

Overlooked Tax Breaks

By Jeff Cooper

Real estate is America's premier tax shelter. Most homeowners can deduct their mortgage interest and property tax payments, and also pay no taxes on their profits when they sell.

Additionally, tax authority J.K. Lasser notes that some of the most-overlooked deductions can help you to educate a child, grandchild, or spouse. Here are ideas to investigate:

- * "Hope" credits can reduce your 2004 taxes by up to \$1,500 for each student you're sending to a post-secondary school. These credits apply just to tuition costs in the first two years of higher education.
- * Lifetime learning credits up to \$2,000 annually can be claimed in a broader range of situations, including classes taken to improve job skills.
- * Student tuition and fees can be deducted up to \$4,000 annually if you don't qualify for a Hope or lifetime learning tax credit.
- * Coverdell Education Savings Accounts and Qualified Tuition Programs (529 Plans) can help you save for education expenses. You can put up to \$2,000 per student each year into a Coverdell Account, while state laws govern 529 Plan contributions.

You aren't taxed on any earnings in these accounts, and withdrawals aren't taxed if they're used to cover education costs. Funds in Coverdell Accounts also can pay expenses for children in kindergarten, elementary, and secondary schools.

Certain conditions must be met in order to claim these tax benefits. Have a qualified tax advisor go over your situation with you to see how you can save on taxes while helping a young scholar.