

Tax Tips Before 2010

It seems there are many articles about the latest tax saving tips just prior to filing tax returns. At tax filing time it is often too late to do much about your pending tax bill. With 2010 just around the corner it is time for taxpayers to consider year-end actions with their finances to achieve the best outcome on their 2009 taxes. Here are a few tax tips to consider before year-end.

1. **Sell losing investments:** Selling a few loser investments for a net capital loss is a good way to get a \$3,000 (\$1,500 for single filers) offset against other sources of gain or income. Unused capital losses can be carried forward and utilized in future year's tax returns.
2. **Prepay bills:** If you itemize deductions you can prepay a few of your 2010 bills in 2009 and write them off in this year's tax return. This includes mortgage payments, predictable medical expenses (like braces for kids), and certain tax payments.
3. **Donate to charity:** Cash donations as well as donating clothes, toys, household goods and other items to charity before year-end may help taxpayers who itemize claim larger deductions while helping someone else.
4. **Maximize retirement plan contributions:** Increasing contributions to an employer-sponsored retirement plan not only saves for the future, it saves taxes by lowering taxable income. Qualifying taxpayers may also save taxes by making contributions to an IRA.
5. **New homeowner credit:** The American Recovery and Reinvestment Act of 2009 allows qualified first time homebuyers to an \$8,000 tax credit on their 2009 tax return. But you must act fast; this credit is available only for purchases made before December 1, 2009.
6. **Qualified state tuition (529 Plan) program:** Contributions of up to \$5,000 to the Indiana state plan may qualify you to take a tax credit of 20% of the amount contributed on your Indiana tax return.

Whether you prepare your own tax returns or utilize a tax advisor/preparer now is the time to get your tax records in order and plan for maximizing allowable tax deductions before the year is over.