Tax credits for saving energy: Do you qualify?

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The new energy tax credit is a win–win opportunity. When you buy qualifying products to improve your home’s energy efficiency and lower your utility bills, the IRS will give you a tax credit of up to $500. The credits are only available for two years, so now is the time to make your home more energy efficient.

You may already have made purchases in 2006 that will save on your taxes this year. Energy-saving home improvements, including adding insulation, replacement windows, exterior doors, and high-efficiency heating and cooling equipment, may qualify for a combined maximum credit of $500 for the two years. Qualifying solar panels and water heating systems are eligible for a 30 percent credit up to $2000.

Energy saving purchases for your home must be put into service between January 1, 2006, and December 31, 2007.

Look for home improvement products with the Energy Star label, a sign of high-energy efficiency and quality. Although they may cost a little more, they will pay you back in lower energy bills. Not all Energy Star-rated products qualify for the tax credit. The credits are only for the highest-efficiency products that may be more expensive. Even if an Energy Star product does not qualify for the credit, it will still save you money on utility bills in both summer and winter.
Expecting a tax refund?  
Don’t pay to borrow your money

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Would you agree to borrow your own money at a rate of up to 1700 percent? That’s what many taxpayers are paying to borrow the value of an anticipated tax refund, according to the 2005 Refund Anticipation Loan Report from the National Consumer Law Center (NCLC). Over 12 million taxpayers got refund loans during the 2004 filing season.

Refund anticipation loans (RALs) are short-term cash advances to clients who expect refunds. The loan is secured by the taxpayer’s expected refund. Refund loans are typically extended for less than two weeks.

RALs are offered by paid tax preparers, check cashers, payday lenders, used car dealers and title loan lenders.

A nationwide survey of consumers commissioned by the NCLC found that 18 percent had taken out a refund loan at some point. Of these consumers, a startling two-thirds did not realize a refund loan is a loan.

Many refund anticipation loans go to low-income customers. The latest data shows that 56 percent of refund loan customers, or roughly 7 million families, received the Earned Income Tax Credit, the largest federal poverty assistance program. These cash-strapped taxpayers are typically caught in the vicious cycle of circumstances.

Getting one of these loans can take a huge bite out of a tax refund. Consumers paid an estimated $1 billion in RAL fees, plus an additional $389 million in administrative or application fees in 2003 to get quick cash for their refunds—essentially borrowing their own money at extremely high interest rates. The effective annualized interest rate for RALs, based on a 10-day loan period, ranges from about 40 percent (for a loan of $9,999) to over 700 percent (for a loan of $200). If fees are included, the rate could be 70 percent to over 1700 percent.

It’s not often necessary to turn to costly loans and services. Take advantage of today’s technology to get your tax refund quickly:

• File your return electronically. Last year, almost 68 million taxpayers filed this way. Paper filers wait 6 to 8 weeks; electronic filers can expect their refunds in half that time.

• Do even better by direct depositing your refund. You’ll see the refund in your bank account in 10 to 14 days. Plus it’s added protection against lost or stolen refund checks sent via the mail.

If you do not have a bank account to take advantage of direct deposit, check out “Get Checking.” This University of Missouri Extension workshop can help you to access checking account services.

Having an account is less expensive than paying for check-cashing services and money orders. “Get Checking” workshops are available throughout east central Missouri. They offer the opportunity to open an account with a participating financial institution even if you’ve had problems in the past. Call 636-970-3000 or visit: extension.missouri.edu/getchecking for details.

See page 4 for important tax preparation assistance information
The shortest route to better health comes in small steps rather than giant leaps. Little changes are easier than big ones, yet add up to great improvements over time. Each small step is movement in a healthier direction and far better than grand goals that prove too ambitious to attain.

The best place to begin is with the step that sounds the easiest. A quick success provides encouragement to keep going, and leads to more successes. Setting the bar too high is more likely to lead to failure.

Break lofty goals into small, manageable steps like the examples given below. Experts say a new habit requires at least 21 days to become established. Wait until this new step has become firmly rooted before taking another. One step will lead to more—and to better habits that last for life.

Here are some small steps to try:

**For healthier eating habits**

- **Eat one more piece of fruit every day.** Whole fruit has fiber and more phytochemicals than fruit juice.
- **Try a new vegetable every week.** Recipes are available in grocery store produce aisles, as well as in the newspaper.
- **Set out a bowl of fruit** to tempt snackers at the office and at home.
- **Add one more whole-grain food per day.** Whole-grain foods like graham crackers, brown rice, oatmeal, popcorn, and whole-wheat bread have more flavor and fiber than enriched grain products like white rice, white bread, pasta or pretzels.
- **Keep a bag of washed, cut up raw veggies handy for a quick snack.** Place it next to a container of salad dressing and in a visible spot in the refrigerator.
- **Order soup and salad combo instead of burger with fries once a week.**

**Resign from the “Clean Plate Club.”**

- **Eat breakfast.** Something (even leftover pizza or spaghetti!) is better than nothing. Eat breakfast at coffee break time if food is unappealing early in the morning.
- **Drink milk with at least one meal for the essential calcium, phosphorous and other bone builders it contains.**
- **Eat to satisfy hunger rather than boredom or an emotional need.** Hobbies, volunteering or physical activity make better ways to use time.
- **Serve snacks on a plate or in a bowl.** An open bag or carton is an invitation to eat mindlessly until it’s all gone.
- **Resign from the “Clean Plate Club.”** Eat until you’re comfortably full. Eating more food than needed is as wasteful as leaving it on the plate.
- **Use water in place of one soft drink per day.** Soft drinks, fruit-flavored beverages and sports drinks bring little to the table besides calories. Water is a better thirst quencher than these other beverages.

**For improved fitness**

- **Take a two-minute walk during your lunch break.** Almost everyone can walk for this short time period. Next week increase it to five minutes.
- **Park farther away from the door than you normally do.** (Keep safety in mind, of course!)
- **While watching TV, exercise during commercials.** Try calisthenics, like push ups and scrunches. Or keep hand weights next to your easy chair, and put them to use while the ads play.
- **Energize with a fitness break instead of a coffee or soda break.** Take a quick walk around your house or office building instead of drinking a caffeinated beverage when the mid-afternoon slump hits.
- **Make a play date.** Kids aren’t the only ones who need to schedule time for fun with friends.
Take small steps to better health
(continued from page 3)

plans for a game of basketball, ping pong, shuffleboard, bowling.

• Walk around the block after dinner. Take along your child, spouse, or a friend.

• Fit in a few wall pushups while waiting for copies at the copy machine, or for the clothes dryer cycle to end.

• Stuck in a traffic jam? Neck and shoulder stretches will relieve tension and aid flexibility.

• Do leg lifts or calf raises while talking on the phone.

• Use the appointment calendar feature on your computer to remind you to take a stretch break.

Free tax preparation assistance available for qualified families

If your family has low to moderate income, you may be eligible to get free help to fill out and file your tax return. The Volunteer Income Tax Assistance (VITA) program, sponsored by the IRS, has trained volunteers to fill out and electronically file tax returns for low- to moderate-income families. Call 1-800-829-1040 to find the closest VITA site.

AARP Tax Counseling for the Elderly is available in many communities. AARP sites sometimes provide services to low- to moderate-income taxpayers.