

Deductions

Hunting for Deductions? Job Searches Can Be Rewarding

In America today, changing jobs is commonplace. There are corporate cut backs and corporate ladders all leading to a search for other employment. But, the once dreaded job search now has an upside - DEDUCTIONS! Job search expenses can be deducted as miscellaneous itemized deductions if you look for a job in the same field at essentially the same level as the one you left. The expenses are deductible even if you don't get the job.

You can claim job seeking expenses as long as the amount of all miscellaneous itemized deductions is more than 2 percent of your adjusted gross income. Job seeking deductions are also subject to the overall limitation on itemized deductions based on AGI threshold amounts. To figure your deduction on Schedule A subtract 2 percent of your adjusted gross income from the total amount of these expenses. Your adjusted gross income is the amount on Form 1040, line 33.

Just what deductions can be taken?

- Employment agency fees:
 - If your new employer repays your agency fees, you must include the amount in your gross income up to the amount of the deduction you claimed earlier.
 - If your employer pays fees directly to the agency and you have no responsibility for them, you do not have to include them in your gross income.
- Resume preparation:
 - Typing and printing
 - Postage
 - Toll telephone calls
 - Advertising
 - Photographs (if required for your resume in your trade or business)
- Travel for job search:
 - Airfare or mileage (In some circumstances actual automobile expenses have been approved)
 - Lodging
 - Meals (based on either actual expenses or standard federal per diem rates)
- Legal fees protecting employment status

Useful job search tips:

1. Your job search must be for a job in your current, or most recent, trade or business and should be at a similar level of responsibility with duties similar to those of your most recent job.

2. If you have not held a job in that trade or business for an extended length of time your job search will be considered for a new trade or business and your deductions may not be allowed.
3. If you held a college internship or valid job while in college and your search is for a job in the same trade or business, you will be able to take the job search deductions.
4. If you are just out of school and had no similar paying jobs in school, you are looking for a job in a new trade or business and your deductions will not be allowed.
5. If you take a personal trip and happen to do some job hunting while on that trip, only the expenses specific to the job hunt in the destination location will be deductible. Travel to and from the location and lodging and meals while there will not be deductible. Avoid unnecessary job-hunting trips to vacation spots.

Your Castle Can Have a Business Wing

If you use your home office regularly and exclusively as your principal place of business, including everything from simple administration to management, you can qualify. Even a plumber who uses her home office to order supplies and make appointments, even though she performs a majority of the business outside her home office, can take the deduction.

One catch - you cannot use the space at all for any personal reason and still qualify. If your child uses your computer for video games, you can no longer claim the home-office deduction. The office does not need to be a separate room; it can be part of a dining room, basement, or even a bedroom, as long as that part of the house is used for no other purpose.

If you work out of your house, you can deduct a portion of home expenses, such as rent, mortgage interest, insurance, security systems, utilities, casualty losses and depreciation, as well as maintenance and repairs that are normally personal expenses.

Bringing work home for your convenience doesn't qualify you for the deduction, but bringing work home because your employer does not provide you a place to perform your duties does. Don't forget to deduct the smaller items often overlooked: the cost of business cards and paper fliers, copy shop expenses for copies or computer time, annual fees and interest expenses on credit cards used exclusively for business, and the cost of postage, overnight deliveries and courier services. You can also claim 34.5 cents (36.5 cents in 2002) per mile for your business mileage if you use your personal vehicle.

Drive Away with a Tax Break

Instead of going through the hassle of selling your car, you can donate it and guarantee a cash advantage -- a tax deduction. When you donate a car, the deduction amount is equal to the fair market value of the car, even if you paid more for it. The IRS defines fair market value as the price at which the car would change hands between a willing buyer and seller if neither were forced to buy or sell. To ensure that the IRS doesn't question your deduction, you can clip a page of classified ads showing the prices of similar vehicles or include a photo illustrating the car's condition. For deductions of \$500 or

more, attach Form 8283, Noncash Charitable Contributions, to your tax return. The form allows you to describe the condition of the car and how you determined the value. For deductions of more than \$5,000, you must attach a copy of an appraisal, made by a qualified professional, to your tax return. In addition, you must fill out the appraisal portion of Form 8283 and attach it to the return.

