

Just Mailed Your Check to Uncle Sam? Get a Jump on Your '07 Taxes Now

Most of us would rather just lie down after mailing our taxes – it's an exhaustion that comes from the suspicion of paying too much or wondering if we've missed deductions that could have saved us money. Yet one good way to avoid that overtaxed feeling is to get a jump on planning for Tax Year 2007.

Here are a few smart tax moves you can put on your calendar now:

Consider planning software: If your tax filing system consists of shoeboxes and shopping bags, it might be time to move your finances to your computer. You still need to save key receipts and documents, but uploading spending, savings and investment information into a program like Quicken or Microsoft Money (whichever is easier for you to use), will not only give you a clearer idea of your money picture from day to day, but it will make your tax filing process much easier for your tax professional or if you do it yourself. Another tip: Consider working with your tax professional in setting up your new software so you have spending, investing and savings categories labeled correctly. It'll make next year's taxes go much smoother.

Review your 2006 return: Look at your deductions and credits for 2006 and consider those instances in which you may benefit in 2007 by bunching expenses in order to qualify or increase the deduction or credit amount. For example, medical expenses are deductible once they exceed 7.5 percent of your Adjusted Gross Income (AGI). Other expenses have their own limits. Consider if it makes sense to bunch your expenses in 2007 or 2008 to qualify for a certain deduction or credit.

Adjust your tax withholding: If you will be receiving a sizable tax refund from 2006 consider increasing your number of exemptions (Form W-4) so that less money is taken out of your paycheck each week and more goes into your pocket.

Rethink charity: Don't stop giving – just do it smarter. If your preference is to give cash to charities, make a plan in advance which organizations you'd like to donate to by yearend so you have a defined amount in mind for each. For taxpayers with significant cash or highly appreciated assets to give away, it might be worth discussing the use of tools like a donor-advised fund rather than starting a foundation or giving those assets away piecemeal. Such funds are set up by investment companies and community foundations as public charities and can house the assets of many individuals and families under that designation.

Fund your IRAs and other independent retirement accounts on a year-round schedule: One of the major reasons that people fail to take the full advantage of the retirement accounts they manage themselves is that they wait until the last minute to deposit funds and fall short of their maximum contribution. Take a look at your overall financial responsibilities and see if there's a way to put a little more in these accounts a little at a time. For example, sign up for automatic deposits so the money is automatically taken out of your checking or savings account.

Watch that AMT: It's become the scary "what if" that many two-income families now worry about – what if you suddenly become subject to the alternative minimum tax. This tax – an additional tax structure intended for the wealthy but affecting more taxpayers by the year – is triggered by a variety of factors, including the deductions you take in a

given year. There's no general set of factors that qualify you for the AMT – it depends on your individual situation. Talk to your tax adviser now about your risk factors for getting hit with the AMT in 2007. The Internal Revenue Service has an online AMT assistant for do-it-yourselfers that can help anybody project their risk of the AMT. Go to <http://apps.irs.gov/businesses/small/article/0,,id=150703,00.html> for more information.

Make a goal to harvest investment losses: It's wise to talk to your tax or investment advisers first about this, but keep an eye on your portfolio for stocks and other investments experiencing losses against those investments you plan to sell at a profit. It'll minimize your tax hit in 2007.

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