



- **Unemployment payments:** It doesn't seem fair (because, let's face it, it's not) but unemployment compensation is taxable income. But this year the first \$2,400 won't be counted.
- **College payments:** The Hope tax credit has been modified, and now offers four years of credits up to \$2,500 per student, up from two years. Adjusted income limits are \$80,000 (\$160,000 joint) for the full benefit, which it phases out up to adjusted incomes of \$90,000 (\$180,000 joint) after that. Forty percent of the credit is refundable, meaning you can get up to \$1,000 back even if you owe no taxes.

Also, the limits on "qualified tuition and related expenses" now covers "course materials," such as the purchase of a computer, Garcia says.

- **Paying and filing:** If you pay your taxes by credit card to get rewards points or because you're short on cash, you can deduct the processing fee as a miscellaneous itemized deduction on Schedule A. Also, any taxpayer with adjusted income of \$57,000 or less can use the free, online tax filing and preparation services at www.irs.gov. Taxpayers over that income limit can prepare their forms online and file electronically, but won't get the online software hints and support.

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