12 "TAX TRICKS" TO MAXIMIZE YOUR TAX REFUND AND SAVE MORE $$$

(Caveat: Tax Laws, IRS Rules and Regulations changes over time. Please refer to your Tax Preparer/Accountant for the latest update.)

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Here are your "tax tricks" to help you save thousands of dollars:

1. **FILING STATUS.**
   Calculate your taxes both ways – filing jointly or filing separately.
   I have done many returns in both ways and at the end; I recommend the one that gives the most refund. A joint return is not always favorable to boost your refund much as filing separately. It is the right circumstances, given situations and amount especially in the AGI (Adjusted Gross Income) that will help position you for the highest refund. A case-to-case basis needs to be evaluated and analyzed.

2. **AVOID PENALTIES.**
   - With the implementation of the law under Affordable Care Act, which is still a law and enforced contrary to most who believe it has been repealed, it is suggested that as much as possible avoid violating this law and be penalized when filing your income tax return. However, there are controversies on this subject matter like some prefer paying the penalty rather than paying the premium, which in reality is more costly if you get sick.

   - Late filing of income tax return or being audited will result in penalties aside from paying the surcharges, interest, and late fees. These will eat up a substantial amount of your tax refund, if you have any or by law IRS is mandated to forfeit your tax refund to upset your income tax payable or you have to pay the balance or the total amount due to IRS.

3. **ITEMIZE YOUR DEDUCTIONS.**
   Like filing status wherein you choose jointly or separately, you have also the options to choose standard deductions or itemized deductions in filing your tax return. It is worthwhile to check whether itemizing your deductions could save you more money than the standard deductions. While standard deductions may be very attractive, it would also be reasonable to choose itemized deduction because there are hundreds of allowable deductions that you may qualify which are considerable in terms of monetary value and eventually boost your savings and the tax refund. The following may help you collect more tax refund:
   - Interest on mortgages (car loan, home, etc.)
   - Property tax (car, home & etc.)
   - Sales taxes (State and Federal)
   - Charitable contributions
   - Medical expenses in excess of 10% of your AGI (7.5% if over 65 years old)
   - Commonly missed deductions:
     - Teacher book credit
     - Parents who paid their children's college tuition
     - Clean fuel credit
     - Unemployed job hunting expenses
     - Medical cost

4. **MAXIMIZE YOUR RETIREMENT.**

The trick here is to file your income tax return early and while making the tax return, contribute to an IRA retirement plan. You have until April 15 of that year to pay the contribution. Why did I say file your income tax early? It is because whatever your refund be, the amount that you will receive can be used to pay the amount you have committed to contribute to your retirement plan on or before April 15 which you have ample time to do. How much can your retirement contribution boost your tax refund by doing this trick? Well, if you contribute $5,000 to a traditional IRA, you will get an additional amount of $1,250 in tax refund if you are in the 25% tax bracket. You will get a little more if you are at least 50 years old. You may be able to avail the catch-up provision and qualify for a Retirement Savings contribution Credit that helps lower your taxable income and will result in a larger tax refund. Please note however that the qualified retirement contribution is an above-the-line deduction, which means you can qualify even if you use the itemized deductions on your return.

5. **DATE TIMING.**
This trick entails watching your calendar to boost your refund. The following dates could help increase the amount of refund:
    - Pay your mortgage for January (e.g. 2018) before December 31st (e.g. 2017) and get an added deductible expense for your mortgage interest deduction.
    - Arrange your health-related treatments and laboratory examinations in the last three months of the year to increase medical expense deduction scheme.
    - Pay your fourth-quarter state taxes in advance on December (e.g. 2017) rather in January (e.g. 2018) to augment your total itemized deductions and bump-up your tax refund.

6. **TAX CREDITS.**
Tax credits come off better than deductions but 20% of eligible Americans do not apply for these credits. The following tax credits will help you boost your tax refund:
    - **Earned Income Tax Credit** (EITC) – If you work, you may qualify even if your single or you do not have children. However, please take note, to qualify you to have to have income from work.
    - **Child and Dependent Care Tax Cr**edit (CDCTC) – You may qualify to claim this credit if you paid someone to care for a child, dependent or spouse.
    - **Child Tax Credit** (CTC) – this is a tax credit granted to taxpayers for each dependent child who is under the age of 17 at the end of the tax year. This is non-refundable which means this reduces the taxpayer's liability on a dollar-for-dollar basis. This provides an extra measure of tax relief for taxpayers with qualifying dependents.
    - **Additional Child Tax Credit** (ACTC) – some taxpayers, Child Tax Credit may go beyond the amount of the tax they owe, so they may qualify for this additional tax credit. This is a refundable credit and to qualify, the taxpayer's family must have at least three children or other qualifying dependents and must have an income of at least $3,000.
    - **American Opportunity Tax Credit** (AOTC) – for taxpayers with children in college, this credit could help higher education expenses as a tax relief. This is refundable which means you could receive as much as $1,000 even if you have no tax liabilities. The total credit is $2,500 and applies only to the first four years of undergraduate higher education expenses.
    - **Lifetime Learning Tax Credit** (LLC) – if you are in graduate school or beyond, you may qualify for this tax credit. This reduces your tax payable on a dollar-for-dollar basis for the tuition and fees you pay for yourself, spouse, or dependent. To qualify you must have paid tuition and fees to a post-secondary school during the year. However, if you earn more than what is required you may not qualify. This is also dependent on your filing status i.e. single, head of household, separate and joint.

