

Six Year-End Tax Savings Tips From Thomson Reuters

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NEW YORK, Oct. 12 /PRNewswire-FirstCall/ -- While 2009 has been an economically tough year for many, you may be able to cut your 2009 tax burden, according to Harris Abrams, senior tax analyst from the Tax & Accounting business of Thomson Reuters. "There are a number of steps you can take in the next few months to reduce your taxes for this year," he says. "But these opportunities could be lost if you don't act on them soon."

To maximize your tax savings, Abrams advises taxpayers to immediately see if any of the following maneuvers will work - some of these opportunities will *not* be available next year:

1. Uncle Sam can help you buy a house. You may remember last year's Housing Act included a tax credit giving first-time homebuyers up to a \$7,500 credit for buying a home between April 9, 2008, and June 30, 2009, for single taxpayers with modified adjusted gross income (MAGI) up to \$75,000 and married couples with MAGI up to \$150,000 qualifying for the full tax credit. However, the credit had to be paid back over time. Now, Congress has 're-built' the credit. First and foremost, the 2009 legislation eliminated the repayment requirement for homes purchased on or after January 1, 2009. (There is an exception: homeowners who sell the house within three years of purchase must pay the credit back.) The 2009 law also extends the credit through the end of Nov. 2009, and bumps up the maximum credit amount to \$8,000. However, by the time you are reading this, the credit could have been extended.
2. Uncle Sam can help you buy a new car. If you buy a new vehicle - including a light truck, SUV, motorcycle, or motor home - you can deduct state and local sales taxes paid on up to \$49,500 of the purchase price, whether you itemize or not. You must buy the vehicle by Dec. 31, 2009. The tax break starts to phase out if your MAGI is \$125,000 (\$250,000 for joint filers) or more this year. And the deduction can't be taken next April if you elect to deduct state and local sales taxes in lieu of state and local income taxes.
3. Uncle Sam can help you buy a computer for school. Many taxpayers maintain a qualified tuition plan (also known as a '529 plan') to save for education expenses. These plans allow your savings to grow tax-free, and to be distributed tax-free as long as the distribution is used to fund certain education expenses. For 2009 and 2010 only, you can use funds from your qualified tuition plan to pay for computer technology and equipment, and Internet access and related services. Prior to 2009, you could use these funds to buy a computer only if the computer was required by the college or by a specific degree program or course. So, the new rules make it much easier to buy a new computer for any student in your family with tax-free dollars.
4. Uncle Sam can help you help others via charity. You can distribute up to \$100,000 per year from your IRA directly to a qualified charity without paying any tax on the distribution. This exclusion is available if you are age 70 1/2 or older, but act quickly - this tax break is scheduled to expire at the end of 2009.
5. Uncle Sam can help small business owners. If you run a small business, you can elect to write off the cost of certain capital expenses when you make an acquisition, instead of recovering those costs over time through depreciation. Congress has temporarily increased the amount that small businesses can write off for capital expenditures incurred in 2009 to \$250,000 and increased the phase-out threshold for 2009 to \$800,000. That is, if the total cost of qualifying property that you place in service in 2009 is more than \$800,000, the immediate deduction limit is reduced by that extra amount. For example, if you place in service \$810,000 of qualifying property in 2009, you can make the election for no more than \$240,000 of property: \$250,000 minus \$10,000 (the excess of \$810,000 over \$800,000). Remember that the \$250,000 and \$800,000 amounts are scheduled

to be reduced for qualifying property placed in service in tax years beginning after 2009.

6. More tax help for business owners. Businesses can recover the costs of some capital expenditures faster than the ordinary depreciation schedule would allow by immediately writing off 50 percent of the cost of many types of depreciable property acquired in 2009 for use in the U.S. This break is available for most types of tangible personal property, certain improvements to leased real property, and most software, but expires for most eligible property at the end of 2009.

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