

CLIENT LINE

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December 2010

2009 Annual Year-End Newsletter



It is time to begin preparing for the 2011 tax season and to take last minute actions to reduce that tax bill and increase your refunds for the business and personal returns that will be filed this Spring!

Here are a few briefs and new ideas for the 2010 income tax filing period.....

The Bush-era tax cuts appear to be extended for two more years for all taxpayers. The same deal also reduces social security taxes by two percent for one year and extends unemployment insurance for 13 months. This is welcomed news to more than 25,000 jobless residents of Georgia who were expected to stop receiving benefits this week.

See if you qualify for the special 0% rate on long-term gains and dividends. If you're in the 10% or 15% bracket, dividends and profits on sales of assets owned for more than one year are tax free until they push you into the 25% tax bracket. That bracket begins at \$68,000 of taxable income on joint returns and \$34,000 for singles. Then, the rest of your dividends and long-term gains are taxed at 15%. But short-term capital gains are taxed as ordinary income... at a rate of up to 35% (The preferential capital-gains treatment also applies to qualified dividends held in non-retirement accounts.) Several other tax breaks are scheduled to

expire at year-end, so if you qualify, grab them while you can.

The home-energy tax credit, which can reduce your tax bill by up to \$1,500, is in its final days. To qualify, you must install energy-efficient windows, furnaces, doors or skylights by December 31. If you claimed the maximum credit last year, you can't take it again.

Tax Briefs

1099 Reports: Congress is moving closer to killing a recently enacted reporting rule. Beginning with tax year 2012, 1099s will be due on payments for goods and services of \$600 or more to all firms, even for purchases from publically traded companies. Businesses are complaining that collecting 1099s is a hassle and that all their efforts are essentially wasted because the IRS can't effectively match the 1099s with the returns of the fiscal year payees. Sen. Max Baucus (D-MT), the top Senate taxwriter, just added the repeal of this rule to an unrelated food safety bill. Even if the repeal provision is pulled from the bill, the handwriting is on the wall and it's just a matter of time before the rule is nixed.

E-filing: 2010 returns claiming the home buyer credit can now be electronically filed. Last year, taxpayers who claimed the credit on Form 5405 could not e-file due to the inability to attach a copy of the settlement sheet to the 1040. For 2010, IRS officials say that fliers taking the credit can scan the settlement sheet and attach the file to their electronically filed returns. This will speed up refunds. Only homes purchased before May 1, 2010 can get the credit, except individuals who had signed a binding contract by April 30 had until September 30 to close the deal.

Filing Season: Filers will get an additional three days to file their tax returns for 2010. The deadline will be April 18. Even though April 15 falls on a Friday, Washington D.C. will observe its Emancipation Day holiday on that date. Thus, the due date for all returns is deferred to the 18th. This also effects estimated taxes and other actions that are tied to April 15, such as the IRA contribution deadline.

Real Estate: If you have borrowed more than \$1 million to buy your primary home, the IRS has some good news! Interest on the first \$1 million of acquisition debt is deductible mortgage interest and interest on the next \$100,000 is deductible as home equity interest. This contradicts two Tax Court decisions holding that if the acquisition debt was more than \$1 million, none of the excess qualified as home equity debt. IRS announced its stance in a 2009 private ruling. Now it says so in a revenue ruling that everyone can rely on (Rev. Rul. 2010-25).

Tax Debts: IRS can offset a tax refund against a proposed tax bill for a prior year, the Tax Court says. An individual was audited, and the Revenue Service determined that he owed more tax. In the interim, before the 90-day period to contest the bill in Tax Court had lapsed, IRS took a refund he had coming from his current return and applied it against what he said he owed. He claimed the Service had no right to do that, but the Tax Court upheld the offset. Tax pros are upset with this ruling. In 2007, IRS indicated that such offsets would be done only in cases involving corporations. It now has changed its stance. The IRS Taxpayer Advocate says offsets should be allowed only against tax liabilities that have been officially assessed, and Congress may now be inclined to take action.

IRS Announces 2011 Standard Mileage Rates

WASHINGTON — The Internal Revenue Service today issued the 2011 optional standard mileage rates used to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

Beginning on Jan. 1, 2011, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 51 cents per mile for business miles driven
- 19 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

The standard mileage rate for business is based on an annual study of the fixed and variable costs of operating an automobile. The rate for medical and moving purposes is based on the variable costs as determined by the same study. Independent contractor Runzheimer International conducted the study.

A taxpayer may not use the business standard mileage rate for a vehicle after using any depreciation method under the Modified Accelerated Cost Recovery System (MACRS) or after claiming a Section 179 deduction for that vehicle. In addition, the business standard mileage rate cannot be used for any vehicle used for hire or for more than four vehicles used simultaneously.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

[Revenue Procedure 2010-51](#) contains additional details regarding the standard mileage rates.



CLIENT NEWS

Your Winter Tax Calendar

December 15 th	Time to mail final State 2010 estimated payments to receive 2010 deduction.
December 15 th	November monthly payroll tax deposits for IRS & State
December 17 th	Deadline for receiving 2010 1099 miscellaneous income payee social security and addresses in this office.
December 20 th	November Sales Tax due
January 15 th	Deadline for 4 th estimated installment to IRS and State
January 15 th	December monthly payroll tax deposits for IRS & State
January 20 th	December 2010 Sales Tax due
January 31 st	4th Quarter 2010 payroll reports due
January 31 st	2010 W-2s and 1099s due to payees

REFERRALS

We are celebrating our 18th year in business in 2011 and appreciate your referrals. We will continue rewarding each referring client with a \$100 American Express Gift Certificate for each new referral in 2011!