

Take advantage of expiring tax deductions

Real Estate Tax Talk

BY **STEPHEN FISHMAN**, TUESDAY, NOVEMBER 22, 2011.
Inman News™



There are several tax credits and deductions set to expire at the end of the year, and given the federal deficit problem, there's a good chance they won't be extended. If you want to take advantage of them, you need to act before Jan. 1, 2012.



EXPIRED

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Mortgage insurance premium deduction

If you itemize deductions, you may deduct the premiums you pay for mortgage insurance, just like you do mortgage interest. However, this deduction is phased out if your income exceeds certain levels. To qualify for the full deduction, a couple or a single taxpayer must have an adjusted gross income of \$100,000 or less. The deduction is phased out completely if AGI exceeds \$109,000.

This deduction, which was first enacted for 2007, is scheduled to expire at the end of 2011. Thus, your payments are deductible only if you pay them during 2011; a payment after 2011 is not deductible.

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Education expenses deduction

A deduction of up to \$4,000 for qualified education expenses is available for 2011. All or part of the amount you pay can be for classes beginning in 2012. But you must make your payments during 2011, because the deduction expires at the end of the year. This deduction is not available if your modified adjusted gross income is more than \$80,000 (\$160,000 if filing a joint return). Nor is it available if any of education tax credits are claimed.

Home energy credit

First, any homeowner may qualify for an energy credit of up to \$500. You can qualify for the credit if you purchase during 2011 solar panels to generate electricity or for water heating, or install wind energy equipment, a geothermal heat pump, or certain types of fuel cells to generate electricity. The credit is up to 30 percent of the amount you spend, up to the \$500 limit. This credit is not available for purchases in 2012.

Sales tax deduction

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If you itemize, you can deduct either your state and local taxes or your sales taxes paid during the year. This deduction is a boon for people who live in states with no or low income taxes. However, the deduction for sales and use taxes instead of state income taxes is scheduled to expire at the end of 2011. To maximize this deduction, you should make any large purchases before the end of the year.

Adoption credit

A tax credit for adoption expenses (adoption fees, court costs, attorney fees, travel, etc.) has been available for many years. However, an enhanced adoption credit is available for adoptions finalized before 2012. The credit is up to \$13,360 of adoption expenses. For 2011, this is a nonrefundable credit, meaning you qualify for it even if it exceeds the amount of your 2011 tax liability. This means that you could qualify for a tax refund even if you did not have federal income tax withheld.

Stephen Fishman is a tax expert, attorney and author who has published 18 books, including "Working for Yourself: Law & Taxes for Contractors, Freelancers and Consultants," "Deduct It," "Working as an Independent Contractor," and "Working with Independent Contractors." He welcomes your questions for this weekly column.

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