

## ***W. RALPH SOMMERS TAX SERVICES***

### **TAX & ACCOUNTING SERVICES**

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*Enrolled to Practice before the Internal Revenue Service*

### **2011 TAX CHANGE/UPDATE(S) UPDATED DEC 2011**

**The following information is provided to you to assist you with your tax appointment and to provide general knowledge. If any item may affect your return please let us know if we do not already have knowledge of the item. Changes are effective for tax year 2011 – All items are subject to modification or revision.**

#### **Federal Tax Filings**

- Personal and Dependent Exemption \$ 3,700
- Standard Deduction - Basic standard deduction is \$ 11,600 (MFJ), \$ 8,500 (Head/Household), \$ 5,800 (Single/MFS) \$ 950 dependent children filing own taxes.
- Sales tax Itemized Deduction available in lieu of state withholding or state estimated taxes paid
- **AMT exemption patch finalized-** \$ 74,450 MFJ, \$48,450 S, HH and \$ 37,225 MFS
- Nonrefundable credits still in place:
  - Dependent Care Credit – Form 2441
  - Education Credits – Form 8863 \$ 2,500 maximum per student (American Opportunities Credit) also \$ 2,000 Lifetime Credit
  - Child Tax Credit (nonrefundable portion) – Form 8901 if required
  - Foreign Tax Credit – Form 1116
  - Residential Energy Credit – Form 5695 – extended thru 2011
  - Mortgage Interest Credit – Form 8396 – certain new purchases
  - Savers Credit – Form 8880 – subject to income levels
  - Adoption Credit – Form 8839
  
- **Tax Brackets – same including capital gains ( 0-10-15%) thru 2012 only**
- Business Mileage Rate .50 cents per mile thru 6/30 & 55.5 cents 7/1 – 12/31  
16.5 cents Medical and Moving, .14 cents – Charitable miles
- Depreciation Limits Max Sec 179 increased \$ 500,000
  - Note: Bonus Depreciation (50% still in effect) and 100% after 9/8/10
- Per Diem for Meals and Incidental – General Rule \$ 52- per day
- Lodging \$ 116 p/day Employers only – not individuals (use actual)
- Day Care Rates for Food – Breakfast \$ 1.19 – Lunch/Supper \$ 2.22 – Snack - \$ .66 per child per day
- Educator Expense \$ 250 – **RETAINED** plus classroom exp itemized
- Tuition and Fees Deduction – **RETAINED**
- IRA distribution to Charity deduction – **RETAINED** also appreciated assets
  
- \$ 2,400 Unemployment Exclusion – **ELIMINATED**

- Mortgage Ins Premium deductible on acquisition
- Alternative Motor Vehicle Energy and Hybrid Credit (certain vehicles) (many phased out)
- “Kiddie “ Tax – Unearned Income - Under age 19 – Form 8615 / 8814
- Pay to work credit still in place - REPEALED
- Individual Retirement Accounts - \$ 5,000 contribution allowed (\$ 6,000 over Age 50)
- 401k, SEP, Simple same allowed as 2010
- Social Security Earnings Limit – under age 66 - \$ 14,160

### **Federal Tax Filings (Cont'd.)**

- Adjustments to Income (Above the Line Deductions) still include such items as SEP plans, S/E Health Insurance, Health Savings Accounts, Alimony, and Moving Expenses.

### **Other Certain Items of Note**

- Certain Cancelled debt excluded from income on Mortgages
- Deduction for Mortgage Insurance Premiums
- Home gain on sale allowed for spouses of deceased taxpayers for two years
- Volunteer Fire and EMT benefits excluded from income
- No stimulus payments this year
- First Time Homebuyer Credit (Form 5405) **FOR REPAYMENTS ONLY**
- Special Regulations for Children of Divorced Parents – Form 8332 **required**
- Qualified Joint Venture Rules for Husband-Wife businesses ( Sch C/E)
- Like-Kind Exchange Rules modified for business-use-of-home-and vacation homes
- “Qualifying Child” definitions revised (check with tax advisor)
- EITC credit expanded and now includes up to 3 children
- Education US Bond Interest still excludable (certain pahse-outs)

### **New York State Issues/Reminders**

**[www.nystax.gov](http://www.nystax.gov)**

In general, NYS conforms to most IRS modifications to income and deductions however several adjustments are generally required to recalculate taxable income and tax along with certain credits. The following reminders are provided:

- **NEW – IT-150 SHORT FORM ELIMINATED**
- **NEW - MARRIAGE EQUALITY ACT PASSE ( FILE MARRIED JOINT OR MARRIED SEPARATE ON NYS – SINGLE NOT ALLOWED**
- 414h pension exclusion add-backs
- Non-NY Bond Interest add-backs
- 529 Distribution add-backs

- NY Tax refund subtraction
- Government pension exclusions
- \$ 20,000 maximum individual pension exclusion
- Social Security Subtraction
- 529 contribution subtraction
- Government bond interest subtraction
- Itemized deduction adjustments
- Volunteer Fire and EMS credit
- Non-refundable credits ( See IT201-ATT)
- Refundable Credits including child care, Empire State Child Tax Credit, EIC, Tuition Credit etc.
- Internet sales tax calculation
- Voluntary Contributions
- NEW – DEBIT CARD REFUND OPTION
- NEW – TAXPAYER ADVOCATE OFFICE
- NEW – MUST USE IT- 370 FOR EXTENSION ( FEDERAL FORM NOT ACCEPTED)

Special Note: Estate taxes were repealed for 2010 – however basis and carryover adjustments required – Exception if use new rates and get stepped up basis.

**The above information is not all-inclusive. Changes to tax rules are voluminous. If you have specific questions please contact us.**