

TAX TIPS

It's Tax Time. Are You Taking All the Deductions Allowed?

NewsUSA

(NU) - Here's a scary number to keep in mind if you're just getting your tax receipts together: \$1 billion.

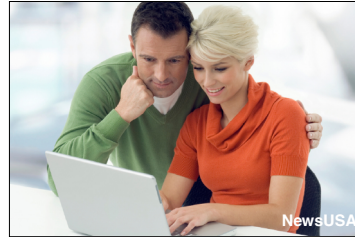
No, it's not the amount that Warren Buffet's secretary – let alone Buffet personally – paid the IRS in her lifetime. It's how much taxpayers approximately wind up forfeiting each year to the government because of self-inflicted tax errors like: failing to claim tax credits and deductions legally due them; choosing the wrong filing status; and not bothering to send in a return at all.

Well, guess what? A slew of recent changes in the tax law won't make things any easier this year.

"At a time when taxpayers are hurting, it really doesn't make sense to leave money on the table," says Elaine Smith, master tax advisor at H&R Block, the giant tax preparation firm (www.hrblock.com).

Here are some things – good and bad – to watch out for:

- **Casualty losses.** Hurricane Irene. Midwest tornadoes. Texas wildfires. Mother Nature went a little nutty last year, and – if the president declared your area a disaster – you could be able to claim your loss as an itemized deduction on your 2011 return or on an amended 2010 one.
- **Reduction in the Energy Savings Home Improvement Credit.** At its height, this was a 30-percent credit on the cost of high-efficiency windows, furnaces, central AC and the like. It's now 10 percent. Plus, the maximum lifetime credit went from \$1,500 to \$500. "That means if you spent a total of \$5,000 on IRS-approved upgrades in 2011," says



Don't let tax-filing errors cost you extra dollars.

Smith, "you can claim a \$500 credit. Unless, that is, you'd already maxed out in prior years."

- **Expiration of the tax credit for hybrid cars.** If you bought a Prius last year, you did so without the feds' help. However, the green cars du jour – i.e., the electric-drive Chevy Volt and Nissan Leaf – will score you a \$7,500 credit. And there are goodies for things like conversion kits, too.
- **New cost-basis reporting requirements.** Apparently, some of you were inflating the price you paid for stocks to reduce the taxes owed on capital gains. Or at least the government fears that was happening. So look out for a mandatory statement from your broker reporting your "cost basis" for stocks and securities held in taxable accounts – as opposed to 401(k)s and IRAs – that you sold in 2011.

Of course, with the April 17 filing deadline approaching, those worried about becoming a member of the \$1 Billion Club might want to consult a professional like those at H&R Block, which offers in-person services at its retail offices nationwide as well as the only face-to-face online preparation through Block LiveSM.