The only donations for which you may claim a tax deduction are those made to non-profit agencies with tax-exempt status. To take a charitable deduction, you must file form 1040 and itemize deductions on Schedule A. Enter your non-cash contributions on line 16.

Be aware that the IRS is on the lookout for auto donation abuses. Any sign of excessive valuation of your car could bring a possible audit. If you take a deduction for more than the value of the car you donated, you could be hit with a penalty of up to 40 percent of the unpaid tax.

Stormy Weather Brings Tax Relief

If you've suffered the personal anguish of losing your home or property in a natural disaster, the IRS has made it a little easier to survive the financial anguish. To claim your loss, you must itemize deductions on Schedule A and attach Form 4684 to your return. The loss amount is based on the lower of two numbers: Either the price paid for the property plus any improvements (called the basis) before the disaster, or the property's decline in market value, which can be determined by repair costs. The deductible amount is reduced by insurance and other nontaxable reimbursements. If you don't use the property for business, the deductible amount is reduced by \$100 and then by 10 percent of your adjusted gross income.

Reimbursements for losses are not taxable, unless you come out ahead by receiving more for the property than its original cost plus the cost of improvements. Even if the reimbursement is more than the basis, you don't have to pay tax currently if you replace lost, damaged or destroyed items with similar property within two years after the event. To avoid paying taxes on any gain resulting from insurance proceeds, you should replace property with similar property. (IRS publication 584 provides a list of common household items and serves as a guideline to report what was lost.) However, because insurance proceeds for the home and its contents are considered a common pool of funds, you can use more of the money to replace the house than the contents or vice versa. Replacement property does not have to match item for item. Food, medical supplies and other forms of assistance the you receive are not taxable, nor do these items reduce the loss unless they are replacements for lost or destroyed items. You have up to four years to replace your principal residence or pay the gain. You can choose to deduct a loss on your current year return or amend the preceding year's return, whichever helps your current financial or tax situation the most. As a taxpayer in a disaster areas, your filing deadline may be postponed up to 90 days. Any interest that normally would apply for late payments is waived in this situation.

Soldiers Get Special Protection from the IRS

Active-duty military personnel in combat zones receive certain tax breaks and privileges

that help keep their minds on the job at hand. As a member of the military, you are eligible for an interest-free extension to pay your income taxes because service in Kosovo and other locations may have seriously impaired your ability to pay or file a return. The extension applies to military personnel serving in a defined combat zone. Even though the Gulf War ended several years ago, the Persian Gulf continues to be defined as a combat zone for tax purposes. The extension lasts for the initial period of service plus six months and covers a soldier's spouse as well, regardless of whether they file joint or separate returns. The extension applies only to federal income taxes. Individuals serving in a combat zone as support for the U.S. Armed Forces, such as Red Cross workers, accredited correspondents and civilian personnel acting under the direction of the U.S. Armed Forces are also entitled to the extension.

All active-duty pay U.S. armed forces personnel performing duties in a combat zone are excluded from paying federal income tax on all military pay earned while deployed. Soldiers are still obligated to pay social security and Medicare taxes. Active duty pay is not taxed in the state in which military personnel are currently stationed, only in their official home state of record. Some states do exempt all or part of active duty pay.

Calling home is also encouraged, because telephone calls placed to the United States from a combat zone by a member of the U.S. Armed Forces are exempt from the federal excise tax on toll telephone service. If you already paid the excise tax, you can file IRS Form 8849 to obtain a refund.

Combat zone military personnel, still under the combat extension, are eligible to make qualified contributions to an IRA for the 2000 tax year after April 15, 2001. U.S. Armed Forces personnel who are entitled to a refund but who do not file until they return home from combat duty will receive interest on the refund amount from the IRS. However, the tax return must be filed within the six-month extension window to be eligible for the interest payment.

Deductions Don't Require Depreciation

If you buy equipment for your home-based business that you don't want to depreciate, you can claim the expense deduction. Use Form 4562, and fill in the section 179 portion. You may not be able to take the full deduction, based on your income level. See this Web site for more information on expenses and depreciation, or consult your local H&R Block office.

