



As of August 2006, clothes and household goods must be in good or better condition to get the deduction. Now, let's say you emptied your closets and gave everything to Goodwill or a similar charity. The value of your donated items -- clothes, furniture, whatever -- is deductible. Get a written receipt. With non-cash charitable contributions, the rule is simple: No receipt means no deduction if you get audited.

Any points you pay to refinance your home can be deducted on a monthly basis over the life of the new loan. If you refinance again any remaining points from the first refinancing can be deducted with the new loan allocation.

If you're self-employed and not covered by any other employer-paid plan, you can deduct 100% your health insurance premiums above the line. Above the line means the expense is included in adjusted gross income and doesn't get lumped in with itemized deductions. That means that you don't have to exceed the 7.5% floor.

If you're a qualified educator, you can get an above the line deduction of as much as \$250 for materials you bought. That includes books, supplies and even computer equipment. If you itemize additional costs can be deducted on schedule a as employee expense but is subject to a floor of 2% of Adjusted Gross Income.

If your adjusted gross income isn't more than \$65,000 (\$130,000 on a joint return), you can get an above the line deduction of as much as \$4,000 for any higher education expenses you paid even if you don't qualify for the Hope and Lifetime Learning credits. The Hope credit is worth as much as \$1,650 per student subject to income limits. The Lifetime Learning Credit is worth as much as \$2,000 per return.

Make a contribution into your retirement account. If you qualify, you can deduct as much as \$4,000 in contributions to an IRA. There's also a tax credit designed to get lower income employees to start saving for retirement. The tax credit disappears as your adjusted gross income increases. But singles with AGIs up to \$25,000 and joint filers with AGIs up to \$50,000 will qualify. The limit is \$37,500 for heads of households. Contributions to your 401(k), 403(b), SEP, traditional or even Roth IRAs will qualify as well.

Taxpayers who itemize their deductions can now deduct premiums paid for mortgage insurance -- which typically is required when homebuyers purchase their homes with less than 20% down. Currently, only the interest paid on a mortgage is deductible. The new insurance-premiums deduction will apply only to mortgage insurance contracts issued since 2007 and will be available only to taxpayers whose adjusted gross incomes do not exceed \$110,000 (\$55,000 for married taxpayers filing separately).

Health savings accounts, an alternative to employer-provided health insurance, allow taxpayers to save money tax-free toward future health-care expenses. They require enrollment in a catastrophic-health-care plan, which cut premiums drastically but typically don't cover the first several thousand dollars in costs. Those costs are paid from the savings account. This is another above the line deduction.

You can get a conservation tax credit of between \$250 and \$1,000 and an additional fuel economy credit of between \$400 and \$2,400, depending on the make and the fuel economy. A hybrid car combines an electric motor with a gas fueled internal combustion engine. But act quickly. The credit starts to phase out when the auto manufacturer sells its 60,000th hybrid vehicle. You get the deduction in the year you start using the car, and you must be the original owner.

The following links contain this and other helpful information

http://biz.yahoo.com/hmoney/081015/101508_bailout_tax_credits_moneymag.html?.v=1&pf=taxes

<http://biz.yahoo.com/brn/081112/26730.html?&pf=taxes>

<http://finance.yahoo.com/taxes/article/106282/The-Big-Questions-for-Your-2008-Taxes>

