year-end to see if you are eligible to take advantage of any of these great tax savings.

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