

Topic: That time of year- Preparing your tax return
By Jan Burk, Family Resource Management Field Specialist

As we sharpen our pencils, and look at taxes for 2009, there are there new tax laws that we should be aware of. One is an increase in contribution limits for IRS's. Individual Retirement Savings had increased to \$5,000 in 2008. This is up from \$4,000 in 2007. For taxpayers age 50 and above, the annual contribution limit raise to \$6,000 in 2008. There still is time to make a contribution for 2008.

A kiddy tax is a transfer of investment income to a child to take advantage of a child's low tax bracket. Yes there are changes. The age has increased to age 19 or age 24 for full time students. Also in 2008, investors in the bottom two income tax brackets owe no taxes on qualified dividends and on-term capital gains. On the other had, a further expansion of the so-called "kiddie tax" in 2008 could make it more difficult for parents to transfer investment income to a child to take advantage of the child's low tax rate.

A lot of individuals lost money on the stock markets this past year. You may have cashed in significant gains during the year, review your portfolio for unrealized loses. Sell off any stock not likely to rebound and use the losses to offset your gains. If you end up with more losses than gains, you can use \$3,000 against ordinary income and carry remaining losses over to next year. When selling off shares of stock purchased at different prices and at different times, inform your broker beforehand that you wish to sell the shares with the highest basis. This will minimize taxable gains or maximize deductible loss. As always consult your tax consultant ahead of time to look at your personal options. Your financial planner should also be consulted. For more information go to www.taxguide.com

Generally, it is best to have your tax refund directly deposited unless you have some pending situations such as a divorce. You get your refund in a timely fashion. No need to do a rapid refund. It is not worth the extra cost to have it done this way. Remember when you there was a tax stimulus and others received it before you? If it was mailed to you, then you would have received it at a later time than if it was done electronically to your bank. Talking about economic stimulus rebates, if you did not qualify, or did not receive the maximum amount for the 2008 economic stimuli payment, you may be entitled to a recovery rebate credit. Know the amount you received in 2008. The online calculator will help you figure out the amount you should claim on your 2008 tax return. Go to www.irs.gov

Interested in filing your taxes for free? If you earned less than \$54,000 in 2007, you maybe eligible to file free in 2007. Go to www.irs.gov to find out more after Jan 17th to find out more details.

If you are a first time home buyer, there is a tax credit available for a limited time. This credit applies to a primary home purchased between April 9, 2008 and June 30, 2009. Normally this tax credit must be paid back in equal payments over 15 years. The credit is

10 percent of the purchase price of the home, with a maximum available credit of \$7,500. First-time homebuyers are those who have not owned a home in the three years prior to a purchase. There is an additional standard deduction for those who don't itemize their deductions, but pay real estate taxes. This amount is equal to the amount of real estate taxes paid up to \$500 for single filers and up to \$1,000 for joint filers. This deduction is available for 2008 and 2009 tax years.

For those who are educators, you can now deduct up to \$250 of out of pocket deduction for the cost of books, supplies, equipment and software used in the classroom. You must work at least 900 hours during the school year as a teacher, instructor, counselor, principal or aide in a public, private, elementary or secondary school. See itemization on schedule A.

Tuition and fees may be deducted up to \$4,000 that you pay for yourself, your spouse, or dependent. You do not have to itemize to take this deduction. You cannot take BOTH the Hope and Lifetime learning credits and tuition fee deduction for the same student in the same year. Income limits and other special rules apply

For more information go to www.irs.gov

This has been Jan Burk, Family Resource Management Field Specialist from ISU Extension.