

PersonalFinance: Now's the time to plan tax savings

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High debts and recession anxiety have prompted many consumers to cut their expenses to the bone. But there's one other place they could be saving, and that's taxes.

Mid-year is the best time to start planning a year-end tax strategy. Accountants and other tax preparers aren't as busy as they are in the spring and the winter, so they have more time to meet with you and look over your financial situation. If you use a professional to help you at tax time, consider setting up an appointment this month. You'll get a lot of personal attention.

If you're a do-it-yourself tax planner and filer, it's still a good time to check out your status and lay plans for the remainder of 2009. You'll have five months to make the financial moves that will save you money when you file your income taxes for this year. And it's not just about income taxes: This year there are some sales and property tax moves that can put more cash in your pocket quickly.

Here's a grab bag of summer maneuvers -- from renegotiating your property taxes to grabbing the car tax break -- that you can use now to keep more money for yourself through 2009 and into 2010.

-- Appeal your property taxes. In the last three years, average U.S. home prices have fallen by about a third, according to the S&P/Case-Shiller Home Price Index. But it's unlikely your local or state government has been dropping your home's assessment or property taxes by the same percentages. It may be too late for this year's tax bill, but most states do have relatively easy procedures to follow if you want to appeal your assessment or the amount of your taxes. There's no reason not to do it. Check the website of your county or state treasurer's office to see how to do this.

-- Get organized early. Take a look at your year-to-date earnings and compare them with last year's. Remember that there is a Making Work Pay tax credit in play that will pay individuals \$400 and couples filing jointly \$800 for 2009. If you haven't already cut your withholding at work for this, you may be able to trim your withholding for the rest of the year. You may also be able to reduce your estimated tax payments if you typically earn a lot of money in interest income and find yourself earning less than usual this year. Start collecting and keeping all pertinent receipts. For example, you can get a child-care tax credit for the cost of day camp for kids under 13 if you are busy working while the kids are being bussed to the pool and park.

-- Feed the retirement fund. If you have cut your withholding, it's hard to find a better place to put the extra cash than a tax-favored retirement fund. If your employer matches part of your 401(k) contribution, make sure you are depositing enough to take full advantage of that. If you're maxing out at work, start putting extra cash into a Roth retirement account or a traditional Individual Retirement Account. You can deposit as much as \$5,000 this year, with an additional \$1,000 if you're at least 50 years old.

-- Sell some investments -- winners and losers. The volatility in the stock market means that you may almost always have some losing investments in your portfolio, and it's good to keep up with that. Harvest losses as soon as you've held an investment for a year; that long-term loss can offset any long-term gains in your portfolio. You can also use as much as \$3,000 of that loss to offset ordinary income, and carry forward unused losses into other years.

But there may be some reason to sell gainers, too. If you're in the 10 percent or 15 percent tax bracket, your tax rate on long-term capital gains is zero for 2009. It is supposed to be zero for 2010 too, but with Congress looking everywhere to make up for the ever-exploding deficit, that low rate may not stick around. If your tax rate is too high to take advantage of this, but you help relatives who have low tax rates (such as adult children or elderly parents), you can give them the securities, and they can sell them and take the loss.

-- Grab a car deal. The Federal government has at least three different tax incentive programs going now to encourage car buying, notes Rosamaria Bravo, a tax partner with Morrison, Brown, Argiz & Farra, a Florida CPA firm. Perhaps the most broadly useful is the tax deduction for sales tax on a car. Buy a new car before the end of the year, and you can deduct the sales taxes on it. You'll be able to take that deduction even if you don't itemize deductions, and even if your income is so high that you usually see the value of your itemized deductions phased out.

The second car deal is the cash for clunkers program passed by Congress at the end of June. If you've got an old minivan or truck that's a gas hog, this program might especially suit you. You can get as much as \$4,500 on your trade-in for a fuel-efficient car. (Check <http://www.cars.gov> for details.)

Finally, the government is still handing out money to folks who buy certain hybrids or electric cars. You can get more information at http://www.fueleconomy.gov/feg/tax_hybrid.shtml.)

Before you head into the showroom, check on the latest rules from your state. Many have heaped local tax breaks on top of the federal ones for fuel-efficient cars.

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