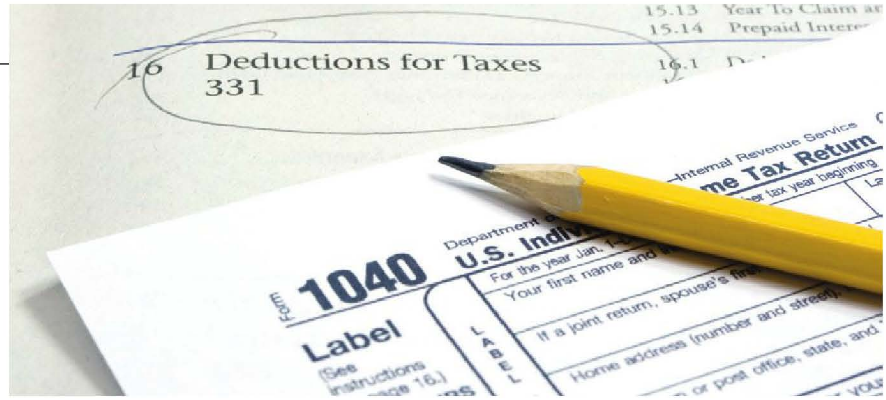

The dreaded deadline is months away — but you need to get working now to save the most.

Year-End Tax Tricks That Will Save You Big Bucks in April

By Greg Brown

THANKSGIVING IS AROUND THE corner, so now's the time to make sure the IRS doesn't feast on your income. How can you protect yourself? By maximizing tax breaks still available this year.

"It doesn't matter how good an accountant is with a stack of receipts on April 15. If you didn't know what deductions, credits, and loopholes are available to you, you've lost those breaks forever," says Dominique Molina, a San Diego, Calif., CPA and president of the American Institute of Certified Tax Coaches. Here's a rundown of some changes ahead that require planning:

1: Take every break you can. Some important credits and deductions expire in 2011, says Brad Greenberg, a partner with Silver, Lerner, Schwartz & Fertel in Skokie, Ill. The deduction for private mortgage insurance premiums will expire, for instance. If you have kids in college, prepay 2012 tuition, since the $4,000 higher education deduction ends this year, too.

2: Invest that windfall. Thanks to the 2010 tax deal, all wage earners got a bump up in pay as a reduction in the payroll tax. The drop, to 4.2 percent from 6.2 percent (it applies to the self-employed, too) means an additional $1,500 in the pocket of someone earning $75,000 a year, says Michael Kalisch, a certified financial planner with LPL Financial in West Palm Beach, Fla. The break is scheduled to end this year, so use the money wisely, says Kalisch.

3: Invest in your business. If you run a company and you need to buy something big, buy it soon. The "bonus" depreciation this year is 100 percent of the cost. "For qualified property acquired after Sept. 8, 2010, the bonus depreciation deduction changes to 50 percent as of Jan. 1, 2012. After 2012, it will no longer be available," says Joan Brockman, a CPA and senior tax specialist at Simons Bitzer & Associates in Indianapolis, Ind.

4: Cash out your gainers. Assets held longer than 12 months will be taxed at just 15 percent if you take the profits between now and the end of 2012. That tax rate will likely go up to at least 20 percent, warns Gail Rosen, a CPA in Martinsville, N.J. "Higher tax rates are coming," she says.

5: Stay tuned. An election year is around the corner, which means open season on the tax code. "The congressional commission on debt reduction will be, essentially, a tax-writing committee," says Aaron Blau, a CPA in Tempe, Ariz. "They are poised to throw out the old code and create a whole new system."

In other words, be ready to adjust your tax strategy based on any new tax legislation that is passed in the coming months. □

NO-BRAINER TAX MOVES EVERYBODY SHOULD MAKE

▶ EXPERTS POINT OUT THAT MOST PEOPLE DON'T TAKE advantage of the ordinary breaks they get handed every year. Here's a checklist of no-miss breaks for nearly everyone:

- Maximize contributions to tax-deferred savings accounts, such as 401(k)s, personal IRAs, and health savings accounts. Every dollar you pay in lowers your income and thus your tax bill.
- Clean out your closets and donate to charity. Keep track of the current market value (not what you paid) for each item. If it's worth more than $5,000, get an appraisal.
- Running your own business? Look into deductions for your home office, start-up expenses, and auto use for business. Good records are essential here.
- Use all of your flexible spending account money for healthcare needs. You lose it at year-end if you don't. □

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