

## 7 ways to save on federal income taxes before Dec. 31

Uncle Sam may provide you with some holiday gifts -- tax savings that can amount up to thousands of dollars -- if you act before Dec. 31.

The federal income tax credits and deductions may come in handy as this year couples will not receive the \$800 Making Work Pay tax credit, single filers \$400. The tax credit was given for 2009 and 2010 but ended this year.

Here are seven ways to save on 2011 federal income taxes as long as you act before Dec. 31:

**Make a charitable gift.** Give to a 501(c)(3) charity and deduct the amount that from your federal taxes. That includes donations of clothes, books, household goods even cars and other big-ticket items. The Salvation Army gives you an idea of how much you can deduct on various items: [www.salvationarmysouth.org/valueguide.htm](http://www.salvationarmysouth.org/valueguide.htm). Donations charged to a credit card by Dec. 31 are deductible for 2011 even if the bill is paid in 2012, said Mike Dobzinski, the Plantation-based spokesman for the [Internal Revenue Service](#). For a \$1,000 donation you would pay \$250 less on your federal income tax if you are in the 25 percent bracket or \$150 if you are in the 15 percent area.

**Pay January's mortgage payment** before Dec. 31 so you can deduct 13 months of interest instead of the usual 12 to save more on taxes, suggested Tropical Financial Credit Union's Craig Weisman.

**Take** some of your last paycheck of 2011 to add to your 401(k) account as long as you haven't contributed up to \$16,500 this year -- with a \$5,500 catch-up contribution allowed if you are age 50 or older, Weisman also suggested. Lower income workers may also qualify for Retirement Savings Contribution Credits that can be used by couples who earn less than \$56,500 a year or \$28,500 for single filers, IRS' Dobzinski said. This credit could be worth up to \$2,000 for a couple or \$1,000 for a single filer; it can be used for any retirement account, including a 401(k) or IRA, he said.

**Consider** selling investments that have dropped in value. Taxpayers can deduct capital losses up to the amount of capital gains plus \$3,000, said IRS's Dobzinski said. But if you are thinking of selling profitable stocks, you might want to postpone it until after Dec. 31 as you can put off having to pay taxes on the profits for another year.

**Tally** your child's college tuition, fees and other approved expenses so you can take off up to \$4,000 on your federal income taxes, courtesy of the American Opportunity Tax Credit that is scheduled to expire the end of next year, advised [Sheri Schultz](#), a certified public accountant and partner with [Fiske & Company](#) in Plantation.

**Take off** up to \$500 for installation of energy-efficient windows, doors, roofs, air conditioners and heating systems, Schultz added. The home-energy tax credit expires at the end of this year. It is worth 10 percent of the cost of new windows, doors, skylights, insulation, and heating and air conditioning systems, up to a \$500 credit (but no more than \$200 can be allocated to new windows), according to the IRS. You must install the upgrades by Dec. 31 in order to claim the credit, but you can't claim it for 2011 if you already took advantage of \$500 or more of energy tax credits in previous years.

**Don't forget** the Sales Tax Deduction that Floridians are eligible for instead of deducting for a state income tax, which the Sunshine State does not have. You can save on taxes if you're buying a big purchase such as a new car before the end of the year. Those can be added to the online sales tax tables at [www.IRS.gov](http://www.IRS.gov).

The IRS website also has tax forms and publications.

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