The tax man cometh

How to review your mid-year financials to boost your paycheck, reduce taxes

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Most taxpayers, when you get down to it, have similar tax returns year after year. Not too many changes; income may vary a bit, and deductions are consistent.

But some years, your situation may have changed and as a result, your tax position will be affected. For example, did you get married? Have you had baby or adopt a child? Is a son or daughter now in college or perhaps you returned to college yourself?

If you have become accustomed to the idea of a big refund equating "bonus," it may be time to understand what that means. "In short, you are loaning the government your money interest-free throughout the year, instead of having that money in each paycheck. Mid-year is a great time to look at how your withholding is shaping up, says Jenna Staton, EA, Tax Manager with Skoda Minotti.

Smart Business spoke with Staton for some tips as to why it's a good time to check your tax situation now to help position you favorably for the rest of the year.

What is the first step I should take when I review my mid-year tax situation?

Make sure you're claiming the correct number of exemptions. Remember, the more exemptions you claim on your W-4, the less that is deducted from your paycheck. This is especially important for taxpayers who have been married or plan to get married in 2014. Even if you get married on Dec. 31, you're deemed to be married all year.

The same is true for divorce situations. You might have had your withholding as "married;" if you change to "single," your tax rate and bracket could change significantly.

If I have medical expenses, what should I keep in mind?

There is a medical expense threshold of 10 percent of your adjusted gross income. Meaning, if you make $100,000, you'd have to spend $10,000 in medical expenses out of pocket before you'd receive $1 of deductions. Most taxpayers do not qualify for a medical expense deduction.

However, at this point, you can look at the first half of the year medical expenses and group those together then look ahead at the remaining months; perhaps you need glasses or dental work — you want to get it all done within the calendar year because that's when you may have a combined amount that provides the medical expense deduction.

Remember — you can't deduct contributions to your Health Savings Account or your Flexible Spending Account.

What is important to remember about charitable donations?

People often donate their clothing and household items although don't know what they should list as the value. I always send them to www.goodwill.org/wp-content/uploads/2010/12/Donation_Valuation_Guide.pdf. It's a very good website that lists how much their items are worth.

What about contributions to a 401(k) account?

Generally, you make a pre-tax contribution through your company payroll of up to $17,500. Those 50 and over may be able to contribute a catch-up contribution by adding $5,500 to your deposits this year, for a total limit of $23,000. This money will grow tax-free, for your own retirement.

Can you give some advice about preparing for storm damage?

It's always good to have pictures or videos of your personal belongings before a situation arises; you can use them to substantiate the value of the item. The more detail and documentation you have, the better.

Back up records electronically via CD or DVD, flash drive or external hard drive and store it and other pertinent paperwork at an alternate location such as a safety deposit box or the cloud. As far as important papers, the IRS.gov website stores prior tax returns if they become lost or damaged in a weather-related situation.