Taxes Complicate Health Care Issues

Like many aspects of health care, pre-tax and post-tax spending - and the expenses that qualify for each - can be confusing. Participation in a section 125 plan allows you to set aside some pre-tax dollars for health care expenses. Amounts spent out of your 125 are not deductible on your return. Your premiums are deductible, unless you elected to pay those premiums with pretax dollars under another employer plan (premiums cannot be paid from a 125 plan). Other amounts you pay out of pocket for qualified medical care is deductible.

Pounding the Pavement Has Its Perks

Uncle Sam always encourages meaningful employment. And to prove it, you can deduct from your taxes the cost of resumes, including production, printing and mailing costs, contact calls and even travels to your interviews. Don't forget, though, you cannot write off anything for which you are reimbursed.

Don't Get Comfortable on Your Office Furniture

If you want to write off your new home office desk chair, don't even think about sitting in it after hours. You can deduct the cost of your furniture only if it is used 100 percent for business. Ordinarily you would depreciate that cost over several years, but the section 179 expense deduction allows you to deduct the entire cost in the year of purchase if you qualify.

Make That Uniform Work for You

Uniforms and union dues are part of your employee business expenses. Enter them on Line 20, Schedule A. Of course, you can only claim those expenses if they add up (along with other things such as tax preparation fees, some investment expenses, etc.) to more than two percent of your adjusted gross income.

Uncle Sam -- the Third Party in Your Divorce

Although divorce can interfere with planning the rest of your life, don't forget to consider your following year's taxes. Usually, legal fees involved in a divorce aren't a deductible item unless the fee was for tax advice. For divorce-related tax questions, speak to a professional preparer before the divorce decree becomes final to ensure you understand the tax consequences of your agreement.

Be Careful Who's Minding the Kids

If you run your own daycare center, you cannot claim a child-care credit for your own child. You can only claim daycare expenses when you pay someone else.

Home Ownership: A Big Asset in Tax Reduction

Owning a home is one of the best things you can do to reduce your taxes. Congress would like to see most Americans own homes, and that is why you can deduct many home-related expenses, including interest, points, yearly mortgage interest and real estate taxes.

Paying Others' Taxes: Commendable but Not Deductible

If you are a generous sort and decide to pay other people's taxes, you gain no tax benefit. (If you are not legally liable, then you cannot deduct them.) Likewise, the person you paid them for cannot deduct them because she didn't pay them.

Being Jobless Doesn't Mean You're Tax Free

Although you receive unemployment benefits to make up for the wages you aren't getting, these benefits count as taxable income under tax law. Therefore, you will owe federal income tax and maybe state income tax on them. You can file a Form W-4V and

specify an amount that you want withheld from your benefits to help ease the burden at tax-time.

Act Now to Reduce Taxes Later

The clock reads 11:54 p.m. You are squealing around corners on two wheels, running red lights like you're color blind and flying up straight-aways with reckless abandon, and all for one cause - operation: tax day.

You park the car in a bewildered state on the lawn of the post office and sprint for the doors, carrying your precious tax cargo like a running back would his pigskin. You make it inside just in time to drop your return in the slot, wolf down a complimentary stale cookie and chug a cup of luke-warm coffee. A feeling of relief immediately consumes your entire body. You can finally put your tax worries away for another year.

Or can you?

For the smart consumer, taxes are a year-round event. By taking a few simple steps now and throughout the year, you can save yourself a lot of heartache, and most importantly, money, later.

According to H&R Block tax expert Maggie Doedtman, the most critical element in early tax planning is also the least difficult. 'Keeping good tax records is absolutely, 100 percent, the most important step taxpayers can make in planning for next year,' she says. 'If you start from the very beginning, and make a habit of it, there's no easier way to potentially decrease your tax liability.'

If you fail to keep good tax records during the year, chances are you will be paying more taxes than you need to because you have forgotten some deductions in the rush to get organized at the end of the year.

And make sure you write down all of your potential deductions. 'It's always better to have too much information than too little,' advises Doedtman.

