

Great Deductions for 2008!!!!

IRS Reminder: Make Use of Recent Tax Law Changes for 2008 and Dec. 31 Is the Last Day for Most of These Actions

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WASHINGTON — Tax year 2008 is quickly nearing an end. The Internal Revenue Service reminds taxpayers to avoid putting off important financial tasks until the last and most important deadline of Dec. 31 is fast approaching for many tax-planning issues.

The IRS also urges taxpayers as part of their year-end tax planning to be aware of recent tax changes as well as recently reinstated tax deductions. Some tax breaks and a review of your current tax situation may result in a bigger refund or less taxes to be paid come tax time.

Also, the IRS wants to make filing your tax return less stressful. Consider e-filing your tax return to ensure you maximize tax deductions, claim deserved credits, and take advantage of tax benefits. You may even be able to file electronically free of charge using IRS [Free File](#).

The IRS offers these tax tips for you to consider:

First-Time Homebuyers Tax Credit — First-time homebuyers should begin planning now to take advantage of a new tax credit available for a limited time. The credit applies to primary home purchases 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 for either a single taxpayer or a married couple filing jointly. First-time homebuyers are those who have not owned a home in the three years prior to a purchase.

Real Estate Tax Deduction — There is an additional standard deduction for those who don't itemize their deductions, but pay real estate taxes. The additional deduction amount is equal to the amount of real estate taxes paid up to \$500 for single filers or up to \$1,000 for joint filers. This deduction is available for the 2008 and 2009 tax years and increases your standard deduction.

Tuition and Fees Deduction — You may be able to deduct qualified tuition and required enrollment fees up to \$4,000 that you pay for yourself, your spouse or a dependent. You do not have to itemize to take this deduction. However, a taxpayer cannot take both the tuition and fees deduction and education credits (Hope & Lifetime Learning Credits) for the same student in the same year. Income limits and other special rules apply to each of these provisions. To determine whether your expenses are qualified, refer to IRS Publication 970, Tax Benefits for Education. The 2008 edition is available soon online. This publication also describes other

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education-related tax benefits.

Educators' Out of Pocket Expense Deduction — The educator expense deduction allows teachers and other educators to deduct the cost of books, supplies, equipment and software used in the classroom. Eligible educators include those who work at least 900 hours during a school year as a teacher, instructor, counselor, principal or aide in a public or private elementary or secondary school. Worth up to \$250, the educator expense deduction is available whether or not the educator itemizes deductions on Schedule A.

Recovery Rebate Credit — If you did not qualify or did not receive the maximum amount for the 2008 economic stimulus payment you may be entitled to a recovery rebate credit when you file your 2008 tax return. Review the tax return filing instructions including the recovery rebate credit worksheet. You need to know the amount of the payment you received in 2008, which can be found on your Economic Stimulus Payment Notice (Notice 1378). Two online tools on IRS.gov will be available soon — the Recovery Rebate Credit Calculator will help taxpayers figure the amount they should claim on their 2008 tax return, and How Much Was My 2008 Stimulus Payment? helps you determine what your stimulus payment was.

New Rules for “Cash” Charitable Contributions — Since tax year 2007, to deduct any charitable donation of money, you must have a bank record, credit card statement or a written communication from the recipient showing the name of the organization and the date and amount of the contribution. In determining what may be deducted as a charitable contribution, see IRS Publication 526 for 2008 to be released in the near future.

Earned Income Tax Credit (EITC) — This credit is offered by the federal government to working families and individuals. You may qualify for the earned income tax credit, or EITC, if you worked, but did not earn a lot of money. EITC is a refundable tax credit meaning you could qualify for a tax refund even if you did not have federal income tax withheld. If you qualify, the amount of your EITC will depend on whether you have children, the number of children you have, and the amount of your wages and income. For more information, go to www.irs.gov/eitc or see IRS Publication 596 for 2008.

Recordkeeping — Are your tax records organized? The IRS encourages taxpayers to take the time now to gather and organize their records to reduce stress at tax time. For tips, see Publication 552, Recordkeeping for Individuals, for 2008.

Electronic Filing — The IRS encourages taxpayers to consider e-filing their tax returns. Nearly 90 million returns were filed electronically this year, accounting for about 58 percent of all filers. [E-filing](#) is easy, safe and accurate. The fastest way for you to receive a tax refund is to use IRS e-file and choose direct deposit. You can receive your refund in as little as ten days with IRS e-file and direct deposit. The error rate of an e-filed return is less than 1 percent compared to 20 percent for a

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paper tax return. IRS e-file is the most efficient way to prepare your taxes, particularly taking into consideration the 2008 tax law changes. About 70 percent of taxpayers can prepare and file electronically for free when they enter through IRS.gov and use Free File.

Tax Forms and Publications — Tax forms and publications can be accessed on this Web site or requested by calling the IRS toll-free at 1-800-TAX-FORM (1-800-829-3676).

Beware of Bogus E-mails — The IRS does not send unsolicited e-mails about your taxes. If you get an e-mail that appears to be from the IRS, it may be an attempt to steal your private information. Don't click on any links in the message. Rather, forward the e-mail to phishing@irs.gov using the instructions at www.irs.gov.

IRS.gov Web site — Remember to use .gov when seeking the genuine IRS Web site. The address of the official IRS Web site is www.irs.gov. The IRS Web site contains a wealth of information for your tax planning and filing needs. Check out the latest tax changes on the site, and remember to e-file your tax return, which helps ensure you do not miss out on any tax deductions, credits and benefits.

Planning Your Income — Some taxpayers, such as the self-employed, may have some discretion regarding when they receive income. Properly deferring income until next year can lower your taxable income and tax bill this year. This strategy will, however, raise your tax bill next year. Publication 334, Tax Guide for Small Business, may be of help. And many taxpayers also have some control over their income via the sale of investments to incur a gain or loss. This is generally a key area of decision-making for investors. These decisions must be made and executed by Dec. 31 to be counted on a 2008 tax return. Publication 550, Investment Income and Expenses, for 2008, explains the rules.

Retirement Savings — Taxpayers have various options to save for retirement. You need to be mindful of their contribution deadlines and limits. For example, Dec. 31 is the deadline for contributions to a 401(k) plan, while April 15 is the deadline for IRA contributions. Taxpayers can get help from their 401(k) plan administrators where they work. Publication 560, Retirement Plans for Small Business, and Publication 575, Pensions and Annuity Income, may also help. You have more time to make contributions to individual retirement arrangements (IRAs) for a given tax year. You generally have until April 15 of the following year. Publication 590, Individual Retirement Arrangements, for 2008, can answer most questions.

New children — If you had or adopted a child in 2008, you should get a Social Security number for that child as soon as possible to ensure that you can include the child as a dependent on your 2008 return. Also, having or adopting a child in 2008 may mean you will receive a larger recovery rebate credit.