

**It's TAX TIME AGAIN** and I wanted to highlight some of the recent changes from the newly passed and signed 2010 Tax Act (formally named the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010) that may affect your tax return.

- One of the most popular provisions is the payroll tax relief, which reduces the social security portion of payroll taxes for EVERY employee from 6.2% to 4.2%. This will give you an additional \$2.00 for every \$100 you earn, during 2011.
- The \$1,000 child tax credit has been extended for two year instead of reverting to \$500.
- Tax rates that have existed for the past 10 years (10% - 35%) will continue for two more years. Prior rates were between 15% - 39%.
- The child and dependent care credit continues to be based on a maximum of \$3,000 instead of reverting back to a maximum of \$2,400.
- Long term capital gains rates continue at a zero rate for married taxpayers with taxable income of less than \$68,000 (\$34,000 for singles). The maximum capital gain rate is capped at 15%. All stock sales are required to be reported on your tax return, so remember to calculate your basis for any stocks sold during 2010. Your basis includes the original purchase price plus any dividends that were reinvested to purchase additional shares.
- The American Opportunity Tax Credit offering up to \$2,500 in tax credits for qualifying college expenses has been extended for an additional two years.

**All tax returns will be electronically filed again this tax season.** Remember to bring your checking account information if you are interested in having your refund directly deposited into your checking account. Another option available for 2011 is the choice to receive your refund on a Debit Card. This no cost option allows taxpayers without a checking account to receive their refund faster than waiting for a paper check to arrive in the mail.

**ITEMIZED DEDUCTIONS** continue to be an area that I get a lot of questions about. Every taxpayer will be allowed to deduct from their taxable income, the larger of their itemized deductions or a standard deduction. The standard deductions for 2010 are:

Single	\$ 5,700
Married filing joint	11,400
Married filing separate	5,700
Head of household	8,400

Itemized deductions include:

**Medical expenses** must first be reduced by 7.5 percent of your adjusted gross income. (7.5 percent of \$50,000 is \$3,750). Medical expenses above this amount will be included in itemized deductions. Medical expenses include doctor bills, eye glasses, prescription medicines, hearing aids and batteries, nursing home expenses, and long term care insurance. Mileage driven for medical reasons is also deductible at the rate of .165 per mile. Remember to give us the number of miles driven for medical reasons during 2010.

**Deductible taxes** include real estate taxes, personal property taxes, and state income taxes paid during 2010. All of your state income taxes are deductible on your 2010 tax return, so if any of these taxes withheld are refunded, that amount will be added back to your 2011 tax return.

**Mortgage interest** on your primary residence and a second home are deductible. Mortgage insurance premiums paid are also deductible.

All **charitable** cash donations should be substantiated with either bank records or written acknowledgement from the charity. Charitable contributions of \$250 or more must have written substantiation from the organization. Remember to deduct contributions of noncash donations, such as to Goodwill. Noncash contributions greater than \$250 also require written acknowledge from the organization.

**Miscellaneous deductions** include employee business expenses, investment expenses, and job hunting expenses which must be reduced by 2 percent of a taxpayer's adjusted gross income.

I am working on updating my website, so please let me know if you have ideas about what would be beneficial to you or any information you would like to see on the website.

Our goal at Forest Accounting Services is to provide excellent service at a fair price. If for any reason, you are not happy with our services, please let me know. If you are happy, the best compliment you can give us is to tell your friends. The majority of our business has come from referrals and we do appreciate your referrals!

Sincerely,  
Denise Hayslett