



January 16, 2012

Cost Saving Tax Tips for New Year (part 1)

With every new year comes new goals and resolve. One of your new year's goals must be to save money on your taxes. Here are some things you can do that can either cut your tax bill or help you save more money this year.

1. Set out your tax calendar for the year The IRS has Publication 509 Tax Calendars that you can use (available at the IRS website www.irs.gov) to remind yourself of tax deadlines throughout the year. But the print version of the calendar is sold out and will not be reprinted for the rest of the year. However, you can also download a desktop version and integrate the calendar with other personal applications. The last thing you need is to be penalized for late payment because you missed an important tax deadline.

2. Update your name and address If you moved or got married in 2011, do not forget to update your name and address with all the relevant parties that includes the IRS, your state tax agency, the Social Security Administration, former employers (W-2s), banks (1099-INT), lenders (1098), brokerages (1099-DIV, 1099-B), clients (1099-MISC), investments (K-1s) and trusts (K-1s).

This will prevent unnecessary snags later when you file your tax returns or claim tax refunds. You will not be able to file your taxes electronically if your name on file in the IRS does not tally with your Social Security records.

3. File a fresh W-4 If you file a fresh W-4 you can take advantage of some of the new regulations passed by Congress and reduce your taxes in the long run. For instance, Congress extended the 2% reduction of Social Security taxes from paychecks for January and February and for this year there is no longer a deduction for the private mortgage insurance (PMI) payments, worth several hundred to several thousand dollars a year. So if you file a fresh W-4, you can increase your withholding to maximize your deductions. This will help you avoid the temptation of spending your disposable income and having to pay a hefty tax bill later.

4. Send out 1099-MISC in January You need to send Form 1099-MISC to service providers you paid at least \$600 to last year. This requirement does not include vendors providing goods or merchandise. You do not need to send 1099s to corporations, except attorneys and medical-care providers. For companies that operate as LLCs, you cannot be certain if they are filing as a corporation. So, get a Form W-9 from each vendor and have them tell you.

Stay tuned for part 2 tomorrow where I will share more tips you can take to help you save money on taxes.