7. **AVOID HIGH-COST TAX REFUND ANTICIPATION LOANS.**
   This is an advance sum of money in a form of a loan, released to you in anticipation for the tax refund you will receive which could charge an exorbitant annual interest rate of more than 187%. Some tax refund cards would take about two to three weeks to arrive which is the same period of time your tax refund submitted on *e-file* will get into your mail or bank account. Why am I including this? Because the hidden fees, one-time fees, transaction fees, ATM fees, loan interest and all the fees you can think of will obliterate your tax refund. Though some cards claimed, they are not charging any fees but maintaining a card entails some fees aside from paying the interest on the amount advanced to you. If you want your tax refund intact, do an e-file, which is safe and practical, and stay away from the tax refund anticipation loan or better yet see your tax preparer and seek advice from them.

8. **PAY MEDICAL EXPENSES WITH FSA.**
   A Flexible Spending Account (FSA) is a spending account many employers offer to set aside some amount of money from your salary for medical expenses for your child and dependent care. You can contribute to this account as a helpful tool to lower your tax liabilities by shielding the money from taxes. As a result, you get a higher amount of refund, however, the disadvantage is that any unused amount in your FSA is forfeited and will not be returned back to you. The best thing for you to do is do not overfund your FSA but have a very good estimate of how much you need to pay out qualified expenses.

9. **CLAIM YOUR FRIEND OR RELATIVE AS DEPENDENT.**
   You can claim a dependent exemption of $4,000 each if you are supporting a relative, friend, and significant other. This can be deducted from your gross income that can boost your tax refund. However, there are rules and regulations to qualify them as dependents. More so, be reminded that if you claim them as dependents, check if they have a qualified health plan in compliance with the Affordable Care Act law to avoid penalties. Please check with your tax preparer, accountant or tax attorney.

10. **QUALIFY THE SALE OF YOUR HOME FOR EXCLUSION**
    To qualify, you must use the following tests as provided in the tax code:

    - Ownership Test – this requires you to own the home for at least two years in the five-year period ending on the date of the sale.

    - Use Test – this requires you must have lived in the home for at least two years during the five-year period that you have owned it.

    This capital gains exclusion is up to $250,000 for individuals and $500,000 for married taxpayers filing jointly. Additionally, this is not limited to only once in a lifetime, this can be done every time you sell your home although it should not be more than once in two years. However, it is a good advice to meet the above requirements before you place your home in the market to avoid paying taxes on the full gains on the sale. Is it not great you get a lot of savings on taxes with this trick?

11. **HAVE A PERSONALIZED TAX PLAN.**

Although this is not a strategy on how to boost your tax refund, however, this is a way to save your refund money, maybe a part or the whole of it.

As per our experience, IRS issues more than nine out of 10 refunds within 21 days. Take advantage of the ample time to write down top three financial objectives on how to make the most of your tax refund. You can have short-term goals on spending that can take in some small splurge or long-term goals to pay student loan or a nagging credit card balance, a down payment for a house or a car or an additional contribution to a retirement plan as discussed above.

According to a survey done by GoBankingRates, it showed that 41 percent of the participants plan to save away their tax refund. It is highly recommended that for people who do not have an emergency fund should put away some tax refund money to jump start an emergency fund for the rainy days.

12. CONSULT YOUR TAX PROFESSIONAL.
    We have to admit that tax returns are getting complicated, daunting, and stressful. It is time to reach out for help. Arrange a schedule with your tax preparer or accountant and review all the plans and objectives you can possibly implement to save more on taxes. It is best to have it in a written form because this results in a high probability of achieving the goals successfully. Taxpayers who owed money to the IRS most probably did not have a tax plan or strategy in place.

Conclusion.

All of the above as mentioned are just a few of the many tax strategies you can apply in preparing your tax return to maximize tax refund. Just be reminded that your tax return is not a gamble. A good and substantial tax refund is a result of a carefully planned program all throughout the year. Plan ahead and keep track of your objectives, when uncertainties knock in, consult your tax professional sooner than later.

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