It's Not Too Early to Start Thinking about Taxes

For many, filling out tax forms is a time-consuming and frustrating task. Perhaps that's why nearly a quarter of Americans wait until the last minute to start preparing their returns.[1] The downside of procrastinating is you may miss the potential tax benefits you deserve. The earlier you prepare your return, the more time you have to determine if you qualify for deductions.

MAXIMIZE YOUR DEDUCTIONS

Deductions allow you to reduce the amount of taxes you owe so you keep more money in your pocket. Here are some of the most common deductions people make on their federal returns.[2]

Sales tax: Write off the sales tax you paid on purchases throughout 2016. Maximize this deduction by including the sales tax you paid on large purchases, such as a car purchase or materials for a major home renovation.

State and local property taxes: You may be able to deduct what you paid in these taxes from your federal income taxes as long as you're not subject to the alternative minimum tax (AMT).

Home mortgage interest: Write off the interest paid this year, up to $1 million, as long as the property is your primary or secondary residence.

Interest on home equity loans: You may be able to deduct the interest paid on your home equity loan of up to $100,000, as long as you're not subject to AMT.

Home buying expenses: You may be able to write off these expenses, including loan origination fees, prorated interest on a new loan or prorated property taxes, as long as you're not subject to AMT.

Child care: If you pay a babysitter to watch your children while you work, look for work or attend classes, you may be able to qualify for a refundable tax credit that is **20%** to **35%** of $3,000 for one child or **20%** to **35%** of $6,000 for two or more children. If you plan to take this deduction, be sure to get your caregiver's SSN or tax ID. If you use money from a flexible spending account (FSA) and you use it all, you may still be able to take the credit for your additional expenses up to the limit.

College expenses: If you're paying for your child's college education, you may choose to take one of three deductions:

- American Opportunity Tax Credit, up to $2,500
- Tuition and fees, up to $4,000
- Lifetime learning credit, $2,000

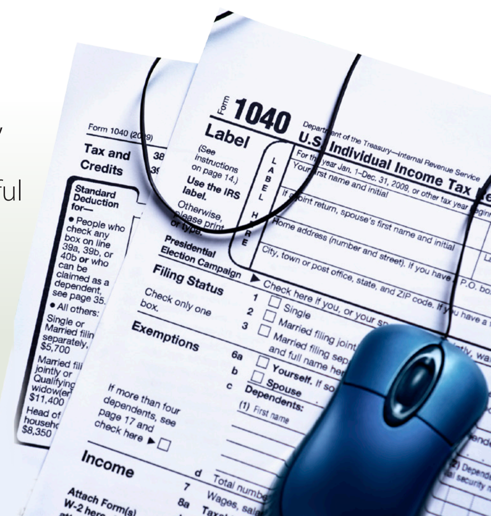
BUT, you can't take all three in the same year. Do the math to see which one works best for you.

Student loan interest: You can deduct the interest you paid in 2016 as long as your adjusted gross income is no more than $80,000 if filing single and $160,000 if married and filing jointly.

Medical expenses: You may be able to deduct your out-of-pocket medical expenses if they exceed **10%** of your adjusted gross income (AGI), or **7.5%** of your AGI for those 65 or older. If you're close, reduce your adjusted gross income by contributing extra money to a qualifying IRA or Health Savings Account.

Self-employment: If you're self-employed, you are able to claim your business expenses, retirement plan contributions, **50%** self-employment tax, your workspace, car usage and your health insurance premiums for you, your spouse and any dependents.

Charity: If you donated money, goods or supplies, you may be able to claim this deduction. Keep careful records and be sure the organization gives you a receipt for gifts worth $250 or more.



Source: 1. IRS
2. Money, March 2016

5 TASKS TO DO NOW

1. **Make a list and gather your documents.** Remember, you may need to file a new W-4 with your employer if you had a major life change in 2016, such as a new mortgage, marriage, divorce or baby.
2. **Download** the latest catalog of forms and publications from IRS.gov or have it mailed to you.
3. **Start filling in the blanks now.** If you're using a tax software program, start filling in your information now to prevent having to rush to complete it in April.
4. **Nail down the specifics.** If you have dependents, get their social security numbers. If you're divorced, decide which parent will claim the children to prevent an audit or delay.
5. **Contribute to your IRA.** If you're thinking of contributing to your Traditional or Roth IRA, you have until April 15, 2017 to do so. Check the IRS website to see if you're eligible to deduct your contribution from your taxes.

TOP ITEMIZED DEDUCTIONS

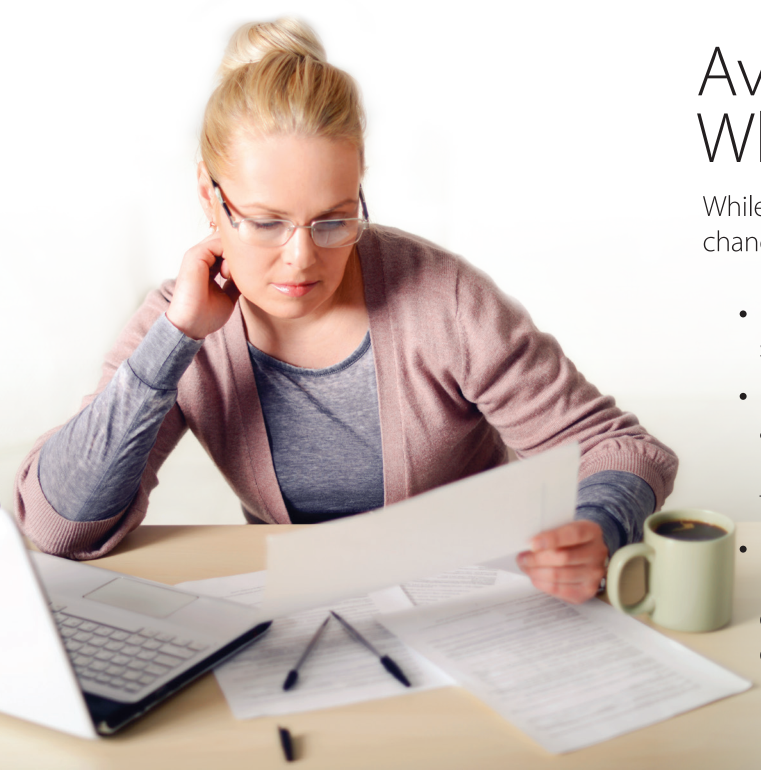
1. Taxes, including state and local income tax, sales tax and property tax
2. Mortgage interest and other housing expenses
3. Charitable gifts
4. Medical expenses

Source: Motley Fool

DID YOU MOVE IN 2016?

Be sure to update your mailing address with your employers, clients and any businesses that hold your investments or accounts. If your tax forms have already been sent, contact these companies and ask them to send copies to your new address. Moving expenses are also tax deductible if you moved for work with a current employer more than 50 miles and they did not reimburse you.

Tax rules change often and you may qualify for other deductions. Meet with your accountant or tax professional today to discuss all the deductions you may qualify for.



Avoid These *Errors* When Filing Your Taxes

While there's no guarantee you won't be audited, you can reduce the chances of it happening by avoiding these errors.

- **Don't overstate charitable contributions.** Keep your receipts and be sure to use an accurate number.
- **Don't incorrectly deduct mortgage points.** If you paid points to get a better rate on your home loan, you may be able to deduct them. However, there are guidelines that have to be met first. Visit IRS.gov to see if you qualify for this deduction.
- **Don't exclude small interest payments.** The low interest rates may make it tempting to exclude small interest payments you received on savings and investment accounts from your return. However, an omission may make the IRS wonder what else you may have left out.