

Overlooked Credits, Deductions Can Block Big Tax Savings

(NAPSA)—By this tax season's April 16 filing deadline, an estimated \$1 billion in credits and deductions will have gone unclaimed by Americans who were eligible for them.

For the 75 percent of taxpayers who received refunds last year, the \$2,400 average amount could have been more. What's more, the taxpayers who missed out on refunds might have avoided owing anything had they capitalized on all possible credits and deductions.

Overpaying the IRS is nothing new—taxpayers tend to do it every year. But the country's largest tax preparation firm, H&R Block, says it doesn't have to be that way this tax season.

The new software tool, OrganizIT, which is available free at www.hrblock.com, helps taxpayers make the most of gathering the right information in advance of preparing their taxes.

"There are simple things you can do to maximize your potential of receiving a refund," said Maggie Doedtman, a tax advice manager for H&R Block. "This year, claiming a refund is as easy as owning a phone. You can also get a credit just for saving some of your own money."

Committing a few tax topics to memory could improve your long-term financial future and might even be the difference between owing the government and getting some cash back this year.

Long-distance telephone tax refund: As many as 165 million taxpayers—anyone who has owned a land-based or mobile telephone at any point since March 2003—are eligible for an automatic \$30 to \$60 standard refund.

The refund is available because the federal government has agreed to return three years' worth of revenue collected from an excise tax that had been around since 1898.

Taxpayers can claim more than the standard refund if they kept long-distance phone bills from



March 2003 to July 2006, enabling them to report the actual amount of excise taxes they paid.

Incentives to save: The IRS continues to reward eligible taxpayers simply for socking away some of their own money.

Qualified taxpayers can claim the Saver's Credit for up to half of what they contribute to an IRA or other eligible retirement plan, while taxpayers who are late to the savings game are eligible for other incentives related to saving for retirement later in life.

It isn't too late to make contributions count for this year's tax return, either. Taxpayers have until the April 16 filing deadline to contribute to their retirement plans and qualify for the benefits this tax season.

Go green, get green: Certain hybrid vehicles and energy-smart home improvements help the environment, and the IRS is providing incentives to encourage taxpayers to do their part.

A taxpayer who purchased a new hybrid vehicle in 2006 is eligible for a tax credit of \$250 to \$2,600, depending on the make and model of the car. A one-time credit of \$500 is also available for taxpayers who purchased certified, energy-efficient windows, doors, furnaces and air conditioners during 2006.

Changes for charitable contributions: Tougher rules concerning the documenting of contributions could affect taxpayers who routinely deduct charitable dona-

tions. Use checks or credit cards for donations so paper proof of the donation is available.

Donated clothing and household items must be in "good used condition" and cash donations of \$250 or more now require documentation from the organization or a bank record, such as a cancelled check, to be deductible.

Remember the EITC: As many as 7.3 million Americans who were eligible for the Earned Income Tax Credit in 2006 didn't claim it, according to the IRS. The complexity of the credit and a lack of awareness about it are among the most common reasons why taxpayers don't claim this benefit.

Claiming the EITC can make a significant difference for low- and moderate-income working families. The average credit is worth up to \$1,800 and even taxpayers without dependents could qualify for more than \$400.

Split your refund and save: More than half of Americans live from paycheck to paycheck at least from time to time, according to a government study. For households with incomes of less than \$20,000, the percentage is close to 80 percent.

To give taxpayers greater control of their tax refunds, the IRS this year is allowing refunds to be direct deposited into as many as three bank accounts.

The IRS hopes this new option will encourage taxpayers to save and H&R Block makes it easy to start making healthy decisions with its new Easy Savings account and Easy IRA, each of which offer competitive 5.25 percent APYs for H&R Block tax clients, low fees and easy enrollment options.

Even when taxpayers are armed with advice and tips, tax issues can still be intimidating and often tricky. Working with a tax professional and financial advisor will ensure you're on the right financial path and taking advantage of every tax break along the way.