

# Are You Ready for Tax Season?

[ *The average tax refund was \$2,994 in 2010.<sup>1</sup>* ]

Filling out tax forms can be time consuming, but it's important to approach this critical task head-on. If you procrastinate and rush through the process at the last minute, you may miss potential tax benefits you deserve. And the sooner you file, the sooner you can score a refund!

## Leaving Money on the Table?

Weigh the benefit of itemizing your deductions, such as those for interest payments on a home mortgage, property or sales taxes, and charitable donations, against the standard deduction.

Taxpayers who take the standard deduction can claim up to \$500 more for property taxes (\$1,000 for married couples filing jointly).

[ *Two out of three taxpayers take the standard deduction, but seven in ten homeowners with a mortgage choose to itemize.<sup>2</sup>* ]

### Standard Deduction for 2010

|                   |          |
|-------------------|----------|
| Single filers     | \$5,700  |
| Head of household | \$8,400  |
| Joint filers      | \$11,400 |

Source: Internal Revenue Service

## Don't overlook potentially valuable deductions for these common situations:

- If you are **supplying housing or financial support** for a struggling relative, you may be eligible to claim them as dependent or qualify for a more favorable head-of-household status.
- You can **deduct medical bills** that exceed 7.5% of your adjusted gross income (AGI); only self-employed individuals who do not qualify for a workplace health plan can claim their insurance premiums.
- Certain **college expenses** up to \$4,000 may count as a deduction if your income excludes you from the more generous education tax credits offered for 2010.
- Money spent **looking for a job** in your current field may also qualify if miscellaneous deductions total more than 2% of your AGI. If the new position is more than 50 miles away, moving expenses can also be deducted—even if you don't itemize.
- If you **use a part of your home exclusively for business** and can prove it is your principal office space, you may qualify to deduct a portion of your housing expenses.

Form **1040** Department of the Treasury—Internal Revenue Service  
**U.S. Individual Income Tax Return**  
For the year Jan. 1–Dec. 31, 2008, or other year

**Label**  
(See instructions on page 14.)  
Use the IRS label.  
Otherwise, please print or type.

**L A B E L H E R E**

Your first name and initial  
If a joint return, spouse's first name  
Home address (number and street)  
City, town or post office, state, and ZIP code

Check here if you, or your spouse, are a resident alien for the year.

Sources: 1) Internal Revenue Service  
2) The Wall Street Journal, November 12, 2010, Internal Revenue Service



# Home Sweet Tax Shelter

If you responded to generous home-related tax incentives offered in 2009 and 2010, make sure you file the necessary forms and supporting documentation to collect your credit.

## Choose a Pro or Software to Help

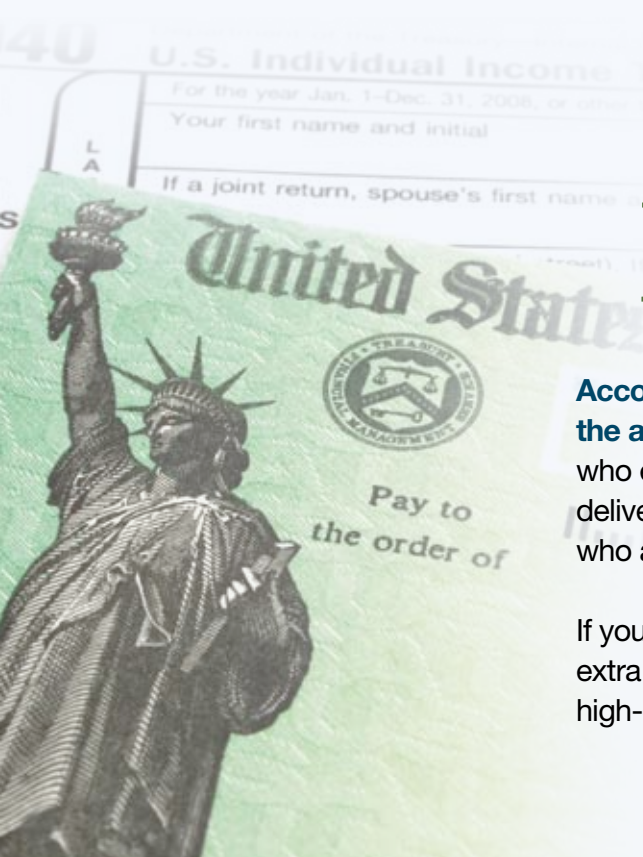
The tax code is complicated and changes almost every year, so enlisting the help of a tax professional can prevent you from missing out on potential savings or incurring penalties.

If you decide to file on your own, you can often rely on up-to-date computer software to guide you through the necessary forms. Two of the leading programs—Intuit's TurboTax and TaxCut by H&R Block—are relatively inexpensive and easy-to-use.

**Homebuyer Tax Credit:** First-time buyers, or others who have not owned a home in the previous three years, may collect up to \$8,000 if they signed a contract by April 30 and closed by September 30, 2010. Move-up buyers who have owned their existing home for at least 5 years and purchased another property after November 6, 2009 can receive up to \$6,500. In both cases, eligible homes must be purchased for \$800,000 or less and as principal residences (not rental properties).

**Energy-Saving Home Improvements:** You can receive a credit of 30% of the cost, up to \$1,500 max, if you made certain energy-efficient upgrades to your existing primary residence. Eligible improvements may include appliances, water heaters, heating and cooling systems, windows and doors, insulation and roofing projects, among others.

Tax credits reduce your tax liability dollar for dollar and can really add to your bottom line.



## Get Your Refund Faster

**According to the IRS, \$164 million in refund checks were returned to the agency last year because of mailing address errors.** Taxpayers who e-file and request a direct deposit of their refund avoid potential delivery problems and receive their money at least a week before those who ask for paper checks sent by mail.

If you plan ahead and file early, you'll also avoid the temptation to pay extra for services that offer you an "instant refund"—which is really a high-cost loan based upon your expected tax return.