

Consumer Information

Act now to lower your '09 tax bill

WASHINGTON (10/5/09)--The government has tweaked the tax laws to give you more opportunity to save on your 2009 taxes.

Don't wait until you file in 2010--act now or you'll miss the full advantage of some of these tax savings (*Kiplinger.com* Sept. 21).

- *Make or increase your 401(k) contributions.* Your 401(k) contributions come off your paycheck before taxes are withheld and reduce your taxable income immediately. Many employers match a percentage of your contribution. Take advantage of this opportunity for "free money."

You can make regular contributions or a one-time contribution up to \$16,500 (plus an extra \$5,500 if you're 50 or older) in 2009. In addition to the immediate payoff, within certain income limits you can take advantage of the Saver's Credit to trim your 2009 tax bill up to \$1,000 (single filer) or \$2,000 (joint filers). The Saver's Credit is available in addition to any other tax savings that apply.

- *Buy a house.* If you or your spouse haven't owned a home in the past three years, you can qualify for a tax credit of 10% of the purchase price, up to \$8,000. You don't have to repay this credit unless you sell the home within 36 months. You must complete your home purchase on or before Nov. 30 (*The Leaf Chronicle* Sept. 25).
- *Buy a new car.* If you buy a new car between Feb. 16 and Dec. 31 this year, you may be eligible for special state and local tax deductions. This is true whether or not you itemize deductions on your return. The amount of the deduction phases out if your modified adjusted gross income is between \$125,000 and \$135,000 (individual filers) or between \$250,000 and \$260,000 (joint filers).
- *Pay college bills.* If you pay at least \$4,000 in tuition, fees, and course materials in 2009--from a source other than a 529 or Coverdell--you can qualify for the American Opportunity Credit of up to \$2,500. The new credit modifies the existing Hope Credit, making it available to more taxpayers than in 2008--those with higher modified adjusted gross incomes (up to \$80,000 single filer and \$160,000 joint filers) and those who owe no tax. The credit phases out if your income is above these levels.
- *Give to a charity.* If you itemize deductions, write off your 2009 cash and non-cash donations to charity. You can also deduct transportation and other out-of-pocket costs, such as the costs of ingredients for a dish you make for a nonprofit's soup kitchen.

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