Along with record keeping, it's important to think about what potential life events could occur in the upcoming year. Will you be moving, finding a new job or adding another member to your family? All of these events would have significant tax implications on your situation.

'It's important to think about things that could happen in your life and then alter your tax withholding appropriately,' Doedtman says. 'If you plan on having a baby, for instance, you might want to think about making adjustments in your withholding, even before the baby is born.'

Although there are numerous practices to lower your tax liability, it's important not to lose site of some of the simplest ways. Using dependable tax records and timely adjustments to your withholdings, you can definitely enhance your chances of coming out

on top during tax time. And, hopefully, avoid that panicked late-night trip to the post office on next year's tax day!

Tax Breaks for Higher Education? Do Your Homework

You could be eligible for tax breaks if you return to school. You may qualify for the Hope credit, the lifetime learning credit, a deduction on your tax return if you itemize, or an exclusion for Series EE or I bond interest. The maximum Hope credit tax break is \$1,500 per student. The maximum lifetime learning credit is \$1,000 per taxpayer (up to 20 percent of the first \$5,000 of expenses). You may also contribute \$500 per year to an education IRA for your children, but that is a savings plan, not a tax credit or deduction. Tax breaks can make going back to school more affordable, so check with your tax professional and choose the option that is best for you.

Making a Claim on Dependents with Income

You can still claim your children if they are under age 24 and you have provided them with more than half of their support, even if they have income exceeding one exemption amount. To claim such children ages 19 through 23 as dependents, they must be full-time students for some part of five separate months during the year.

Reaping the Benefits of a Roth IRA

Considering a Roth IRA? Consider these benefits: Earnings are non-taxable when withdrawn, provided you meet the holding requirements. Another advantage is, unlike traditional IRAs, the IRS does not require you to take a distribution from a Roth IRA when you reach age 70 1/2. Roth IRAs are not without some restrictions, however. As with traditional IRAs, distributions of earnings are taxable and subject to a 10-percent penalty if taken out prematurely. With a Roth, you must leave your money in for five years. Another drawback is that contributions cannot be taken as an adjustment on Form 1040. So, for taxpayers who qualify to deduct contributions to traditional IRAs, the choice can be difficult.

IRA Contributions not Always a Tax Shelter

Contributing to an IRA could reduce your taxes, depending on your eligibility for a deductible IRA. IRA contributions can result in a reduction of your adjusted gross income but don't reduce your tax liability dollar-for-dollar.

Home Sweet Home Tax Deductions

If you used your old home as your principal residence for two of the last five years, you won't pay tax on the gain from its sale unless you gained more than \$250,000 (\$500,000 if married and filing jointly). If you buy a new house, you'll be able to deduct your interest payments and, possibly, any points you paid to get the loan. So if you upgraded to a bigger loan and more interest, your deduction will be higher and your taxes lower.

A Gift to Your Children

You can give your children as much as you'd like per year in stocks or cash. However, depending on the value of the stock or cash, you may have to file a gift tax return, Form 706.

Charitable Giving Helps for Non-Homeowners

Think you need to own a home to itemize and take advantage of your charitable contributions? Many people who contribute regularly to charity such as church may be able to itemize any way. When charitable contributions are combined with things such as state and local income taxes and personal property taxes those amounts may exceed the standard deduction. Contact a tax advisor for complete information on what is deductible and how much you need to itemize.

Office Equipment Write-Off May Not Compute

Even if you use your personal computer for employment purposes, you may not be able to write off the full amount. It depends on how much you use the computer for your job, and whether it is actually required for your job. This is a fairly complicated topic with many conditions. Contact an H&R Block tax professional for assistance.

Timing of Home Purchase will Affect Taxes

Buying your home early in the year will increase the mortgage interest and property taxes that you will be able to deduct. Mortgage interest and points are deductible as itemized deductions on Schedule A. But if your itemized deductions are less than your standard deduction, you're better off with the standard deduction.

Teachers Have Class, and Tax Breaks, Too

If you are a teacher and are expected to provide supplies and books to enrich your students' experiences, you can claim such expenses on Schedule A as an itemized deduction. If you do so, be aware that miscellaneous deductions must be reduced by 2 percent of adjusted gross income.

