

Financial Phonics®

Standard Mileage Rates

Employee / Business

\$0.51 - JAN - JUN 2011

\$0.555 - JUL - DEC 2011

\$0.555 - 2012

Medical / Moving

\$0.19 - JAN - JUN 2011

\$0.235 - JUL - DEC 2011

\$0.23 - 2012

Charity/volunteer \$0.14

Education Credits

Rather than confuse you 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 education tax credits.**

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

- Year in school (Frosh, 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

Additional First Year Depreciation = 100%

For those of you with small businesses, the **additional first year 100% depreciation goes back to 50% for 2012, and expires completely on January 1, 2013.**

What this means is that you can deduct the full cost of buying **BRAND NEW** furniture, fixtures, computer software, and equipment put into business use during 2011.

This is different from the Section 179 expensing election that allows you to expense 100% also. For **Section 179, you can buy USED equipment**, but you are **limited to expensing the lesser of \$500,000 or your taxable income**. You are further limited in the Section 179 election if you spent more than \$2,000,000 in equipment purchases during the year. For Wisconsin purposes, you are limited to a \$25,000 Section 179 expensing election.

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.

New 1099-K Forms for 2011

If you received payments from a charge card company (VISA, American Express, Discover, MasterCard), Pay Pal, or any other payment processor, you will receive a 1099-K for 2011 **showing how much you received every month!** The IRS will expect you to report this on Schedules C, E, or F. If you've been receiving these payments, the IRS now knows about this income.



Changes to 1099-B Proceeds from Brokers

This is the first year that brokers are required to report the **COST** of your stocks or mutual funds when they report the **sales proceeds** on Form 1099-B to the IRS. However, the COST that is reported on 1099-B can be incomplete or incorrect. **It is up to you to have complete and correct records!**

There is a box on the Form 1099-B that the brokerage can check to say *"we know we don't have complete and correct information"*. If that box is checked, you will need to provide us with the correct and complete information for preparing your income tax returns.

Income tax preparation is getting more detailed and complicated to get at the "TAX GAP" which is what the IRS views as a lot of unreported income or overstated expenses.

The IRS is focusing enforcement efforts, including examinations, on these issues. **The new 1099-K and the expanded 1099-B forms are part of this enforcement effort.**

We are now starting to see more IRS inquiries on deductions taken by high net income or high net worth taxpayers.

Online Newsletter

PLEASE check out our Poppy CPA blog site on the WordPress servers for changes throughout the year:

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

Foreign Asset Disclosure

If you have a financial interest or authority over one or more bank, securities, brokerage, savings, demand, checking, time deposit, commodity futures, options account, insurance policy with a cash value, an annuity with a cash value, or shares in a mutual fund in a country outside of the United States that totals \$10,000 combined for all such accounts, at any time during the calendar year, then these accounts and their respective balances have always had to be reported on **Form TD F90-22.1 to the Department of the Treasury every year by June 30th**.

A new law, the Foreign Account Tax Compliance Act (**FATCA**) is going at the **"tax gap" assumed to be hiding in foreign countries**. As a result, the new Form 8938 - Statement of Specified Foreign Financial Assets is designed to report everything that is on the TD F90-22.1 plus ownership of real property that produces rental or business income. **Form 8938 also compares the foreign asset values with the income produced by those assets, and you must show where you've reported the income on your income tax return for the year.**

To force reporting of the Form 8938 for the first time with your 2011 personal income tax returns, the IRS may impose a \$10,000 penalty for a failure to file the form and can charge up to \$50,000 if you fail to file after being notified of the requirement. In addition, a 40% accuracy related penalty applies to any understatement of income tax liability that is attributable to a transaction involving an undisclosed foreign asset.

Making Work Pay "Credit" Expired

The \$400 making work pay (\$800 for married, filing jointly) credit that counted as a payment on your personal income tax returns, ended at December 31, 2010. The 2% Social Security tax decrease in 2011 helped to offset this expired credit in your net paychecks this year. However, **some of you may find yourselves short on income tax withholding and you may owe taxes on April 15th.**

Energy Credits

A **maximum \$500 Federal tax credit** (10% of up to \$5,000 of eligible costs) is available in 2011 if you've not previously taken this amount of credit since 2005. For specific details on eligible energy credit property improvements, go to http://energytaxincentives.org/consumers/insulation_etc.php

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