



## How to Take the Struggle Out of Tax Time

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Freehold, NJ (PRWeb) March 25, 2007 -- For many Americans, tax time always brings about a struggle. For some, the struggle involves finding the money they unexpectedly owe Uncle Sam. For others, it involves determining what to do with a large and unexpected refund. While these struggles are obviously very different in nature, both can and should be avoided by those looking to put themselves on the most solid long term financial footing. Novadebt suggests that consumers take the opportunity to carefully examine their tax withholdings in April and make whatever adjustments are necessary to ensure that Uncle Sam isn't getting the best of them. A nonprofit, social service agency that specializes in financial education and credit counseling, Novadebt advises consumers how they can better prepare for the upcoming tax season and find a financial middle-ground.

"With taxes, the idea is to keep refunds or payments low and find a balance that works for you," says Sandy Shore, Director of Counselor Training at Novadebt. "If you have a very large refund -- while positive -- you are lending the government money that could be otherwise used to lower your current debts or to invest. If you have a large tax payment, then there are not enough funds deducted regularly from your paycheck."

The following are tips from Novadebt on what to do if you find yourself continually owing taxes that you find hard to pay comfortably each April 15.

- Review Your Exemptions -- If your payment is large, review your W2 exemptions and talk to your employer about increasing the amount of tax withheld per paycheck. An extra \$50 per paycheck now can add up to \$1,300 less in payments owed to the government next April.
- Pre-Pay Your Taxes -- Taxpayers can pay estimated taxes to the government quarterly before the tax season is due. Speak to a tax professional or service to determine if your payment is too large and if prepayments are required.
- Plan Ahead -- Using this year as a guide, divide your total tax payments by 12. This will show you how much you would need to save each month to pay taxes next year. Start a revolving savings account -- or emergency fund -- to store money away for next year's taxes.

If you are receiving a large refund this year, here are some ideas on how you can invest it into your financial future:

- Reducing Your Refund -- If you are receiving a very large refund, then chances are you are overpaying your taxes over the course of the year. Novadebt recommends reviewing your W2's to determine if you have claimed too few exemptions and making adjustments accordingly. Keep track of how your W2 adjustments affect your net pay, so you can put any newly realized disposable income to productive use, such as bolstering savings or paying down existing debts.
- Paying down high-interest credit cards -- Come April, those consumers still suffering from a holiday hangover should consider using their refund to pay their holiday debt down immediately. If consumers are finding that their debt seems to be increasing even despite applying tax refunds and other bonuses to credit cards, they should seek financial counseling this year before another tax season hits.
- Direct deposit to savings -- The Pension Savings Act of 2006 signed into effect last August, will enable consumers to deposit their refunds into more than one account, including directly into high-yielding savings accounts.
- Direct deposit to investment accounts -- The Pension Savings Act also allows taxpayers to now earmark and direct deposit refunds directly into accounts for retirement and college savings, specifically IRA's. For those that have invested in IRA's and 401K's over the last year, those making less than \$50,000 adjusted gross income can now claim their 2006 investment for additional tax savings and potential refunds.
- Invest in home improvements -- Leveraging the Energy Tax Incentives Act established in 2005 results in tax credits to those investing in energy-efficient technology for their homes. Increasing a home's energy efficiency can also help save hundreds of dollars a year in utility bill savings and increase the value of your property.

Since its inception in 1991, Novadebt helped over 250,000 people to regain their financial footing and repay approximately \$340 million to their creditors. Novadebt maintains an average active caseload of approximately 15,000 consumers at any given time. A non-profit, social service agency licensed and bonded by the New Jersey Department of Banking, Novadebt is a member of the Association of Independent Consumer Credit Counseling Agencies (AICCCA) and the Better Business Bureau. The United States Government recognizes Novadebt as a charitable organization under 501© (3) of the IRS Code. All of the agency's counselors are certified by the Institute of Personal Finance.

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**Contact Information**

**Jason Ledder**

R&J Public Relations

<http://www.novadebt.org>

908-722-5757

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