INSIDE: MORE WAYS TO SAVE

Axe Your Taxes

IT'S YOUR MONEY, SO KEEP AS MUCH OF IT AS POSSIBLE | By Kimberly Flynn

You don't even look at your portfolio statements anymore because your net worth is no longer worth the effort. Now with tax season lurking, Jeff Schnepper, Microsoft/MSN Money tax expert and author of the best-selling *How to Pay Zero Taxes*, wants to make sure you don't miss these important deductions, which might soothe a bit of the pain in your wallet. ▸

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Take advantage of your losses.
Stocks, bonds, rental properties, and other investments that you sold at a loss are terrible for your portfolio, but great for your taxes, says Schnepper. Up to $3,000 of your net loss for 2008 can offset other types of income like salary, interest, and dividends. Any remaining losses can carry over to next year. "Unfortunately, if you sold your principal residence at a loss, there's no deduction," he says.

Round up receipts.
As of 2007, you need to show proof of any charitable contributions that you're claiming. "All of those people who are throwing cash into church collection plates are now making contributions that aren't deductible," says Schnepper. From now on, throw in a check or ask for an official church envelope so you can get a statement at the end of the year. The same goes for donations to charities like Goodwill: Always get a receipt. "Picture dead presidents on those receipts, because they're real dollars in your pocket. You don't want to throw those away."

Pay yourself.
You have until April 15 to make a contribution to your retirement plan and have it count toward 2008. If you contribute $5,000, and you're in the 25% tax bracket, you'll save $1,250 in taxes. "Twenty-five percent of your investment is really coming from taxes that you're not paying," says Schnepper.

Put your new home to work.
If you're a first-time home buyer (meaning you bought a primary residence this year and haven't owned one for the past three years), you're eligible for a tax credit equal to 10% of up to $75,000 in home purchases. Translation: If your home cost at least $75,000, you could deduct $7,500 from your taxes. The catch is that you need to repay this money—$500 a year for 15 years. "In effect, it's a 15-year interest-free loan from the government to help you buy a house," says Schnepper. It is risky, though. If the property ever ceases to become your primary residence, the entire balance is due immediately. Not such a big problem if you sell your house, but a very big problem if you get a job transfer and can't sell as a result of a bad housing market. "If I were thinking about moving in two years, I definitely wouldn't take advantage of it. But if I didn't plan to move within 5 to 10 years' time, I would definitely do it. It's basically free money."

Write off your job search.
If you lost your job last year, any expenses you incur while looking for work are deductible. Professional consultants, résumé printing and mailing, even travel expenses for interviews are all fair game as miscellaneous itemized expenses. But keep in mind that any unemployment insurance you received is also taxable.