

Last-Minute Tax Tips for 2009

Before the holidays heat up, now's a good time to make some moves that will save you money on taxes next April. Take some time to consider the following:

Plan your retirement contributions: Though you have until April 15 or your extension deadline next year to make IRA contributions for 2009, right now is a good time to find out if you can push 401(k) contributions to their regular and catch-up limits. Here are the basics:

- **401(k) contributions:** For tax year 2009, the regular contribution limit in a traditional 401(k) is \$16,500 and \$11,500 for a SIMPLE 401(K). For anyone who is age 50 or older in 2009, you can make an additional contribution of \$5,500 for a traditional 401(k) and an additional \$2,500 for a SIMPLE 401(k).
- **Traditional and Roth IRAs:** For tax year 2009, traditional and Roth IRA contributions are limited to \$5,000 for those under age 50; for those over 50 during 2009, the contribution limit is \$6,000. For Roth IRAs, keep in mind that if you are married and filing jointly with modified adjusted gross income (MAGI) of less than \$166,000, you can contribute up to the limit, BUT between \$166,000 but less than \$176,000, the limit is reduced. Those with MAGI over \$176,000 cannot contribute to a Roth. For single filers or married taxpayers filing separately, those reporting MAGI of less than \$105,000 can contribute up to the limit, BUT between \$105,000 and less than \$120,000 that contribution is reduced. Over MAGI of \$120,000, no contribution is allowed.
- One planning note – starting in 2010, anyone will be able to convert a traditional IRA into a Roth without income limitation.
- **SEP IRAs:** For SEP IRAs, the maximum contribution is \$49,000.

If you're planning to buy a home VERY soon: First-time homebuyers have until November 30 to close on their home purchase in order to qualify for the \$8,000 tax credit provided by the American Recovery and Reinvestment Act (ARRA). The credit is available to those who have not owned a home during the past three years. The full credit is available for married couples filing a joint return whose MAGI is \$150,000 or less and for other taxpayers whose MAGI is \$75,000 or less.

If you've been unemployed in 2009: Under the ARRA, the first \$2,400 of unemployment benefits an individual receives in 2009 are tax free. This provision applies only to benefits received in 2009: Normally, unemployment benefits are taxable.

Take advantage of the IRA charitable donation provision: If you're age 70 ½ or older, 2009 is the last scheduled year that you'll be allowed to direct your IRA trustee to make a tax-free direct transfer of up to \$100,000 from your IRA to a charitable organization.

Grab those green incentives: The ARRA also provides tax incentives for energy-efficient investments for the home. The new law increases the credit rate to 30 percent of the cost of all qualifying improvements and raises the maximum credit limit to \$1,500 for improvements placed in service in 2009 and 2010. The credit applies to improvements such as adding insulation, energy-efficient exterior windows and energy-efficient heating and air conditioning systems.

If you're still looking for a car: You might have missed Cash for Clunkers, but the ARRA allows taxpayers to take a deduction for state and local sales and excise taxes paid on the purchase of new cars, light trucks, motor homes and motorcycles on purchases made through December 31. The deduction is limited to taxes and fees paid on up to \$49,500 of the purchase price of the eligible vehicle and reduced for joint filers with MAGI between \$250,000-\$260,000 and other taxpayers with incomes between \$125,000 and \$135,000. Taxpayers with income exceeding these limits don't qualify.

If you suffered disaster damage: Severe storms and flooding this year designated many parts of the country eligible for tax relief. To check if your community has been designated, go to the [IRS website](#).

Check investment gains and losses: If you have depreciated investments in your taxable investment accounts, see if it makes sense to sell and offset them against any capital gains you've realized this year. Also, keep in mind that if you are in the 10-15 percent income tax bracket, the current tax rate for long-term capital gains is zero percent and will stay there through 2010. If you have a capital loss carryover from 2008, you can use this to offset any capital gains you've realized this year too.

A financial planning professional can help you sort this out and make the most tax-efficient decision.

Defer income if possible: Self-employed people and some business owners might elect to invoice customers in January so they don't have to include that income on their 2009 return. Keep in mind that it may only make sense to defer income if you think you will be in the same or lower tax bracket next year.

Make sure donations are documented: You must have either a receipt or a canceled check to back up any contribution, regardless of the amount, and you can't simply give away junk and state a "like new" value for it. If you don't have such a written record, the IRS will reject the write-off if the lack of proper record keeping is discovered in an audit. Also, you can write off out-of-pocket costs you incur while doing good works. Ingredients for casseroles you regularly prepare for a nonprofit organization's soup kitchen, for example, or the cost of stamps you buy for your school's fundraiser count as a charitable contribution.

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