Deduct Your Paperwork Room

You may take an office-in-the-home deduction for space used for the administrative work of your business. Keep in mind that the use of a home office by an employee must be required by the employer, not merely permitted by the employer. Given the complexity of the regulations for this deduction, we recommend you seek advice from your H&R Block tax professional.

Motivation for Moving Determines Expense Deductibility

You can only claim a move as a deduction if the move is connected with a change in your place of work. If your spouse changes jobs, the entire family's moving expenses would be deductible, provided the employer does not reimburse the expenses.

Excess Charity Can Follow You into Next Year

The maximum deductible contribution allowed is 50 percent of your adjusted gross income (AGI). If you gave more than 50 percent, the excess may be carried forward to next year and treated as a charitable contribution made in 2001. The 50-percent rule applies to most contributions, but it may be lower for contributions to certain organizations or for certain kinds of contributions.

Who Invited the Taxman to My Wedding?

Uncle Sam thinks that two can live as cheaply as one, and therefore you may not need the extra income created by your happy union. If both of you have income, and your income is substantial, you may pay more tax than if you could file as singles. That's because the standard deduction for married taxpayers is not twice as large as the standard deduction for singles. Also, the tax rates jump into higher brackets for married couples at less than twice the income levels for singles. But enjoy your bliss anyway; you may pay more taxes but some studies show that married people live longer. And not every married couple pays the marriage penalty. In many cases, married couples pay less tax than they would if they were filing as singles.

Get a Head Start on Next Year's Taxes

If itemizing deductions reduces your taxes, you'll save even more by starting a paper trail early in the year. By saving your receipts for charitable contributions, higher education expenses, deductible taxes, work-related expenses and medical expenses, you'll be certain to take all appropriate deductions. Additionally, determine how much withholding you require, especially if you think you may owe more for 2001 than you did for 2000. If you know you'll be short, request that an additional amount be withheld from your paycheck - it may prevent you from incurring a penalty next year.

Buy Low, Sell High, and Tell Your Tax Guy

Stock transactions create capital gains and losses, which are reported on Schedule D. Any net losses exceeding \$3,000 need to be carried over to subsequent years. Be aware of wash sales. If you sell a stock at a loss and buy it again within 30 days before or after the sale, you cannot deduct the loss, but the loss does reduce the basis of the replacement stock. You can deduct your investment expenses, not your losses, on Schedule A as an itemized deduction.

Online Auctions -- the Fine Line Between Hobby and Business

If you are participating in online auctions for the thrill of the chase, you keep your amateur status. If you sell items as well as buy and are able to itemize, you can deduct your auction expenses related to the sales transactions. For your tax records, be sure to track the price you paid or how much it cost you to make what you sold, how much it cost you to sell it, the selling price and the date sold, and the shipping costs. Be aware, though, if your online trading becomes more than just a hobby, your profits may be subject to self-employment tax, as well as income tax.

Make Your Education Less Taxing

Headed back to the classroom to upgrade your job skills? Your education expenses will probably provide you a tax break. If you're taking classes to improve your skills in your present occupation, your expenses are deductible as an itemized deduction. This deduction, however, is limited to the amount of your qualified education expenses that - when grouped with certain other expenses - exceeds two percent of your adjusted gross income. Keep in mind that the same expenses are probably eligible for the lifetime learning credit. You can only use one tax break for each set of education expenses, so you'll want to determine which will save you more money.

Clarifying Alimony and Support Taxation

The tax treatments of alimony and child support payments often cause confusion, especially among the recently divorced or those considering taking that step. Generally, alimony you pay is deductible (even if you don't itemize) while alimony you receive is taxable. What's more, alimony you receive is considered earned income for purposes of contributing to an individual retirement arrangement, or IRA. On the other hand, child support payments you make are not deductible, and any such payments you receive are not taxable.

