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Top Nine Tax Tips for 2012 (part 2)

In my previous article I shared 5 tax tips for 2012 that could save you money in this year's and next year's taxes. They are;

1. Make charitable donations
2. Contribute more towards your IRA
3. Work from home
4. Claim Energy-saving credits
5. Do not inflate 2012 income unnecessarily

Here are four more tips.

1. Contribute towards a college savings plan

You can claim a deduction of up to \$13,000 per beneficiary if you contribute towards a 529 college savings plan for children or grandchildren. This is because earnings generated from a 529 savings plan are not taxable. But as with all tax claims, you must make your contribution before December 31.

2. Claim your Earned Income Tax Credit

If you are eligible for the Earned Income Tax Credit which is for lower income earners with three or more children, you should claim it. The Earned Income Tax credit can provide up to \$5,751 in credit claims. To be eligible, you should be earning no more than \$49,078 with three or more children. To claim your credit, you must file your tax returns. About 80% of those eligible for the credit do claim it.

3. Pay now to save later

If you prepay your January mortgage or your state taxes by December 31, you can claim

deductions for 2011. But you have to bear in mind the federal alternative minimum tax, which is a tax originally meant for the wealthiest taxpayers but has increasingly begun to include above average wage earners as well. Married couples who both work and make deductions have a high chance of having to pay the alternative minimum tax (AMT). If you have to pay the AMT, then it is pointless to prepay next year's expenses this year.

4. Organize yourself

Make sure you have all your relevant documents on file. You should have your W-2, 1099 Forms and mortgage interest statements. Then you should be keeping all your receipts as proof of claimable expenses. File similar types of documents together. Having all your documents in order helps to ensure all your records are accurate. Otherwise, you may run into delays in your tax processing when your Social Security number does not tally with your tax filing, for example. Likewise, your tax refunds can be delayed if your children lack Social Security etc.