

## **Plan Early for Tax Time**

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If you're like most of us, it seems like just yesterday that you finally got that tax return in the mail by the deadline. Most Americans admit to procrastinating on their taxes until the last minute, and then expending significant emotional and physical energy to get them done in time.

However, this probably costs you money. With a little planning and tax efficiency in mind, some of the normal expenditures that you may encounter during the year can provide you with some healthy tax savings.

The Energy Tax incentives Act of 2005 provides for tax credits and deductions for improvements designed to improve energy efficiency in your home. These credits and deductions were set to expire in 2007, but under the Tax Relief and Health Care Act of 2006, they have been extended through 2008. Be sure to consult with a tax professional for tax advice on how to maximize your savings.

A tax credit offers a 1-for-1 savings, not a mere 5-35% savings that is usually associated with a tax deduction. As you repair or upgrade things in your home, consider the tax credits you may be entitled to if you ensure the repairs or upgrades conform to specific performance and quality standards. Sometimes the tax credits can more than make up for the cost difference between a high-quality repair that conforms to federal performance standards and one that doesn't. The IRA rules require the manufacturers of products to certify eligibility of their products and materials, so be sure to get and keep a copy of this certification (often printed on labels or containers) for your records as you make home improvements.

It is important to remember that you can get tax credits only for improvements and repairs to your primary residence, not vacation or rental homes. Some of the repairs and upgrades that are included are:

- New exterior doors
- New windows or skylights
- Metal roofs with energy efficient coating
- Insulation
- New air conditioners, heat pumps, or thermostats
- New energy efficient appliances with EnergyStar certification

One of the best websites to find more information about tax savings for home improvements and appliances is [www.energystar.gov](http://www.energystar.gov). You can even download IRS form 5695 directly from the website as you prepare your taxes.

So, before you make that home improvement, spend a few minutes on the EnergyStar website. You'll probably be glad you did.