'Tis the Season (Holiday Tips)

If you give gifts to customers or clients, the expenditures are deductible - limited to \$25 per client per year. The cost of sending customers holiday cards - what you pay for the cards and the postage - is deductible. If you're self-employed, it comes straight off your gross income from self-employment. If you are an employee these items are deductible as an itemized deduction.

Document Your Contributions

Many charitable organizations make extra efforts to collect money and goods during the last quarter of the year. Be sure to keep records of the money you contribute to UNICEF or other similar charities at Halloween and the canned goods and other non-perishables you put in collection bins for organizations that help the needy. Your last-minute contributions can add up to a nice deduction if you itemize. Remember, if you contribute \$250 cash or more at one time to a charity, the organization receiving the donation must provide you with written documentation of the donation. A cancelled check is not sufficient proof.

Spend Wisely to Itemize

If you don't have enough deductions to itemize, consider bunching -- by delaying or accelerating -- your eligible expenses so that you can itemize every other year. Some expenses for which you may be able to control the payment time include medical-related costs, real estate and personal property taxes, charitable contributions, and work-related expenses.

Taming the Alternative Minimum Tax

If you're claiming large deductions for taxes or employment expenses, or if you exercised incentive stock options, you may be subject to the alternative minimum tax. To plan for the alternative minimum tax, you'll need to take at least two tax years into account. For example, if you'll be subject to this tax for 2002, but not for 2003, you may want to postpone paying expenses such as real estate tax and a fourth-quarter state estimated tax payment until 2003. See your tax professional for help in determining both whether you are subject to the alternative minimum tax and what you can do to minimize its effects.

Charitable Deductions Begin at Home

Make sure your generosity during the coming year pays off as much as possible by rounding up all of your write-offs. The big contributions which translate to the big deductions are hard to overlook - what you give your church or synagogue or alma mater.

But little expenses from your good-deed-doing can also mount up. Whether it's out-of-pocket contributions to a bell-ringer or what you pay for supplies while you're doing charitable work, if the money is going to help a qualified charitable organization, you get a deduction. If you drive your own car while doing volunteer work, you can deduct 14 cents a mile. If your charitable work takes you out of town overnight as the official delegate to a church meeting, for example, you can deduct the cost of transportation and the cost of your meals and lodging.

You can maximize those charitable deductions and save hundreds of additional tax dollars through the use of ItsDeductible™ software. The program utilizes a proprietary database of actual fair market values for thousands of commonly donated items, which is in accordance with IRS guidelines. Check on this website to learn more.

Know the Ins and Outs of Investment Interest

Despite a widespread belief that only mortgage interest is deductible, the law still allows investors to deduct interest on loans used to make investments. Such interest is deductible to the extent of your investment income. When totaling up your investment income for purposes of this limit, you generally can't count capital gains that get special treatment under the law. Congress doesn't want to let you deduct investment interest in a higher bracket if your gains are being taxed at only 10 or 20 percent. You have the option of including your capital gains in investment income but then can not take advantage of the lower capital gains rates. Contact your tax professional for help in determining which option may be best for you.

Claiming Interest on Your Ho-Ho-Home

You can claim the interest portion of a December mortgage payment mailed during the final days of the year, even if it doesn't show up on the lender's year-end statement. As long as your check is in the mail by December 31, you'll get a 2001 deduction--even if the check isn't cashed until 2002.

Student Loan Interest

This tax-saver allows you to deduct up to \$2,500 of student loan interest, even if you don't itemize deductions. The right to this write-off disappears as income rises, though. The maximum deduction diminishes gradually as adjusted gross income moves from \$40,000 to \$55,000 on an individual return and from \$60,000 to \$75,000 on a joint return. The deduction is for interest on any loans (not just federal student loans) taken to pay qualified higher education expenses (including room and board) for yourself, your spouse or your dependent who is at least a half-time student.

Make Your Move Pay

A big break here for taxpayers who do not itemize. . .but who did move to take a new job. Until recently, only itemizers got to deduct their job-related moving expenses. Now, everyone who qualifies can. To earn the deduction, the move must be in connection with taking a job at a new location and the new job has to be at least 50 miles farther from your old home than your old job was. Making this write-off available to those who use

the standard deduction could be especially important to new graduates who moved to take their first job.

