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Last-minute tax advice can help you save money

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It's not too late to save money on 2007 taxes.

Local financial experts say there's plenty to do before the year ends. From making charitable donations and paying health insurance premiums to putting money into IRAs and college funds, taxpayers can still trim their 2007 income tax bill.

Important papers

Now's the time to round up key documents, said Robyn King, tax shareholder and certified public accountant for Schenck Business Solutions, 373 N. Pioneer Road.

It's important to record investments, such as when stocks and mutual funds were bought and sold, she said. Investment companies often provide the paperwork, but it's up to individuals to determine what they paid.

Taxpayers should also keep track of charitable contributions and out-of-pocket medical expenses, King said. A cancelled check or receipt is valid for donations. Medical bills are needed for health expenses.

Charity

There's still time to make donations — just make sure to keep receipts for donated clothes and household goods.

King also advises givers to take pictures of donated items to show they are in good condition.

Those in a higher tax bracket may qualify for another deduction if they double a donation this year, added Jeff Nielsen, tax and investment advisor for Feucht Financial Group, N6687 Wrightway Drive.

Health insurance

Paying 2008 health insurance premiums in 2007 also may garner a tax deduction, Nielsen said.

IRA donations

To satisfy minimum distribution requirements, seniors age 70½ or older may want to donate IRA funds to charity, according to a Schenck Business Solutions newsletter.

By donating the funds, seniors may receive a tax break on Social Security benefits, King said. For people over 65, benefits are taxable based on income. Up to 85 percent could be taxable, she added.

"That can be a huge tax hit for someone," she said.

Going green

Those who buy a hybrid vehicle before Jan. 1 may qualify for a tax credit. Only so many credits are available, and some are already gone for certain models. Prospective buyers should check the car's Web site or with their tax preparer to ensure they'll get a credit, said Tim Marcoe, owner of Marcoe Tax Service, 43 Third St.

Do-it-yourselfers could receive another credit if they improve their homes, he added. Energy efficient windows, doors and insulation count toward the credit, but they must be installed by Jan. 1. Receipts and a cancelled check or credit card statements are required.

Kiddie tax

The "kiddie tax" requires children with more than \$1,700 in unearned income to pay the same tax rate as their parents, said King. The tax also applies if students have more than \$1,700 in unearned income, are under 24 and are claimed as a dependant by their parents.

Children who fall under the kiddie tax must wait until their parents file a return, King said. Once the IRS knows the parent's tax rate, children may file.

To avoid any kiddie tax confusion, parents can put the funds into a 529 college savings plan — which isn't subject to tax. The parent would own the account, but the child is the beneficiary, King said.

Property taxes

If they can afford it, homeowners may want to pay this year's taxes by Dec. 31.

If property taxpayers paid their 2006 taxes this year, they can receive more than their standard deduction, said Nielsen. Deduction amounts will depend on a person's tax bracket.

Property owners who pay in advance should keep a copy of the check, he added.

For investors

People should determine if they lost money on stock investments, Nielsen said. If they can sell the stocks before the year ends, they could take a deduction.

The stocks must be worth less than what was paid for them, he said.

Farming

Farmers can take advantage of deductions for things like feed and fertilizer, King said.

At the same time, farmers may want to hold off selling soybeans or other crops. King said waiting defers income.

Self-employed taxpayers may receive a tax break if they buy equipment for business purposes. Devices must be operational by Dec. 31, but a deduction will depend on income and cost.

College students

To qualify for a deduction, students can pay spring tuition before Jan. 1, Nielsen said.

The IRS doesn't touch scholarships as long as they're used for educational purposes. But if students go on a shopping spree or have any funds left over after tuition, books and other college expenses, the money will be taxed, he said.

Teachers

Educators who use their own money for classroom purchases should finish their shopping before New Year's Day. Marcoe said teachers can deduct up to \$250 if they keep their receipts and cancelled checks.

Unless Congress extends it, the deduction won't exist next year, he added.

Divorce

Divorced couples should start talking to their ex-spouses, lawyers and tax preparers about who will claim the children. Only one parent is allowed to claim them as dependants, said Marcoe.

Conditions vary, but the custodial parent, or the one who has the children most often, usually cannot claim them. However, that parent can claim head of household, which puts him or her in a lower tax bracket, he explained.

The other parent may be able to claim them because that person pays child support. Even then, the parent must pay a certain amount to qualify, he said.

A judge typically decides the custodial and non-custodial parents, and who can claim the children as dependants. It's still important to talk to your ex-spouse, Marcoe said, because not everyone knows the rules or follows them. If both parents try to claim them as dependants, they should expect a letter from the IRS.

"The communication has to be open," he said.