CPA
Practice Advisor

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Feb. 06, 2013

Tax season is underway and the IRS has begun processing returns. As more and more taxpayers begin preparing and filing their tax returns, it's important Americans are aware of the credits and deductions that are available. For those that qualify, these credits and deductions could potentially save them money on their 2012 tax bill, or even increase their refund.

The Illinois CPA Society has distributed the following list of tax credits and deductions:

Child Tax Credit: Parents may be eligible for a credit of up to $1,000 for each qualifying dependent child who was under age 17 at the end of 2012. The credit begins to phase out at the $75,000 income mark for single-filers or $110,000 for joint-filers and is reduced by $50 for every $1,000 a taxpayer is above these amounts. For example, if you have an income of $76,000, your credit will be reduced by $50 to $950.

Child and Dependent Care Credit: Filers who have an eligible child who was under age 13 at the end of the year or dependent that required care may qualify for a credit of up to $3,000 (or up to $6,000 for two or more qualifying children). Care to the child or dependent must have been provided so you, or a spouse, could work or look for work.

Adoption Tax Credit: Families who adopted a child during the 2012 calendar year and paid out-of-pocket for the expenses may be eligible for a credit of up to $10,000. The amount of credit available to you is dependent on your expenses. The credit will phase out for taxpayers starting at an income of $189,710.

American Opportunity Tax Credit: Taxpayers may also be eligible for a credit of up

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Mortgage Interest Deduction: Any mortgage interest payments you made during 2012 may be deductible. Homeowners can deduct the interest on up to $1 million in home acquisition debt (debt used to buy a home) and up to $100,000 of a home equity line of credit.

Mortgage Debt Forgiveness Act: If you had mortgage debt forgiven as a result of a mortgage adjustment, foreclosure or short sale in 2012, this act allows for your qualified debt income of up to $2 million to be excluded from your total income.

Residential Energy Efficient Property Credit: If you made any energy efficient home improvements to your principal residence in 2012, including adding insulation or new energy-efficient exterior windows or heating systems, you may qualify for a credit of up to 30 percent of the cost of all qualifying improvements, up to a maximum of $500. This $500 is a lifetime credit, so if you've claimed the credit in the past you are unable to take again this year.

Traditional IRA Contribution Deduction: Contributions to your Traditional IRA may be deductible. If you have an IRA through your employer, your deduction amount may be limited based on your income. If you make $58,000 or less ($92,000 or less for married filers), you are entitled to a deduction of your full contribution amount up to the limit. If your income is higher in either category, you will see a phase-out of the deduction eligibility. If your plan is not sponsored by your employer, your deduction is the full contribution amount with no income phase-out. In general, your contribution amount is limited to the greater of earned income for the year or $5,000 ($6,000 if the you are 50 years old or older).

Health Savings Accounts: You can contribute to your Health Savings Account (HSA) until April 15, 2013, and still deduct your contributions from your 2012 gross income up to the contribution limits of $3,100 for single-filers and $6,250 for families (taxpayers 55 and older can increase these amounts by $1,000 to $4,100 and $7,250

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even from year to year. Using a CPA is the best way to stay on top of the current credits and deductions to put more money in your wallet. A CPA has the advanced education and technical expertise needed to navigate the complexities of all the recent tax law changes. To locate a professional near you, use your local CPA society’s CPA directory.

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