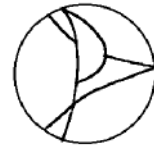


Be Sure to Get All of Your Income Tax Deductions

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Let's take a break from national politics for a while. Once again, it's tax season. No one really wants to pay taxes. We certainly don't want to complete and file tax returns. Yet, they are necessary. If we want paved streets, street lights, schools, police departments, public parks, interstate highways, courts, a national defense, safe food and medicine, clean air and water, safe and healthy workplaces, and everything else, then we have to pay for them. The government has to get its money somewhere.

The US Constitution gives Congress the power to impose and collect federal taxes. All tax legislation must begin in the House of Representatives. Congress levied our first income tax from 1862 to 1868 to pay for the Civil War. The Sixteenth Amendment, adopted in 1913, renewed the income tax, imposed it on both individuals and corporations, and made it a permanent fixture.

The US Treasury Department, through the Internal Revenue Service (IRS), administers and enforces the tax laws. The IRS collected more than \$2 trillion in revenue and processed more than 224 million tax returns in 2004. The agency spent only 44 cents for each \$100 it collected in 2005. The US Tax Code is more than 18,500 pages long, and is so complicated that I won't even try to explain it here.

Every year, millions of Americans over pay their taxes because they don't take all of the deductions and credits for which they qualify. Tax deductions decrease the amount of your taxable income. Tax credits decrease the amount of tax you have to pay.

The federal government permits deductions for student loan interest; contributions to IRA, pension, and health care savings accounts; employment-related moving expenses, military reservist travel expenses, military combat pay, unreimbursed employee work expenses, property taxes, state and local taxes, the self-employment tax, state sales taxes, mortgage interest and points, mortgage insurance premiums, charitable contributions, medical and dental expenses, and even the fees that you pay to your tax preparer.

There is an income exemption for you, your spouse, and each of your dependents, no matter how many there are.

There are credits for education expenses for both full-time and part-time students, the elderly and disabled, children, child and dependent care expenses, and first-time homebuyers. The Earned Income Tax Credit is available to many working low-income taxpayers, with or without children, and can increase the refund by up to a maximum of \$4824.

If you pay for union dues, uniforms, tools, supplies, or special licenses or training for your job, or if you use your personal vehicle on the job, and are not reimbursed by your employer, you can deduct those expenses from your state and local taxes.

Naturally, there are rules and limits for each of these items. You may or may not qualify for any of them. Ask your tax preparer to make sure that you get all of the deductions and credits that you can. Please feel free to take this column with you to your appointment. Find out if it helps to itemize your deductions.

Since 1969, the IRS has sponsored free tax preparation sites through its VITA (Volunteer Income Tax Assistance) Program. Volunteers, trained and certified by the IRS, prepare basic tax returns for low and moderate-income households. The United Way of Allegheny County works with more than 50 sites in various community locations. Most sites offer free electronic filing. There are income and other limits. If you want to complete your own tax return, you can do it online, and file electronically, for free, through the IRS Web site.

If you have troubles after filing your taxes, you can get help from the IRS Taxpayer Advocate Service. It's an independent arm of the IRS and can help when other methods don't work. The local taxpayer advocate's office is in the Federal Building, downtown.

And while we're all struggling with our tax forms, Congress is debating President Obama's new tax and economic recovery plans. The House of Representatives passed the stimulus bill, and the Senate hasn't voted yet. The Republicans want more tax cuts than Obama has proposed.

Now I like tax cuts as much as anyone does, but we can only cut so much before we cut our own throats. I think we're at that point now. Alan Greenspan was wrong about deregulation and he's wrong about taxes. Tax cuts do not create jobs. The government has been cutting taxes for thirty years. Where are all of the jobs allegedly created by those tax cuts? At that rate, we should all have five jobs by now. I don't have five jobs. Do you?

For more information:

The IRS Web site has general tax information, tax forms, instructions, and free e-filing options at www.irs.gov.

You can reach the Taxpayer Advocate through the site, or call 412-395-5987.

Find VITA sites in Allegheny County at www.unitedwaypittsburgh.org/findhelp, or call HelpLine at (412-255-1155).

For general information and a history of taxation in the US, go to www.infoplease.com.

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