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Eight last-minute tax planning tips for Phoenix residents

How to beat the filing deadline and lower your tax bill
Phoenix, April 7, 2008 – The Phoenix office of Grant Thornton LLP wants to remind the Valley of the Sun that even though the filing deadline is only two weeks away, there's no need to panic. It's not too late to employ some last-minute strategies that could help you avoid common filing season hassles and possibly uncover savings you may have overlooked.

"You can't go back and change what happened last year, but believe it or not, there are still things you can do now to affect your 2008 tax return," said Ken Garrett, Tax Partner and local Tax Practice Leader in the Phoenix office "There are also several tax law changes that taxpayers need to keep in mind."

The Phoenix office of Grant Thornton is offering taxpayers who haven't filed yet the following eight tips for tax planning at the midnight hour.

1. **Claim your stimulus rebate.** You might have an opportunity to get an extra rebate check. The IRS mailed most taxpayers rebate checks in 2008 providing $600 for individuals, $1200 for joint filers and $300 for each dependent. But the credit phased out for those with incomes under $3,000 or over $75,000, and the calculation was based on taxpayers' 2007 returns. You can redo this calculation based on your 2008 situation, so you may be entitled to a bigger rebate if you added a child or your salary changed.

2. **New property tax deduction.** Congress passed tax legislation last year giving non-itemizers a new above-the-line deduction on real property taxes of up to $500 for singles and $1,000 for married couples filing jointly. If you don't itemize your deductions, but paid property taxes last year, don't forget this deduction.

3. **Reduce income with last-minute contributions.** It's not too late to make tax-free contributions to an Individual Retirement Account (IRA) or Health Savings Account (HSA). If you're eligible to participate, you can set up these accounts and make deductible contributions up until the end of this year's filing season. Contributions to these accounts are especially valuable because they are deducted above-the-line, i.e., before you calculate your adjusted gross income (AGI). This means they are allowed in full and make it less likely that your other tax benefits will be limited

4. **Don't miss the deadline for filing an extension.** Don't bury your head in the sand if you're not going to get your return filed on time. Filing for an automatic extension with Form 4868 is painless and will spare you penalties for missing the deadline. But remember,

extending the filing deadline does not extend the time for making a contribution to an IRA or HSA, and it does not extend the time for payment. By the filing deadline, you must have paid at least 90 percent of your 2008 liability through withholding, estimated payments and any payment made with your extension.

5. **Consider filing electronically.** Filing electronically will speed up your refund and can save you from simple mistakes. Before the IRS accepts an electronic return, it checks for several critical errors, including whether Social Security numbers and names match. The IRS gives you the chance to correct the problems before it accepts and processes your electronic return.

6. **Check your numbers twice.** Avoid math errors and make sure to get your Social Security numbers right. The IRS computers automatically match all Social Security numbers and check for simple math mistakes. If you wrote down the wrong number for one of your dependents, the IRS will disallow the dependent, recalculate the return and usually send you a brand new tax bill. It can be a hassle to unwind. Millions of returns also generate math error notices that often come as unwelcome surprises to unsuspecting taxpayers.

7. **Watch out for the "kiddie tax."** The "kiddie tax" was expanded last year. It now applies to full-time students under the age of 24 whose earned income does not represent at least one-half of their support. Under the kiddie tax, income from these dependents can be taxed at your higher marginal rate.

8. **Get your charitable house in order.** In order to be deductible, a charitable cash contribution must be documented with a bank record or a written communication from the charity. If you claim a charitable deduction on your return of over $500 in donated property, you must file Form 8283, "Noncash Charitable Deductions." If you are claiming a deduction of $250 or more for a car donation, you will need a contemporaneous written acknowledgement from the charity that includes a description of the car. Remember, you cannot deduct donations to individuals, social clubs, political groups or foreign organizations.

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