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Accounting • Bookkeeping • Taxes

Summer Tax Tips

Advice for newlyweds

Getting married during the summer may put you on "Cloud Nine," but there are some practical things to attend to when the honeymoon's over and you get your feet back on the ground:

- Report any name changes to the Social Security Administration, so your name and Social Security number will match when you file your next tax return.
- Report an address change to the U.S. Postal Service — they'll forward your mail and let IRS know your new address.
- Consider whether you'll file joint or separate returns.
- If you're buying a home, find out which expenses may be deductible and which are not.

Tips for working students

All employees have income tax withheld from their pay, right? Not necessarily. You may be exempt from withholding if:

- You can be claimed as a dependent (usually on a parent's return),
- Your total 2005 income will not be over \$5,000,
- Your unearned income (interest, dividends, etc.) will not exceed \$250, and
- You had no income tax liability for 2004.

You'll still have to pay Social Security and Medicare taxes, but skipping unnecessary income tax withholding will put more money in your pocket now. Read Form W-4 carefully before filling it out for your employer.

If customers tip you, those tips are taxable. You must keep track of the amounts, include them on your tax return, and — if they total \$20 or more in a month — report them to your employer by the middle of the next month.

Summer day camp

Many working parents must arrange for care of their children during the school vacation. A popular solution — with favorable tax consequences — is a day camp program. Unlike overnight camps, the cost of day camp counts as an expense toward the child and dependent care credit. Of course, even if your child care provider is a sitter at your home, you'll get some tax benefit if you qualify for the credit.

You figure the credit on up to \$3,000 of expenses, \$6,000 for two or more children. The credit rate ranges from 20 percent to 35 percent of expenses, depending on your income.

Are you moving this summer?

If your move is closely related to the start of a new job location, you may be able to deduct unreimbursed moving expenses on your federal tax return. You must also meet certain tests relating to distance and time.

First-time home buyers

Moving can also mean selling or buying a home. If you're a first-time home buyer, you should know that mortgage interest "points" paid to obtain the mortgage and real estate taxes are expenses that you may be able to itemize and deduct to help reduce the amount of taxes owed.

Selling your main home

If you sell your main home, you may be able to exclude up to \$250,000 of gain (\$500,000 for married taxpayers filing jointly) from your federal tax return when it's time to do your taxes. To be eligible for this exclusion, your home must have been owned by you and used as your main home for a period of at least two out of the five years prior to its sale.

Change of address

And don't forget to report your change of address to the U.S. Postal Service and to the IRS, so you can continue to get your tax refunds.