

## Get Credit for Retirement Savings Contributions

If you make eligible contributions to an employer-sponsored retirement plan or to an individual retirement arrangement, you may be able to take a tax credit.

The Savers Credit, formally known as the Retirement Savings Contributions Credit, applies to individuals with a filing status and income of:

- Single with income up to \$26,500
- Head of Household with income up to \$39,750
- Married Filing Jointly, with incomes up to \$53,000

To be eligible for the credit you must be at least age 18, not a full-time student, and cannot be claimed as a dependent on another person's return.

If you make eligible contributions to a qualified IRA, 401(k) and certain other retirement plans, you may be able to take a credit of up to \$1,000 or up to \$2,000 if filing jointly. The credit is a percentage of the qualifying contribution amount, with the highest rate for taxpayers with the least income.

## Just a thought

**The taxpayer** – that's someone who works for the federal government but doesn't have to take the civil service examination.

President Ronald Reagan

## Why SWTC?

SWTC provides peace of mind. We keep current with the tax laws through: our continuing education, membership in tax professional organizations, professional journals, IRS subscriptions, and IRS webinars.

We are here all year long, not just tax season. So we can help give you that peace of mind whenever you have a problem or concern.

Today's situation is rapidly changing in terms of tax laws, government benefits, and programs. We are working to stay on top of these changes and the possible impact to you our clients, associates, and friends.

## Standard or Itemized Deductions?

Whether to itemize deductions on your tax return depends on how much you spent on certain expenses last year. Money paid for medical care, mortgage interest, taxes, charitable contributions, casualty losses and miscellaneous deductions can reduce your taxes. If the total amount spent on those categories is more than the standard deduction, you can usually benefit by itemizing.

The standard deduction amounts are based on your filing status and are subject to inflation adjustments each year. For 2008, they are:

- Single \$5,450
- Married Filing Jointly \$10,900
- Head of Household \$8,000
- Married Filing Separately \$5,450

Some taxpayers have different standard deductions. The standard deduction amount depends on your filing status, whether you are 65 or older or blind.

Married Filing Separately. When a married couple files separate returns and one spouse itemizes deductions, the other spouse cannot claim the standard deduction and should itemize their deductions.

## Laugh Out Loud

Looking for Wife

Two old guys are pushing their carts around Wal-Mart when they collide. The first old guy says to the second guy, "Sorry about that. I'm looking for my wife, and I guess I wasn't paying attention to where I was going."

The second old guy says, "That's OK, it's a coincidence. I'm looking for my wife, too. I can't find her and I'm getting a little desperate."

The first old guy says, "Well, maybe I can help you find her. What does she look like?"

The second old guy says, "Well, she is 27 yrs old, tall, with red hair, blue eyes, long legs, and is wearing short shorts. What does your wife look like?"

To which the first old guy says, "Don't remember, let's look for yours."

## Facts about the Tuition and Fees Deduction

The Tuition and Fees deduction of up to \$4,000 is available to help parents and students pay for post-secondary education. Below are ten important facts about this deduction every student and parent should know.

- You do not have to itemize to take the Tuition and Fees deduction. You claim a tuition and fees deduction by completing Form 8917 and submitting it with your Form 1040 or Form 1040A.
- You may be able to claim qualified tuition and fees expenses as either an adjustment to income, a Hope or Lifetime Learning credit, or – if applicable – as a business expense.
- You cannot take the tuition and fees deduction on your income tax return if your filing status is married filing separately.
- You cannot take the deduction if you are claimed, or can be claimed, as a dependent on someone else's return.
- The deduction is reduced or eliminated if your modified adjusted gross income exceeds certain limits, based on your filing status.
- You cannot claim the tuition and fees deduction if you or anyone else claims the Hope or Lifetime Learning credit for the same student in the same year.
- If the educational expenses are also allowable as a business expense, the tuition and fees deduction may be claimed in conjunction with a business expense deduction, but the same expenses cannot be deducted twice.
- You cannot claim a deduction or credit based on expenses paid with tax-free scholarship, fellowship, grant, or education savings account funds such as a Coverdell education savings account, tax-free savings bond interest or employer-provided education assistance.
- The same rule applies to expenses you pay with a tax-exempt distribution from a qualified tuition plan, except that you can deduct qualified expenses you pay only with that part of the distribution that is a return of your contribution to the plan.
- IRS Publication 970, Tax Benefits for Education, can help eligible parents and students understand the special rules that apply and decide which tax break to claim.

## Tips to Help Taxpayers Avoid Errors On the Recovery Rebate Credit

Most taxpayers who received the economic stimulus payment last year will not be able to claim the Recovery Rebate Credit on their 2008 federal income tax returns. A small number of taxpayers who did not receive the full economic stimulus payment last year may be eligible to claim the Recovery Rebate Credit on their 2008 federal income tax return. Figuring the Recovery Rebate Credit incorrectly or entering inaccurate information will delay the processing of your tax return and any refund due.

Below are the four things every taxpayer should know about this one-time credit, which is related to last year's Economic Stimulus Payment:

- You do not have to pay back your Stimulus Payment and the payment is not taxable.
- Less than an estimated 3 percent of taxpayers are eligible. The vast majority of taxpayers are not eligible to receive the Recovery Rebate Credit.
- Did you have a major life change? If so, you may be eligible to claim the Recovery Rebate Credit. Some of the major factors that could qualify you for the Recovery Rebate Credit include:
  - Your financial situation changed dramatically from 2007 to 2008.
  - You did not file a 2007 tax return.
  - Your family gained an additional qualifying child in 2008.
  - You were claimed as a dependent on someone else's return in 2007, but cannot be claimed as dependent by someone else in 2008.
- Any Recovery Rebate Credit amount will be included in your refund. The IRS will figure the credit for you and include it in your refund or put it toward any taxes owed.