

Business Growth and Solutions Group
2010 Tax Update
By Randy Brown

What's New for 2010

- Due Date of Return is April 18, 2011 due to Emancipation Day holiday in DC
- Limits on personal exemptions and overall itemized deductions ended
- Self Employed Health Insurance deduction for your child under 27 at the end of 2010 – Effective 3/20/10
- 2010 Standard Deduction and Exemption is the same as 2009. But can be increased for Sales Tax paid on the purchase of a new motor vehicle between 2/16/2009 and 1/1/2010 or for a Disaster Loss occurred before 2010
- Adoption Credit is now Refundable
- First Time Homebuyer Credit – Available if you had a binding contract to purchase before 5/1/2010 to buy before 7/1/10 but actually purchase by 9/30/10
- Repayment of First Time Homebuyer Credit – If you claimed it in 2008, you may have to repay some of it in 2010
- Standard Mileage Rate for 2010 - 50 cents per mile for Business, 16.5 cents for Medical or Moving and 14 cents for Charitable work
- Personal Casualty Loss Limit is the Excess of the loss over \$100 instead of \$500 in 2009
- Divorced parents who are revoking previously released exemption must provide copy of waiver with return
- Mailing your Return – Address changes for mailing your return
- Preparer E-File mandate – Some Paid preparers may be required to E-File your return. Get used to it.

Expired Benefits

- Educator Expense Deduction – *Extended to 2010*
- Tuition and Fees Deduction – *Extended to 2010*
- Increased Standard Deduction for Real Estate Tax and Disaster Loss occurred after 2009
- Itemized Deduction or Increased Standard Deduction for Sales Tax on the purchase of a new motor vehicle
- Deduction for State and Local Sales Tax – *Extended to 2010*
- \$2,400 Unemployment Compensation Exclusion
- Qualified Charitable Exclusion from IRA accounts - *Extended to 2010*

Money Saving Tips

- Reinvested Dividends – Reinvested Dividends reported as income on your return increases your “tax basis” for purpose of determining Net Capital Gains when you sell
- Out-of Pocket Charitable Deductions – School fund raisers, assisting a soup kitchen, driving your car. All require reasonable documentation
- Student Loan interest paid by Mom and Dad – Treated as paid by the Student. Student cannot be a dependent of the parents in order to qualify
- Job Hunting Costs – Must be in the same line of work and treated as an Itemized Deduction subject to a 2% limit. Costs include travel expenses away from home, Employment Agencies, Resumes, Business Cards, etc...
- Military Reservists Travel Expenses – Must travel over 100 miles away and stay overnight
- Deduct Health Insurance Premiums to Reduce Self Employment Tax – Factored in on Schedule E.
- Child Care Credit for payments in excess of a reimbursement account at work. \$5000/\$6000
- Refinancing Points – Deductible over the term of the loan
- Credit for Energy Saving Home Improvements - \$1500 Cap applies to both 2009 and 2010 combined. May qualify for a \$500 Credit in 2010 if none previously taken.
- Additional Bonus Depreciation – Write off 100% of the cost of qualified assets placed in service between 9/9/10 and 12/31/11. Includes computers, machinery, land improvements and farm buildings

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Reporting Tips

- Report all your income – Make sure you have all W-2's, 1099's, etc... before filing
- Verify your donations – Itemize and establish reasonable FMV – NOT COST. Deductions should be within National averages for your income
- Accurately deduct Mileage – Abused area, be able to document your business use. Keep a log and save your R&M bills that document your autos mileage (ie, Oil Changes)
- Capital Transactions – Keep track of your “tax basis”. The IRS gets reported the Proceeds from the Sale but you have to provide the tax basis
- Avoid minor mistakes – Use tax software and E-File
- IRS looks at returns 3 Years back unless they discover a consistent abuse then they can go back as far as necessary

Other

- Home Office Deduction
- Accounting and Record Keeping
- Quickbooks vs Excel
- Self Employment Tax
- Estimated Payments