



SMART MONEY TIPS

Getting the Most from Your Tax Refund

Each year around tax time, many of us anticipate an income tax refund. The decisions you make at tax time determine how much of the refund money will reach your wallet. These suggestions can help you get the maximum benefit from your refund.

Filing an annual income tax return allows you and the government to determine whether you have paid the amount of taxes owed. This process considers your income and allowed credits and deductions. We know what happens when we have not paid enough—we must send payment with our tax return. Taxpayers who have overpaid their taxes are due a refund from the government. This is the income tax refund that many Americans look forward to each year.

A REFUND IS NOT "FREE MONEY"

A tax refund is not free money or a gift from the government. It is the return of earned income to you. You and your family may benefit from having the use of this money throughout the year instead of waiting for the tax return. Consider reviewing your annual withholding amount. If you decide to change your withholding rate, submit a new Form W-4 Employee's Withholding Allowance Certificate to your employer. Be sure to discuss changing the withholding rate with your spouse if you are married.

Coordinate your withholding rates so you do not accidentally under-pay your taxes, which would cause your household to owe money the following year.

VOLUNTEER INCOME TAX ASSISTANCE (VITA)

The Volunteer Income Tax Assistance (VITA) program offers free income tax preparation for individuals and families with incomes up to about \$42,000. VITA Tax returns are prepared by Internal Revenue Service (IRS) trained volunteers. Unless your return is particularly complex, the VITA program can prepare your return and electronically file (e-file) it for you at no cost. Of course, paper returns are still available. Look in your community to find a free VITA tax preparation site.

To locate the nearest VITA site, call 1-800-829-1040.

TAX COUNSELING FOR THE ELDERLY (TCE)

The Tax Counseling for the Elderly (TCE) program provides free tax help to people age 60 and older. Trained volunteers from non-profit organizations provide free tax counseling and prepare basic income tax returns for senior citizens. Volunteers who provide tax counseling are often retired individuals associated with nonprofit organizations that receive grants from the IRS. For more information on TCE, call 1-800-829-1040.

To locate the nearest AARP Tax-Aide site, call 1-888-227-7669 or visit AARP's Internet site at <http://www.aarp.org/taxaide>.

TAX COUNSELING FOR MILITARY PERSONNEL

The Armed Forces Tax Council (AFTC) is the military volunteer tax assistance program. Program coordinators for the U.S. Army, Air Force, Navy, Marine Corps, and Coast Guard oversee the operation of military tax programs worldwide, and serve as the main conduit for outreach by the IRS to military personnel and their families. These VITA sites are trained and equipped to address military-specific tax issues, such as combat zone tax benefits and the effect of the new Earned Income Tax Credit (EITC) guidelines. For more information, contact the Family Support Center at the nearest military installation. U.S. Navy personnel can contact the Command Financial Specialist.

DIRECT DEPOSIT MONEY

The recently introduced IRS Form 8888 allows taxpayers to direct their refund into as many as three different accounts. The accounts must be open before you file your tax return and can be at one or more financial institutions. You can direct money into your savings, checking, mutual fund, or retirement account, or a combination of three of these accounts. All you need is your account number and the institution's routing number. Make sure you have the correct numbers. Look on your account documents or call each financial institution to verify its routing number.

AVOID REFUND ANTICIPATION LOANS (RAL)

Refund anticipation loans (RAL) provide early access to part of the refund amount you are expecting. The company offering the RAL will charge a fee for lending you part of your tax refund until the actual refund is received. You can keep more money in your pocket by avoiding rapid refund offers and choosing to electronically file (e-file) your taxes. A tax refund can be received in 10 days or less with electronic filing. This is true whether you e-file through a VITA site, a paid tax preparer, or on your own through the IRS Web site (www.irs.gov). Why give away some of your tax refund when you can have it all to use and enjoy?

Smart Uses for Your Tax Refund

Now that you've decided to maximize the refund amount in your pocket, take a look at another Extension publication to learn how your tax refund can improve your finances throughout the coming year.

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Prepared by

Carolyn L. Bird

Assistant Professor and Family Resource Management Specialist

4-H Youth Development and Family & Consumer Sciences

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