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So here it is February already, and most of us are not yet allowed to file our individual income tax returns. Why not? Because Congress invoked legislation so late in 2010 that the IRS has as yet been unable to reprogram its computers to correctly process all but the simplest tax returns. And when will the IRS be ready for the rest of us to file? Valentine's Day, of course. Just too sweet.

LEGISLATIVE UPDATE

As expected, Congress extended the "Bush" tax cuts which were scheduled to expire December 31, 2010. Officially, the new law was dubbed the "Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010." Some of the more important aspects of the new law:

◆ **Individuals:** Favorable income tax rates are retained for 2011 and 2012, with a top rate of 35 percent on ordinary income and 15 percent on long term capital gains and qualified dividend payments. . . employees and self-employed workers get a reduction of two percentage points on social security tax during 2011. . . a two-year alternative minimum tax "patch" saves millions of taxpayers from falling into this additional tax trap. . . the \$1,000 child tax credit is still around, as is the American Opportunity Tax Credit for higher education. . . higher income taxpayers will not have their itemized deductions or personal exemptions reduced for 2011 and 2012. . . the \$250 deduction for educators has been retained through 2011.

◆ **Businesses:** The cost of most new equipment and vehicles used 100 percent for business can be deducted immediately until 12/31/2011 through "bonus" depreciation. . . for 2012, 50 percent of the cost can be immediately depreciated. . . for 2010, self-employed individuals can use their health insurance deduction to reduce self-employment tax as well as income tax. . . the research and development credit was extended through 2011.

◆ **Estate:** The federal estate tax was reinstated for 2011 and 2012. . . estates under \$5 million are exempt. . . top tax rate is 35 percent. . . inherited property receives a "step-up" in basis to market value at the date of death.

OTHER TAX CHANGES:

The Tax Relief Act of 2010 wasn't signed into law until December 17. Prior legislation also triggers many changes for the current tax season.

◆ **Individuals:** Due to the celebration of Emancipation Day in Washington, DC, individual tax returns are not due until Monday, April 18. . . taxpayers 70.5 or older can make tax free distributions from an IRA to charity (such distributions may be used to satisfy minimum distribution requirements). . . taxpayers may convert traditional IRA accounts to Roth IRAs regardless of income levels. . . the adoption credit is increased to \$13,170 per child and is now refundable. . . landlords must report on 2011 Form 1099 payments of more than \$600 to service providers.

♦ **Businesses:** Standard auto mileage rate is 50 cents for 2010 and 51 cents for 2011. . . eligible small employers can receive on 2010 returns a credit of up to 35 percent of health insurance premiums paid on behalf of employees. . .most businesses must now pay all taxes and make all payroll tax deposits via electronic transfer. . .employers will be eligible for a credit of up to \$1,000 on 2011 returns for eligible employees hired in 2010 and retained for one year. . .penalties for failure to file Form 1099 have been substantially increased.

POST 12/31 TAX PLANNING

Several opportunities exist beyond the end of the year to help you minimize your federal and/or state income tax liabilities:

♦ **Retirement Plans:** Traditional or Roth IRA contributions for 2010 may be made until April 15, 2011. . .the contribution limit is \$5,000, \$6,000 if you turned 50 or older in 2010. . .many businesses and some individuals can set up simplified employee pension IRA retirement plans any time before filing their tax returns. . .these plans allow individuals to set aside up to \$49,000 in tax deferred IRA accounts.

♦ **Education Plans:** Contributions of up to \$4,180 to Oregon's college savings plan made by April 15, 2011 can be deducted on your 2010 Oregon tax return. . .earnings on amounts invested are free from federal and state income tax. . .distributions for qualified education expenses for eligible beneficiaries are also tax free.

♦ **Health Savings Accounts:** Contributions to an HSA made by April 15, 2011 can be deducted on 2010 federal and state tax returns. . .contribution limits for singles are \$3,050, \$4,050 if you're over 55. . .family maximum contributions are \$6,150 and \$7,150 for 2010. . .participants must be covered under a high deductible health insurance plan, with no other health insurance.

We've got some new members of our team as we head into tax season. Kathy Marciniak, an aspiring CPA-to-be, is now working full time in our tax department. Lesley Kirk, a veteran of more than a dozen tax season campaigns, is covering our front desk and assembling tax returns.

Finally, a shameless plug for my favorite charity. Anyone who's been 'round our website has seen a picture of me and the most important four-footed creature in my life, Django, our four-year-old lab mix. We adopted Django from Greenhill Humane Society and couldn't be more pleased. Greenhill provides safe shelter for animals in transition, serves as advocates for animals, works to end animal overpopulation and educates the public about compassion and responsibility toward all animals. Greenhill is a private, non-profit organization that relies on charitable donations. I'm happy to have the opportunity to serve on the board of directors of Greenhill. For more information, go to www.green-hill.org.