

Written by Paul Hodge

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6 Tax Breaks That Anyone Can Claim

by Annie Mueller - investopedia.com

If the thought of doing taxes makes you break into a cold sweat, you're probably like many of us; fearful of making a mistake and having the IRS show up at your door. Tax forms can be complicated, but don't let the complexity scare you away from tax credits that are legally yours to claim. Tax deductions and credits aren't just for big companies and finance-savvy folks. Look over the list below; you might be surprised how many tax breaks -- in the form of both credits and deductions -- can be applied to your tax return.

1. Charitable Donations

Most cash donations made to charity in the tax year can be claimed as an itemized deduction on your tax return, but many folks don't realize that non-cash contributions can be claimed as well. If you've donated to a charity or non-profit organization using your credit card, you can claim that donation. If you've donated material goods or services, be sure that you have a receipt from the charity stating the value of the goods or services you donated. You can claim that value as a charitable deduction.

2. Child Care Credit

If you pay for child care regularly while you are at work, you may be eligible for a tax credit. The amount of care covered can be up to \$6,000 for the care of two or more children, according to Kevin McCormally, the Editorial Director of Kiplinger.com. Be sure to keep clear records; paying

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your child care provider in cash while keeping no traceable record of the payment will make it extremely difficult to claim the amount on your tax return.

3. Home Energy Efficiency Improvements

If you have to make any home improvements, go with the energy efficient options. Consumers can claim 30% of the cost, up to \$1,500, of energy efficient home improvement items, such as "energy-efficient windows, insulation, doors, roofs, and heating and cooling equipment in existing homes," according to the Department of Energy. So replace those doors and windows by the end of the year and get a break on your taxes.

4. Residential Renewable Energy Tax Credits

Another "green" tax break is for renewable energy additions made to your home. The Department of Energy includes "solar energy systems (including solar water heating and solar electric systems), small wind systems, geothermal heat pumps, and residential fuel cell and microturbine systems". Home owners can get a tax credit of up to 30% of the cost of these improvements. When you consider how much money this type of renewable energy will save you in lower electric bills over the years and combine that with the 30% tax credit, greening your home begins to look like a pretty smart move.

5. Automobile Tax Credits

Get green on your commute and you could see more green on your tax return. Purchase a hybrid gas-electric or alternative fuel vehicle before the end of 2010, and you can get a credit on your taxes. Amounts vary according to what type of vehicle you purchase and some credits are phased out as dealers sell a certain amount of cars, so be sure to ask your car dealer before you purchase. If you're a DIY person, you can also get a tax credit for 10% of the cost of a plug-in hybrid conversion kit.

6. Relocating for Work

Whether you're moving for your very first job, for a new job or for relocation with your current employer, you can recover some of your relocation expenses. You have to validate your move by passing a couple of "tests". The first test involves the distance. The distance from your new work location to your former home has to be at least 50 miles longer than your previous commute. The second test is just a way of proving that you actually moved for the job; you have to be employed for at least 39 weeks out of the 12 months immediately following your move, in the vicinity of your new job. You don't have to actually be employed with the same company, just in the same general area.

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Bottom Line

Don't be fooled into thinking that tax credits and deductions are for everybody but you. Simply donating, working and improving your home can add up to significant savings on your taxes, so start getting out those receipts and adding up the numbers. Document what you claim on the deductions and ask your tax professional if you have any questions about what you can claim. Then go for it; you might be getting a much bigger refund than you thought.

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