

Use Standard End-of-Year Tips to Decrease 2011 Tax Bill

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Fewer Tax Code Changes Call for Reminder of the Basics From H&R Block

KANSAS CITY, MO, Nov 29, 2011 (MARKETWIRE via COMTEX) --

Compared to this time last year, discussion about immediate changes for individual income taxes is pretty quiet. No uproar this year over the Bush tax cuts ending makes end-of-year tax planning a little easier. H&R Block (NYSE: HRB), just as it has for the past 55-plus years, is advising taxpayers how to lower their tax liability as the year comes to an end.

"Managing financial health is like so many other things; it's not where you start, but where you finish," said Kathy Pickering, executive director of The Tax Institute at H&R Block. "The end of the year is right around the corner, but there are ways for taxpayers to take actions now that will help reduce their taxable income and tax liability."

As taxpayers are left to wonder if the 2-percent payroll tax holiday will expire Dec. 31 or whether Congress will make any tax law changes as part of a plan to reduce the federal deficit, taxpayers can make the following money-saving moves now to potentially decrease their 2011 tax bill.

Make charitable donations Charitable functions and gift giving take center stage this time of year. It's important for taxpayers to remember for charitable donations to be tax-deductible, they must be made to qualified, tax-exempt organizations (IRS-approved nonprofit religious, educational or charitable groups), and claimed as itemized deductions on tax returns. The Salvation Army donation guide or H&R Block's DeductionPro can be used to estimate the value of non-cash items.

Offset capital gains with capital losses After the Dow Jones Industrial Average hit a 30-month high Jan. 1, it was a roller coaster ride with investments losing and gaining again and again throughout the rest of the year. Even with those market fluctuations, there is some good news:

- Those with a large net capital gain in 2011 could reduce their tax liability by selling stock before Dec. 31 if it would generate a loss.
- Capital losses don't just offset capital gains. If capital losses exceed capital gains, up to \$3,000 of capital losses can be used to offset ordinary income, such as wages.

Look to the future and maximize retirement plan contributions

Taxpayers who have not contributed the maximum to their 401(k) may consider increasing contributions for the remainder of the year; contributions are made pre-tax, which reduces taxable income and potentially the overall tax bill.

Also, taxpayers eligible to deduct IRA contributions can make traditional IRA contributions to decrease 2011 income until April 17, 2012, and thus reduce tax liability on 2011 tax returns.

Pay it forward Those who haven't taken full advantage of the American Opportunity Credit should consider paying spring college tuition before Dec. 31 to benefit from the tax break on their 2011 returns. Also, taxpayers could pre-pay their December mortgage payment due in early January or make an additional student loan payment to claim the highest possible interest deduction (up to \$2,500) on the 2011 tax return.

Go green at home and on the road Home energy-efficiency improvements are eligible for a tax credit of 10 percent of the cost, with a \$500 lifetime maximum. This includes windows and doors, insulation, roofing, HVAC and non-solar water heaters meeting specific energy guidelines. The maximum lifetime credit for external windows is \$200.

Taxpayers can claim a credit for the purchase of a neighborhood vehicle (e.g., low-speed four-wheel vehicle), a conversion kit, or a plug-in electric drive vehicle, such as the Chevy Volt and the Nissan Leaf.

Claim casualty losses from disaster Taxpayers in a federal disaster area who sustained disaster-related casualty losses (e.g., damaged or lost property) can claim their losses on a tax return for the year the disaster occurred or on the prior year's return. H&R Block can help you determine which year would result in the greatest tax savings.

Get early access to W-2s Use H&R Block's free W-2 Early Access service to get access to W-2s before the Feb. 1 distribution deadline. Approximately 90 million taxpayers whose employers are among the 200,000 companies participating can file their tax returns sooner and get refunds up to three weeks faster using this service. The new e-mail notification feature, available now, notifies the clients or tax professionals (if the client selects to have information sent directly to an H&R Block tax office) when W-2s are ready to download.

For more information about last-minute ways to improve tax outlook, contact a local H&R Block tax professional. To find the nearest year-round H&R Block office, visit www.hrblock.com or call 800-HRBLOCK.

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