

5 Opportunities to Save Taxes Before Year End

- 1. IRA or Pension Plan Conversion to Roth IRA-** in 2010 everyone is allowed to convert their IRA's and pension plans to Roth IRA's. For 2010 conversions you can choose to pay the tax 50 % on 2011 and 50 % on 2012 tax returns. If for some reason you decide you don't want to do the conversion you can change your mind and put the investments back into your traditional IRA or 401(k) if you do it by October 15, 2011.
- 2. Charitable Contributions-** If you are planning to donate to your favorite charity, do it by year end. If you do a Roth IRA conversion, think of offsetting the extra income with a charitable contribution. And don't forget to clean out your closets for Goodwill- but keep a detailed list and proof like photos that the items were in good or better condition.
- 3. Nonbusiness Energy Property Credit-** This credit equals 30 percent of what a homeowner spends on eligible energy-saving improvements, up to a maximum tax credit of \$1,500 for the combined 2009 and 2010 tax years. The cost of certain high-efficiency heating and air conditioning systems, water heaters and stoves that burn biomass, energy-efficient windows and skylights, energy-efficient doors, qualifying insulation and certain roofs all qualify, along with labor costs for installing certain items.
- 4. American Opportunity Credit Helps Pay for First Four Years of College-** More parents and students can use a federal education credit to offset part of the cost of college under the American Opportunity Credit. This credit modifies the existing Hope credit for tax years 2009 and 2010, making it available to a broader range of taxpayers. Income guidelines are expanded and required course materials are added to the list of qualified expenses. Many of those eligible will qualify for the maximum annual credit of \$2,500 per student.
- 5. Residential Energy Efficient Property Credit-** This nonrefundable energy tax credit will help individuals pay for qualified residential alternative energy equipment, such as solar hot water heaters, geothermal heat pumps and wind turbines. Changes to the law removes some of the previously imposed maximum amounts and allows for a credit equal to 30 percent of the cost of qualified property.