

HILLBERG NEWSLETTER

INCOME TAX, ACCOUNTING, CONSULTING AND BUSINESS ADVISORY
SERVICES

February 2011

INCOME TAX

Tina Envia, CPA

TAX STUFF YOU SHOULD KNOW OR MIGHT BE INTERESTED IN

When Will The IRS be able to process my return?

Word is out, the IRS is revamping some tax forms and therefore delayed their ability to process 2010 returns. On December 23, 2010 the IRS warned that because of the late enactment of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, which extended various expired tax provisions, it would need time to reprogram its systems and update Schedule A, the itemized deductions form. As a result, taxpayers who itemize deductions on their returns and those who take certain extended deductions would not be able to file their returns at the start of tax season. On January 21, 2011 the IRS announced that it plans to be able to start processing tax returns delayed by the enactment of the 2010 Tax Relief Act on February 14, 2011. So still looking for that perfect Valentine's Day gift? How about a filed tax return!

Just because the IRS is a little late getting their forms in order doesn't mean Tax Professionals are not ready to process your returns. Our software vendors have already made the necessary accommodations and we are ready to file your returns. Any returns including Schedules affected by the enactment of the Tax Relief Act will simply be held until the IRS is ready to process them on Valentine's Day! So don't delay, make you tax appointment today.

Free App for iPhones and Android system phones – Where is my refund?

Got an iPhone and want to know where your refund is? The IRS introduced a new application IRS2Go app. "This new smartphone app reflects our commitment to modernizing the agency and engaging taxpayers" said Doug Shulmand, IRS commissioner. To check the status of their refund through the app, users enter their Social Security number, which is encrypted for security. They then select the filing status they used along with the amount they expect to receive in their refund. Additionally, users of the app can sign up to receive tax tips it promises will be in "plain

English,” about topics like child tax credits and education credits. If you are really interested in the goings on at the IRS, you can even sign up to follow the IRS Twitter feed! Enjoy.

California Electronic Fund Transfers (EFT) for Large Individual Tax Payments

Do you owe the Franchise Tax Board a lot for income taxes? If so you may be required to make your payment to the FTB via the agencies on-line payment method (Web Pay), Electronic Funds Withdrawal, Credit Card, or by phone on the Pay-By-Phone system. So how much is a lot? If any 2009 or later quarterly estimate payment exceeds \$20,000, any 2009 or later extension payment exceeds \$20,000 or if the total tax reported on a 2009 or later Form 540 exceeds \$80,000. Payments not made by EFT when required will be assessed a 1% penalty.

Don't Forget to repay your First-Time Homebuyer Credit

The IRS is notifying taxpayers who claimed the first-time homebuyer credit in prior years of the repayment requirements. If you purchased your home in 2008 and claimed the credit the IRS will send you Notice CPO3a Repaying your First-Time Homebuyer Credit. The notice lists the amount of the credit you received and the amount you have to repay as additional tax. If you have a credit that is due for repayment you will file Form 5405 First –Time Homebuyer Credit and Repayment of Credit with your 1040 for 2010. Full repayment triggers occur if the house is sold or destroyed or otherwise changes it's use characteristic.

Dollar Limits Under Employee Benefit Plans

Wondering how much you can set aside for the Golden Years?

	<u>2010</u>	<u>2011</u>
Defined Contribution (annual additions limit)	\$49,000	\$49,000
Defined Benefit (annual benefit limit at age 65)	195,000	195,000
Maximum Compensation	245,000	245,000
401(k), 403(b), and 457 Deferrals	16,500	16,500
Age 50 Catch-Up Contributions	5,500	5,500
457 Catch-Up Contributions	33,000	33,000

IRA News

The contribution for traditional IRA's is still \$5,000 for 2010 and the Catch-Up Contribution for age 50 and older is an additional \$1,000. For those new savers out there be aware of the IRA & Pension Tax Credit of up to 50% of your contribution depending on your income levels. For joint filers with adjusted gross income over \$55,500 the credit does phase out but this is a great incentive for saving for the younger folks out there just getting into the work force!

Got Some Assets To Give Away – New Limits Benefit Families

Congress has set some great new terms for the gift tax and families should be reviewing their estate plans to take advantage of this window of opportunity. For the next two years, the gift-tax exemption jumps to \$5 million from \$1 million for individuals and to \$10 million from \$2 million for couples, meaning people can give away that much without paying a penny in taxes. Congress also changed the rules on estate taxes last year, raising the exemption to \$5 million and lowering the tax rate to 35%, also for two years. Taken together, the new estate and gift tax rates are the most generous since 1931, according to tax historian Joseph Thorndike. If you haven't given your estate much thought now is definitely the time to formulate a plan.