

## Standard Mileage Rates

### Employee / Business

\$0.50 - 2010

\$0.51 - 2011

### Medical / Moving

\$0.165 - 2010

\$0.19 - 2011

Charity/volunteer \$0.14

## Murder or Room Service?

The Tax Policy Center of the Urban Institute and Brookings Institution made the analogy between the **2010 Tax Relief Act** and Johnny Depp's *The Tourist* in its recent blog. Depp's character is reporting an attempt on his life in a hotel room while on vacation, and the local police inspector is asking him if he wishes to report a murder. Depp corrects the inspector's question, and says it was attempted murder. The officer says that's not so serious. Depp says, "No, not when you downgrade it from murder. When you upgrade it from room service, it is quite serious."

So, are we really looking at tax cuts, if these are the rates we've been paying for the past seven years, except for reinstating estate taxes? Depending on your perception, the 2010 Tax Relief Act can be anything from a tax increase (murder) to a tax cut (room service).

## It's Not Memory Loss!

*The Buying Brain - Secrets for selling to the Subconscious Mind* by Dr. A. K. Pradeep, a neuroscientist, reports that the reason people become more forgetful as they age is not because they lack the ability to remember, but rather because **the ability to block distractions declines as they get older.**

So when you go to another room to get something, and when you get there, you wonder, "How what did I come in here for?"; you've just been distracted. Once you retrace your steps, you will most likely remember.

We're not losing our memories! But what this means for us is that **it is extremely important to simplify and declutter our lives as we age.**

Included with this newsletter is a list of financial records that you need to keep and for how long.

Shred or burn anything that is not needed, so that you can find what you want to find, when you want to find it.

## Social Security Tax Reduced 2%

Employees will see less Social Security tax withholding from their paychecks in 2011. Instead of 6.2% Social Security withholding, there will be just 4.2% withheld. **Effectively, employees just received a 2% pay increase for 2011.**

The employer tax rate remains unchanged at the full 6.2%. The Social Security wage base limit is \$106,800 which is the same limit used in both 2009 and 2010. Self-employed individuals will have a 2% rate reduction also.

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Online Version of Newsletter at: <http://www.poppycpa.wordpress.com>

## Wisconsin Homeowners Credit

Remember to pay at least \$2,500 of personal residence real estate taxes each year to qualify for the \$300 homeowners tax credit on your Wisconsin income tax return.

## Extended Tax Breaks thru 2011

Here's what was retroactively reinstated for 2010 for individuals, which had originally expired 12/31/09:

- The \$250 teacher expense deduction.
- The \$4,000 or \$2,000 tuition expense deduction (amount depends on your taxable income.)
- Election to take larger of Sales Tax or State income tax deduction.

## Education Credits

Rather than confuse with all of the education credits and deductions for education beyond high school, we will do the work to go through all the different scenarios using the different tax credits to see which is best for your tax return. Even if the student lives at home, in some instances, a value for room and board can be used to increase your tax credits.

**Please provide us with all expenses incurred for educational purposes and the student's year of school:**

- Year in school (Fresh, soph, etc)
- Tuition, fees and course materials
- Room and board paid or months of full time school attendance
- Computer technology/Internet
- Transportation to/from school

## Energy Credits

Adding insulation or replacing windows, skylights or exterior doors in your personal residence may qualify you for a **maximum \$1,500 Federal tax credit** (30% of up to \$5,000 of eligible costs) in 2010. Energy efficiency is the key factor for electric heat pumps, central air conditioners, water heaters, and furnaces. For specific details on eligible energy credit property improvements, go to [http://energytaxincentives.org/consumers/insulation\\_etc.php](http://energytaxincentives.org/consumers/insulation_etc.php)

For 2011, the credit is reduced to 10% of up to \$5,000 of eligible costs. There are also limitations per type of improvement. No more than \$2,000 spent for windows and doors qualifies.

If you are planning on any energy saving home improvements, and you haven't used up your \$1,500 in credits during 2009, you should do so for 2010.

Please **provide invoices** which show the **date of installation** along with a **detailed description of the improvements** so that we can correctly determine the qualifying costs. Even if you've been reimbursed by insurance proceeds, let us know your costs. There is no source of funds requirement with the credits.

## Online Newsletter

PLEASE check out our Poppy CPA site on the WordPress servers. Considering how often the tax laws are changing back and forth, it helps to be able to post online for immediate use of the information.

<http://poppycpa.wordpress.com/>

## Alternative Minimum Tax

The Alternative Minimum Tax (AMT) patch adds \$1,500 more to the 2009 AMT threshold for 2010.

This means if taxable income is greater than \$72,450 in 2010 on a married, filing jointly tax return, you could be paying Alternative Minimum Tax in addition to regular income tax. When your income is above \$72,450, you add back your personal exemptions and the State taxes paid (income, property and/or sales taxes).

There is no tax benefit to paying real estate taxes before they are due if you are paying alternative minimum tax. Pay real estate taxes when due, in the amount required.

Charitable contribution deductions are not affected by AMT. Charity is not considered a tax preference. Therefore, charitable contributions can be used to reduce up to 50% of the taxable income of those who have more than \$46,700 filing single, or \$72,450 married-jointly.

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