

Time for Tax Returns- Tips to Lower Your Taxable Income

So, it's finally that time of the year when we are eagerly looking for opportunities to identify tax deductions and reduce our taxable income. Filing of tax returns can be time consuming and frustrating especially if you are doing it for the first time. Whether to itemize or to settle for standard tax deduction is always a big question mark and a crucial decision for many US citizens.

But don't worry, after reading this blog, you'll surely be able to move in the right direction and work out your tax returns smoothly and pay less to the IRS.

First Things First- Be Clear on the Tax Rates and Deduction Amounts

For individuals who are absolutely clueless and filing for tax returns for the first time ever should know that each year IRS modifies and announces tax rates and standard deduction amounts. Therefore, you definitely need to be clear on this!

To prepare your 2013 tax returns this year, learn about the IRS 2013 tax rates and deduction amounts. These are different from the rates announced for 2012.

Understanding of the rates and deductions is extremely important to ensure you file your tax returns correctly and take full advantage of the deductions that you are eligible for. Also, note tax rate varies on taxable income bracket and your marital status.

Itemize vs. Standard Tax Deductions – Evaluate Your Options

To lower your taxable income and enjoy maximum tax savings, you must evaluate both the options carefully. To decide which options you will be better off with, know your standard deduction amount and simultaneously calculate your itemized deductions. This can be tricky so don't lose your calm and get stressed out. To figure out your itemized tax deductions, add up the cost of items you have paid for during the year. This obviously includes the expenses that offer tax benefits like home mortgage interest, state income taxes, property taxes and charitable donations.

Now compare the itemized deduction calculated with your standard deductions. Your standard deduction depends on your filing status. For 2013, the basic standard deduction rates are:

- \$12,200 for married taxpayers if filing jointly
- \$6,100 for individual taxpayers
- \$,950 for head of household
- \$6100 for married taxpayers filing tax returns separately

When you compare the two options, you will be easily able to view which of the two offers you higher tax deduction and lowers your taxable income greatly. Choose the option that suits you best.

Check for Exceptions

To ensure you qualify for tax deductions, always read the instructions on the IRS tax filing form. This is important because there are times when people don't qualify for certain deductions. For example: If you are married and you file a separate return where you opt for standard deduction and your spouse chooses itemized deductions then you may not qualify for the standard deduction.

Therefore it is advisable to check for exceptions and read the instruction on the form carefully before submitting it.

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