



# Extension News Column

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**NOTE: Please run this column on Monday, Dec. 26.**

We made it through all the Christmas hoopla. With a sigh of relief, I'm sure you are ready to close the door on 2011. But before the end of the year, there are a few things that you need to do to keep your financial house in order.

Who wants to pay more taxes? Not me, I'm sure you are saying. So take a few minutes to keep your tax bill down. Here are some ways to reduce your tax liability.

**Check your withholding.** I don't think getting a refund is necessarily good or bad. It depends on you. If you get a big refund each year, you might be better off by reducing the withholding on your paycheck. However, if you have trouble saving money, feel free to overpay as long as you bank the windfall when it comes next April. Know what is right for you and adjust accordingly.

Use the IRS tax withholding calculator at [www.irs.gov](http://www.irs.gov) to determine if you are deducting too much or too little income tax. See if you're on target for your 2011 taxes, then plan ahead for 2012.

**Decide on charitable contributions.** If you are giving contributions, make sure you make it count. Anything you contribute between now and Dec. 31 is deductible in the 2011 tax year.

If you don't donate enough in one year to take itemized deductions, can you save the contribution for a whole year and give every other year? That means that one year you can itemize and the next take the standard deduction.

**Organize your receipts.** If you have time during the holidays, organize your tax receipts so that you won't miss any deductions. If you've been jamming your receipts into a shoe box all year long, now would be a good time to sort through them. Organize your receipts

according to categories such as job-related expenses, education, job-hunting expenses and charitable contributions, just to name a few. If you're self-employed or own a small business, now might be the time to invest more money into your work by purchasing a new computer system, office furniture or a work vehicle. All of these items can be granted quite an attractive deduction come tax time.

**Empty flexible spending accounts (FSA).** Some overlooked but eligible expenses include pressure monitors, birth control pills, blood sugar test kits and test strips, chiropractors, contact lenses and solution, capital expenses to accommodate disability, dental care (toothache relief, denture adhesives), doctor-recommended weight-loss programs, and hearing aids and their batteries. This would be a good time to adjust your 2012 FSA amount as well so that you won't overfund it next year.

**Think about gifting.** At the time of this writing, you can gift up to a total of \$13,000 per year (per person) to as many people as you want. That \$13,000 may be given to one person or distributed to any number of individuals. Your taxable income will be reduced by the amount that you gift. Although gifts to individuals are not tax deductible, you can gift up to \$13,000 to any individual without having to file a gift tax return. Married taxpayers can gift \$26,000 when gift-splitting. Gifting is a useful tool to help reduce the size of your taxable estate.

Don't know who to send that gift to? E-mail me and I'll be glad to give you my bank account information anytime!

**Charitable donations.** This might be a good time to do some house cleaning and donate those items you were thinking about during the summer. Be sure to make a list, get the values documented and get the items to the charity of your choice.

**Invest in energy conservation.** There are energy efficient credits available to you in 2011 that are scheduled to disappear for 2012. Congress may pass some legislation, but if they don't these credits will be gone. Check out the IRS website for energy credits to get the complete list of what you can do to get the credits.

Come the new year, don't forget to file your tax return early and remember to set a few financial and personal goals. Those new year's resolutions will be the topic of a later news column.

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