

The Key to **Minimize Taxes** & **Maximize Savings:**

Cash in on Your Home's Capability to (Tax) Shelter You.

Mortgage interest.

You can deduct all the interest you paid on up to \$1 million of mortgage debt.

PMI premiums.

Private mortgage insurance (PMI) is an extra fee that protects your lender if you somehow fail to repay your loan. You can deduct your PMI premiums if your mortgage was issued in 2007 and your income is below \$50,000 (filing single) or below \$100,000 (filing jointly).

Points.

Those "points" you paid to secure a lower interest rate for your new home are deductible. Believe it or not, you get to deduct the points even if the seller paid them for you. If you refinanced during the tax year, you may be able to write off the points you paid over the life of the new loan.

Real estate and property taxes.

You can write off the local property taxes you pay each year. If you purchased your home in 2007, you can also deduct any amount that you reimbursed the seller for real estate taxes he or she prepaid during time that you actually owned the home.

Home equity loans.

In general, you can deduct interest on up to \$100,000 of home-equity debt, no matter how you use the money. If a portion of that loan is used for home improvements, interest on that portion can be written off as mortgage interest, unless it exceeds \$1 million. If you use a portion for personal expenses, that portion is subject to a \$100,000 ceiling.

Capital gains.

If you sell your home, you can write off up to \$500,000 of the profits of the sale if you're married and \$250,000 if you are unmarried. To earn this tax break, you must have lived in the home for at least **two of the last five years.**

Your home is your biggest asset when it comes to reducing your taxable income.

Itemize these deductions to maximize your savings.

Home office.

You can claim your home office as a deduction only if you use that part of your home regularly and exclusively:

- As your principal place of business for any trade or business
- As a place to meet or deal with your patients, clients or customers in the normal course of your trade or business

In addition, proprietors who regularly meet clients in a home office can deduct part of the costs of landscaping the portion of the property that is used for business.

Health at home.

If you built a ramp to accommodate a wheelchair or made additional improvements for health reasons, you can write off those expenses. One taxpayer with emphysema was permitted to write off the expense of building and maintaining his swimming pool after he proved his new swimming regimen had improved his breathing capacity.

Go Green & Save Even More!



Installing a source of renewable energy in your home won't just lower your electricity bills and help the planet—it will also save you cash come tax time. The federal government now offers a residential energy credit between 10% and 30% for the following:

- Insulation systems that reduce heat loss/gain
- Double-Paneled exterior windows (including skylights)
- Exterior doors
- Metal roofs
- Residential solar water heating
- Solar panels
- Fuel cell power plant

What can't you deduct?

- Homeowners association dues
- Insurance on your home
- Appraisal fees for your home
- The cost of improvements to your home (save your receipts and records—**when you sell your home, the cost of these improvements can be used to reduce your taxable gain.**)



The home office is deductible if it is your principal place of business or a regular meeting place.

Signed, Sealed, DELIVERED

With several options for filing your return, tax time has never been easier—and one of the simplest ways of getting your return to the Feds on time is the IRS e-file. According to the IRS, 79.98 million people electronically filed their returns in 2007—up from 73.3 million in 2006. The number of returns filed electronically during the week of the filing deadline alone jumped 35% over the same week in 2006.

The benefits of e-file are many, including faster refunds, direct deposit and an electronic proof of receipt within 48 hours. There are three methods for filing your tax return electronically.

1 Download free software from IRS.gov and e-file your tax return from your personal computer. More than 22 million people did just last year (an 11% increase from 2006).

2 Use an authorized IRS e-file provider like TurboTax.com or H&R Block to prepare and file your return. Depending on the service option you choose, you'll be charged an extra fee for e-filing.

3 Ask your tax professional to prepare your return and submit it electronically. You may be charged an additional fee for electronic filing.

If e-filing isn't for you, you can mail your return the old-fashioned way using the envelope that came with your tax booklet (or see the back cover of the booklet for the appropriate address). Be sure you attach the appropriate postage.

TAX PREPARATION *checklist*



PERSONAL DATA

- Social Security Numbers (including spouse and children)
- Childcare provider: Name, address and tax I.D. or SSN
- Alimony paid: SSN

EMPLOYMENT & INCOME DATA

- W-2 forms for this year
- Unemployment compensation: Form 1099-G
- Miscellaneous income including rent: Form 1099-MISC
- Partnership, S Corporation and trust income: Schedules K-1
- Pensions and annuities: Form 1099-R
- Social Security/RRR benefits: Form RRB-1099
- Alimony received
- Jury duty pay
- Gambling and lottery winnings
- Prizes and awards
- Scholarships and fellowships
- State and local income tax refunds: Form 1099-G

HOMEOWNER/RENTER DATA

- Residential address(es) for this year
- Mortgage interest: Form 1098
- Sales of your home or other real estate: Form 1099-S
- Second mortgage interest paid: Form 1098

- Real estate taxes paid
- Moving expenses
- Energy credits: Form 5695
- PMI: Form 1040; Schedule E (deduct Private Mortgage Insurance premium on line 9)

FINANCIAL ASSETS

- Interest income statements: Form 1099-INT & 1099-OID
- Dividend income statements: Form 1099-DIV
- Proceeds from broker transactions: Form 1099-B

FINANCIAL LIABILITIES

- Auto loans and leases (account numbers and car value) if vehicle is used for business
- Student loan interest paid
- Early withdrawal penalties on CDs and other time deposits

AUTOMOBILES

- Personal property tax information

EXPENSES

- Gifts to charity (qualified written statement from charity for any single donations of \$250 or more)
- Unreimbursed expenses related to volunteer work
- Unreimbursed expenses related to your job (travel expenses, uniforms, union dues, subscriptions)
- Investment expenses
- Job-hunting expenses

- Job-related education expenses
- Childcare expenses
- Medical savings accounts
- Adoption expenses
- Alimony paid
- Tax return preparation fees and expenses

SELF-EMPLOYMENT DATA

- Business income: Form 1099-MISC and/or own records
- Partnership SE income: Schedules K-1
- Business-related expenses: Receipts, other documents and own records
- Farm-related expenses: Receipts, other documents and own records
- Employment taxes and other business taxes paid for current year: Payment records

MISC. TAX DOCUMENTS

- Federal, state and local estimated income tax paid for current year
- IRA, Keogh and other retirement plan contributions: If self-employed, identify as for self or employees
- Records to document medical expenses
- Records to document casualty or theft losses
- Records for any other expenditures that may be deductible
- Records for any other revenue or sale of property that may be taxable or reportable

*All information is general in nature, not legal advice and not warranted or guaranteed. Readers are cautioned not to rely solely on this information. Because tax law changes over time, it is imperative that you consult a professional tax advisor—such as an accountant—in your area regarding tax matters.