

Tax Law Changes

Retired Texas Alumni Association

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Presented by

Rick Griffith

IRS Sr. Tax Consultant



VITA

- **3 Million Returns**
- **80,000 Volunteers**
- **Low to middle income taxpayers**
- **Tax Aide – AARP elderly taxpayers**
- **Need qualified volunteers**
- **Flexible schedules welcomed**



Tax Law Changes

- Numerous tax changes from 2001, 2003, 2008, 2009, 2010 and everything in between.
- What's continued, changed, and expired for 2011
- Almost everything is now on the table for change



Tax Law Changes

- What has expired from 2010
- Credit for Homebuyers – new and existing
- Payroll tax credit – Make Work Credit is still on the 2010 return but replaced in 2011 by 2% credit for Social Security (OASDI) taxes in the form of reduced withholding.
- Indexed Tax Bracket still the same at 10%, 15%, 25%, 28%, 33%, 35%



Tax Law Changes

- **Standard Deductions remains same except for HH increases by \$50. Exemptions are same**
- **Credit for College Tuition extended. American Opportunity Tax Credit. Form 8863**
- **Tax free parking and transit up to \$230**
- **EITC increased 46% for 3 kids - \$49,000**
- **Donate \$100,000 to charity from IRA extended**
- **Higher income limits for IRAs and 401(k)**
IRAs-\$5,000, \$6,000 over 50 401(k) - \$16,500



Tax Law Changes

- Preferential Cap gains & qualified dividends remains the same – 0 or 15%
- Estate Tax – changed \$5,000,000 exemption then taxed at 35%, Gift tax exclusion \$13,000
- 30% credit for energy saving home improvements extended (up to \$1,500)
- Foreign earned income exclusion \$91,000



Tax Law Changes

- Exemption from AMT extended
- Educator expenses and Tuition & fees deduction extended
- Sales tax on new vehicles and deduction of property tax expired
- Mortgage insurance premiums deduction expired
- Most items extended are only for 2011 or 2012
- Delay affected 50 million taxpayers



Tax Law Changes

- Other changes
- 1099 reporting on all transactions >\$600 for business. Huge Burden.
- No over counter medicines allowed FSAs except insulin
- 10% tax on tanning salons (Snooki tax)



Social Security

- SSA amount from box 5 SSA-1099
- $\frac{1}{2}$ \$ _____ + rest of income

• Single	Married	MFS
Over	Over	
\$25,000 – 50% -	\$32,000	
\$34,000 – 85% -	\$44,000	\$0

Add result to the rest of your income and figure the tax accordingly



- 1099 SSA $\$12,000 \times \frac{1}{2} = \$6,000$
- Add to rest of income from pensions, wages, interest, dividends, etc. $\$30,000 = \$36,000$ – Single

 -34,000

$\$2,000 \times 85\%$

$\$30,000 + \$6,200 = \$36,200$ –deductions, exemptions =Taxable income X Tax

Note: Please use the Social Security worksheet in the 1040 instructions.

