



December 16, 2011

Claiming 2011 Tax Benefits – It's Now or Never (part 1)

As the year draws to a close, you have two weeks left to make your tax moves that will make you eligible for various 2011 tax benefits when tax season reopens next month. According to IRS spokesman Dan Boone, “In order to claim certain benefits on your 2011 taxes, you must take action no later than December 31st. Action now could save you money later.” Here are some tax moves you can make to reap the tax benefits next year.

1. Energy efficient home improvements

By installing energy efficient windows, doors and other fittings, you can claim 10% of the costs up to a maximum of \$500. If you install geothermal, solar and other alternative energy generating equipment, you can claim even more. These home improvements will not only reduce next year's tax bill but save you dollars in energy consumption in the long run as well. But these installations must be made by December 31, 2011. For further details, visit www.energystar.gov.

2. Giving

There are two ways giving can qualify you for tax benefits. The first way is giving up to \$13,000 as a gift in cash or kind to anyone. You can do this and not have to file a gift tax return. The second way is to donate to charity. To prove your giving, you need to show a cancelled check, bank or credit card statement or at times a written confirmation from the charitable organization showing the name of the charity, the amount donated and the date of donation (which must be before December 31, 2011). Credit card contributions are tax deductible even if the payment is made in 2012. If you give gifts in kind to the charity, they must be in good condition and you require an official receipt from the charity organization.

3. Contribute more to an IRA

There are many Individual Retirement Accounts (IRAs) in existence. There is the 401(k) employer-sponsored plan, the 403(b) plan for employees of public schools and certain tax-exempt organizations, the 457 plan for state and local civil servants and the Thrift Savings Plan for federal civil servants. Contributions to all these IRAs made by December 31, 2011 are tax-exempt. But if by April 17, 2012 you set up new IRA or add money to an existing IRA you can gain more tax exemptions for 2011. For 2011, you can contribute up to \$5,000 to a traditional IRA, up to \$11,500 to a Simple IRA and up to \$16,500 to a 401(k) employer plan. Contributors 50 years old and above can contribute more due to the 'Catch Up' provision.

4. Take up the minimum IRA distribution

If you are aged 70 and a half and above with an IRA, you must take a 2011 required minimum distribution (RMD) from your IRA before January 1st, 2012 to avoid a penalty. This requirement was recently reinstated last year and this year.

I will continue with more tax moves to benefit you in my next article so stay tuned!