

TAX FACTS NEWS



Please don't wait until the last minute! Schedule your appointment today.

tax time once again ☹️

It feels like déjà vu all over again! The 2011 Congress was so busy fighting each other that not much got accomplished at resolving tax issues or stopping the run-away debt, but while Congress dithered, the IRS was busy issuing new regulations and Tax Court was busy rendering decisions on disagreements between the IRS and taxpayers. You may be surprised at the issues being questioned. Here are a few samples and the Court decisions:

IRS Chief Counsel has determined that the IRS cannot force your service provider to turn over your e-mails to an IRS revenue agent. Your right to e-mail privacy is protected by the Stored Communications Act. (Still Be careful what you put in e-mail or post on Facebook!)

The Court of Appeals overturned a lower court decision that a farmer's wife was not a bona fide employee because she was not paid a high enough salary. The lower court was instructed to consider the independent contractor vs employee context to determine if she was an employee. (Something you should consider as well if you have independent contractors working for you).

Tax Court upheld the IRS disallowance of a teacher's classroom expenses and travel costs because she failed to prove that the expenses were "ordinary and necessary" for her employment.

IRS also:

- Released an app for your iPhone or Android, **IRS2GO**, that allows you to check on your refunds and receive tax tips
- Provided guidelines for disaster-relief in hurricane, earthquake, and flooded areas
- Issued Q & As for domestic partners in Publication 555, Community Property, and on the IRS website
- Redesigned Form 990 for tax-exempt organizations
- Set up a system to issue PINS (personal identity numbers) to taxpayers who have proven they are victims of Identity Theft.

We know that some of you are trying self-preparation with internet software, but we would still like to be part of your team. We are here for consultation when you have financial decisions to make and to help you understand and respond to letters from the IRS. Thank you for the opportunity and privilege of allowing us to serve as your tax professionals.

- Penny Tokash, EA

"Government's view of the economy could be summed up in a few short phrases: if it moves, tax it. If it keeps moving, regulate it. If it stops moving, subsidize it."

- Ronald Reagan

"The point to remember is that what the government gives it must first take away."

-John S. Coleman

"I'm proud to pay taxes in the United States; the only thing is, I could be just as proud for half the money."

-Arthur Godfrey

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Our 2012 Tax Season hours will be:

Monday - Thursday 8:30-7:30
Friday 8:30-5:00
Saturday 8:30-2:00

Walk-ins are always welcome!

Drop-Offs are encouraged!

If you are a prior client and comfortable that your tax situation hasn't changed much, you can drop off your tax information and we'll have your taxes prepared in a few days. You can find useful forms at our website or call us for an **organizer**.

"The hardest thing in the world to understand is the income tax."

- Albert Einstein



The MOST OVERLOOKED DEDUCTIONS

One of the problems with as complicated a tax code as ours has become is that deductions are overlooked and money that should be in YOUR pocket ends up in the government coffers – which is fine if you are Warren Buffet or a Hollywood movie star – but if you need every dollar, don't overlook these deductions.

STATE vs SALES TAX – Everyone who itemizes deductions has a choice of deducting the state taxes paid last year plus the state taxes withheld on the W2s, or deducting the amount of sales taxes paid during the year. If you live in a state that has no state income tax, of course you will deduct the sales tax you paid, but don't forget to add in the local % to the IRS listed amount. If you live in a state with an income tax, you will have to compare the sales tax paid to the state tax paid and take the amount that is better for you. Again, don't forget to add in the local tax rate.

SALES TAX ADD-ONS – If you are comparing sales tax to state tax, you can add-on the amount of sales tax paid on a motor vehicle, aircraft, or boat or the sales tax paid on a mobile home or on construction of substantial home improvements.

JOB HUNTING COSTS – Job hunting costs for your first job aren't deductible, but if you are looking for a position in your line of work, you can deduct expenses incurred in your job search. Make sure you kept your receipts! Allowable deductions include the cost of printing and mailing your resume or business cards, employment agency fees, website listing fees, advertising, long distance calls. You may also deduct food, lodging, cab fare, and transportation for job interviews if you are away from home overnight.

****MILITARY RESERVIST TRAVEL EXPENSES** – You can deduct travel expenses to drills or meetings if the travel is at least 100 miles and you must be away overnight. Deductible amounts are lodging, half your food, mileage, parking and tolls.

OUT-OF-POCKET CHARITABLE DEDUCTION – Little things add up! You can deduct the stamps and envelopes for the mail-out you did for your Little League team, and the ingredients for the casserole and cookies for the PTA Bake Sale. You can deduct the amount of "round up" when you bought groceries, the cost of the canned goods donated to a local soup kitchen, and the cost of the toys donated for Christmas. If the amount is \$250 or more, you will need a statement from the charity. You should be prepared to substantiate the amount donated with receipts, thank-you notes, or some other kind of evidence. You can also deduct the cost of driving your car, at 14 cents per mile, and the cost of parking and tolls when the purpose is for charity.

****CHILD CARE CREDIT** – If you pay for your child care through a pre-tax plan at work (the BEST way to pay day care), you may still have a credit to claim. How? Employer plans are allowed to pay up to \$5,000, but IRS allows up to \$6,000 for 2 or more children. Bring a statement from your day care provider if you are paying more than \$5,000 per year.

****STUDENT LOAN INTEREST** – If you are not your parents' dependent, they cannot claim the student loan interest they paid for you since they are not legally required to pay the debt, but YOU can claim the interest as if YOU paid it. It is considered a gift to you which you then used to pay the loan.

****SELF-EMPLOYED HEALTH INSURANCE** – If you are self-employed and also on medicare, your medicare premiums qualify as self-employed health insurance.

****REINVESTED DIVIDENDS** – Mutual Funds dividends are generally reinvested and generate additional shares of the mutual fund. When you sell shares in the mutual fund, don't just write off what you paid initially. You are allowed to add in all those quarterly dividends as additional money invested in the mutual fund.

****This credit or deduction is available without itemizing.**

FYI for 2011

- **Business Mileage rate** is \$0.51 for Jan 1 – June 30; \$0.555 for July 1 – Dec 31
- **Medical/Moving mileage rate** is \$0.19 for Jan 1 – June 30 \$0.235 for July 1 – Dec 31
- **Volunteer mileage for charity rate** remains at \$0.14
- **Contribution to an IRA** maximum remains at \$5,000 Increase to \$6,000 if over age 50
- **Contribution to a 401k** maximum remains at \$16,500 Increase to \$22,000 if over age 50
- **Contribution to a SIMPLE** maximum is \$11,500 Increase to \$14,000 if over age 50
- **Social Security Max Wage** is \$106,800.

"Be wary of strong drink. It can make you shoot at tax collectors and miss."

–Robert Heinlein

FYI for 2012

- **Business Mileage rate** is \$0.555
- **Medical/Moving mileage rate** is \$0.23
- **Volunteer mileage for charity rate** remains at \$0.14
- **Contribution to an IRA and SIMPLE** remain same as 2011
- **Contribution to a 401k** maximum increased to \$17,000 Increase to \$22,500 if over age 50
- **Social Security Max Wage** increased to \$110,100.