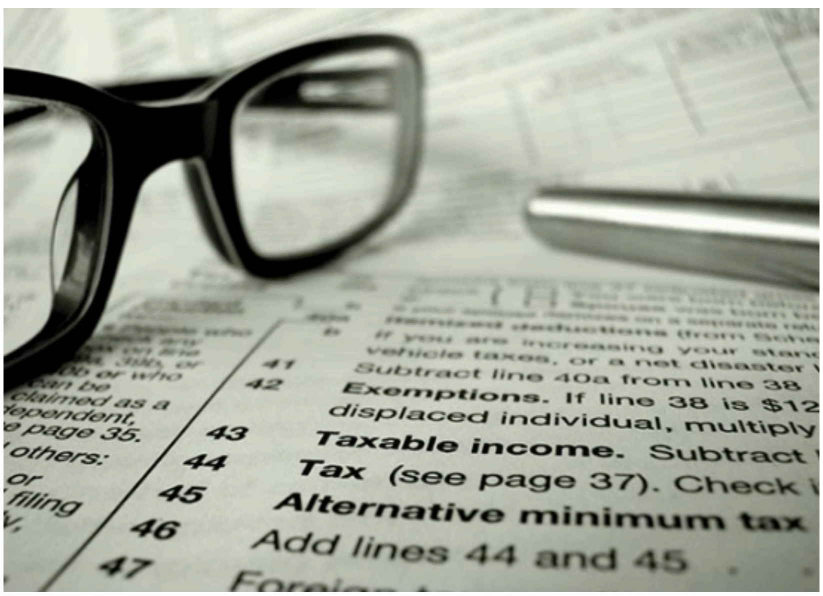
MINNESOTA GOOD AGE

Lower your tax bill

Maximize your return — or reduce your annual burden — with these lesser-known strategies

SKIP JOHNSON | April 3, 2017



It’s that time of year again, when Uncle Sam comes knocking, and all dutiful Americans tackle the chore of filing their taxes.

Perhaps you’re lucky and have a simple return with only a handful of receipts.

But if you’re like most taxpayers, you’ve got a good deal of work ahead of you, digging through files, checking 2016 statements and tracking down documentation for any potential deductions you might be entitled to check off this year.

When it comes to taxes, it’s almost your patriotic duty to keep abreast of any changes to tax law — and ensure you get every last deduction available to you.

During the recent presidential campaign, there were numerous discussions about deep tax cuts. However, until any changes are signed into law, let's focus on what applies to the 2016 tax year.

Here are some lesser-known tax provisions that can save you money:

Earned income

This valuable tax credit, which directly lowers your tax bill (as opposed to simply lowering your taxable income), is designed to help workers whose incomes fall below a certain threshold. If you earned less than $53,505 in 2016, you may qualify for the credit. (You can access the IRS's earned-income tax credit tool at irs.gov.)

According to the IRS, one in five workers who qualify for this credit never claim it. Make sure you're not one of them.

Social Security

Some taxpayers will be happy to learn that their Social Security benefits are entirely free of tax.

If the combined total of your adjusted gross income, tax-free interest and up to half of your Social Security benefits comes in under $25,000 ($32,000 for married couples filing jointly), you're home free.

Above these levels? You'll owe taxes on only a portion of your benefits.

Your parents' medical bills

If you helped an elderly parent with medical bills in 2016, you may be able to deduct those expenses, and your parent doesn't need to qualify as your dependent for you to do so.

Expenses must be paid entirely by you and constitute at least half of that parent's support for the year. If your parent resides in an assisted living facility, you may also be able to deduct those expenses.

Be health-care aware

Finally, be aware that — unless you qualify for an exemption — the Affordable Care Act (also known as "Obamacare") requires you to have "minimum essential health coverage." (The IRS is currently reviewing a Jan. 20, 2017, executive order to determine its tax implications, but taxpayers should continue to file their tax returns as they normally would, according to the IRS.)

Under the ACA's shared-responsibility provision (which is still the current law), taxpayers are required to pay a penalty for every month they went without coverage in 2016.

If you receive health coverage through your job, simply report that information when you file your return. If you qualified for an exemption or received advance premium tax credit payments to purchase coverage, you must file the appropriate forms with your return.

See irs.gov (or your tax professional) for details on this and more.

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