Don't Dismiss Jury Fee Deductions

If you serve on a jury, your employer may continue your full salary but require you to turn over the jury fees. The law demands that you report the jury fees as income, though, so claim a deduction in the adjustments section of your return to protect yourself from being taxed on money that only passed through your hands.

Steer Automobile Deductions Your Way

Depending on where you live, you may be able to write off part of what you pay for auto license tags as a personal property tax. Any part of the fee based on the value of your car is deductible. This helps residents in about one-third of the states. If you're not sure, call your local department of motor vehicles.

Smart Gifts Make Great Write-Offs

There's a special break if you donate property such as stock or mutual fund shares to charity. If you owned the asset for more than a year, you get to write off its value on the day that you made the gift, not what you originally paid for it. You don't have to pay tax on the appreciation while you owned the stock, either. In the past, that untaxed appreciation could fall victim to the alternative minimum tax, but no more. Take advantage of this break now if you donated appreciated property last year and keep it in mind in the future. Whenever you make substantial contributions, consider using appreciated property instead of cash. What if you really want to keep the stock in your portfolio? Donate the shares you own and use the cash you would have given to buy shares on the open market. The advantage is that you'll owe tax only on profit that accrues after you repurchase the shares. If the stock or mutual fund shares you plan to donate have decreased in value, sell the shares and donate the cash. That way, you can deduct your loss and claim a charitable deduction as well.

Don't Overlook This Tax Deduction

If you itemize deductions, you probably already know to deduct the personal property tax you pay on your car, if your state has such a tax. But do you remember to deduct the personal property tax you may pay on your boat? Personal property taxes are deductible if they are based only on the value of the property; and charged on an annual basis, even if collected more or less often than once a year.

Cosmetic Surgery -- Can I Deduct?

As we lie on the beach in our bathing suits, the thought of cosmetic surgery may enter our minds. If a tummy tuck or some liposuction seems in order, the bad news is that cosmetic medical procedure costs aren't generally deductible. They are deductible, however, if required to correct a deformity caused by an accident or disfiguring disease.

Secret Deduction in Volunteer Work

Summertime is often a time for increased volunteer activities. Do you drive for Meals on Wheels? Take church youth on field trips? Drive to the location of a Habitat for

Humanity house you're helping to construct? Keep track of all your volunteer mileage - it's deductible as a charitable contribution. To make your record keeping easier, stop by participating H&R Block offices for a free mileage record book.

Count Before You Cast

'Tis the season of giving. But it's still okay to count before you contribute. So, before you cast coins into a kettle, jot a note with the date and amount. You may deduct that amount as a contribution if you itemize deductions on your tax return. And keep track of other charitable giving, too. If you purchase and donate food items or new gifts such as clothing or toys, you may deduct the expense. If you donate used items, those contributions are tax deductible, too, based on the donated items' resale value. (That's the amount you could get for that blanket or coat if you were to have a garage sale, or what you'd spend on it at a thrift store.)

The Difference is Deductible

Suppose you buy a Christmas tree from a non-profit organization such as a church. If you pay \$80 for a 5-foot pine, and 5-foot pines are going for \$50 all over town, the \$30 difference is deductible. It's considered your donation to the church. The same goes for a Hanukkah menorah or Kwanzaa candles. If your purchase from a not-for-profit organization includes a donation, ask the selling organization for a statement that says your purchase price includes a charitable contribution. And are you using the breast cancer awareness postage stamp to mail your holiday greetings? If so, then you know the stamps cost 40 cents instead of the usual 33 cents, and that the Postal Service is directing proceeds from the sale of the stamp to medical health and research organizations. So for every card you send, that's a 7-cent donation to charity. Keep track of your total charitable donation and you may deduct it.

Charitable Driving and Renting

Perhaps the holidays find you volunteering at a hospital or homeless shelter. Those miles you drive to get there and back are deductible, at 14 cents per mile. Likewise, if you drive to donate a gift or food to charity, your mileage is deductible. If your role at the volunteer site means you rent a costume to dress as Santa Claus, the price you pay for the red suit is - you guessed it - deductible.