

Decrease 2012 tax liability

Written by

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Despite an uncertain tax code future, taxpayers can still lower their tax liability. [H&R Block](#) (NYSE: HRB) advises on five strategies taxpayers can use in December to lower their 2012 tax bills.

“While many may be focused on talk of the fiscal cliff and next tax season, it’s important for taxpayers to know there are still tried-and-true tax strategies they can use in the final weeks of 2012 to reduce their tax bill,” said Clarice Westall, enrolled agent at H&R Block.

As taxpayers watch to see if any eleventh hour changes to the tax code are made, they can make the following money-saving moves.

1. Take care of health needs to meet lower deduction threshold

Starting in 2013, in order for taxpayers under 65 to be able to claim medical expenses, they must exceed 10 percent of their adjusted gross income, an increase from 2012. Some impacted taxpayers may want to consider purchasing high-dollar items like eyeglasses and contact lenses so these eligible costs can be paid in 2012 to take advantage of the current 7.5-percent threshold.

2. Give to others to get a tax deduction

Taxpayers claimed nearly \$180 billion in charitable donations (cash and non-cash) in 2010, and this time of year charitable functions and gift-giving take center stage.

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. Use the [Salvation Army](#) donation guide to estimate the value of used clothing and household items, and be sure to keep receipts and pictures as needed to substantiate donations.

3. Pay some 2013 bills early

Taxpayers may want to consider pre-paying expenses to ensure they take full advantage of some tax breaks, especially if they might expire this year.

Those who haven’t met the \$2,500 maximum of the American Opportunity Credit, which is set to expire Dec. 31, should consider paying spring college tuition now to get the maximum credit. Also, taxpayers could pre-pay their 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 their 2012 tax return.

4. Offset capital gains with capital losses

Those with a large net capital gain in 2012 could reduce their tax liability by selling stock before Dec. 31 if it would generate a loss. Also, 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 wages.

5. Maximize retirement plan contributions

Taxpayers who have not contributed the maximum to their [401\(k\)](#) may consider increasing

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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 2012 income until April 15, 2013, and thus reduce tax liability on 2012 tax returns.

Taxpayers who think they could be eligible for tax breaks they didn't claim on their last three years' returns could benefit from H&R Block's [freeSecond Look®](#) review to ensure they received the maximum refund possible. This offer is good at participating offices through Dec. 31 for the review of 2009, 2010 and 2011 income tax returns not prepared by H&R Block. New this year, taxpayers can get a Second Look from the comfort of their own homes with the secure, video conferencing tool Block LiveSM.

"With so much uncertainty about what taxes will look like next year, taxpayers need to focus on what they can do right now to claim as many tax breaks to which they are entitled before they go away," Westall said.

For more information about last-minute ways to improve tax outlook, contact a local [H&R Block tax professional](#)

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