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UNDERPUBLICIZED 2012 TAX CHANGES & REMINDERS

Little details worth paying attention to as April approaches.

Provided by Frank DeMaio*

Every year, the IRS institutes big and little changes - and some don't get as much notice as they should. This year is no exception. Here is a rundown of some of alterations and asterisks affecting taxpayers this year.

Don't forget Form 8949. If you are reporting capital gains or losses for 2011, you must file this new form along with your return. Speaking of new paperwork, if you own foreign financial assets whose total value exceeds the applicable reporting threshold, you will need the new Form 8938.¹

Be sure to report Roth rollovers. Back in 2010, did you convert or roll over a traditional IRA to a Roth IRA or other Roth account? If you didn't report the amount of the rollover on your 2010 federal return, you can report half the amount on your 2011 return and the remaining half in 2012.¹

A select few can still take the first-time homebuyer credit. By 2011, the credit had disappeared for just about everybody ... but select military personnel and intelligence agents are still able to claim the credit for 2011.¹

If you're deducting mileage, rates changed in the middle of 2011. The IRS is giving taxpayers a better break given the recent hikes in gas prices. So, if you're deducting mileage driven while operating an automobile for business, the rate for the first six months of 2011 is \$0.51 per mile, and the rate for the last six months of 2011 is \$0.555 per mile. The standard deduction rate for medical or moving mileage was also raised: \$0.19 a mile from January 1-June 30, \$0.235 a mile from July 1-December 31. The mileage deduction rate for providing services for charitable organizations got no boost - for all of 2011, it is \$0.14 per mile.²

Fewer cars qualified for the alternative motor vehicle credit last year. Only new fuel cell motor vehicles qualified for the tax break in 2011.¹

Three healthcare changes to note. If you qualify for the health coverage tax credit (HCTC), that credit might be larger for 2011 thanks to recent law changes. Did you receive the 65% tax credit in any of the last 10 months of 2011? If so, you get to claim

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an additional 7.5% retroactive credit on your 2011 federal return - the HCTC was bumped up to 72.5% from 65%.³

The range of qualified medical expenses was reduced for HSAs & MSAs last year. In 2011, only prescription drugs and insulin counted as qualified medical expenses for these accounts. Another asterisk worth noting: if you took a distribution from an HSA or MSA in 2011 that wasn't used for a qualified medical expense, the tax penalty for that increased to 20% last year.¹

Lastly, take the self-employed health insurance deduction on your Form 1040 for 2011. If you are looking at Schedule SE and wondering where it went, it has migrated over to line 29 of Form 1040.¹

The AMT exemption amount got another COLA. Thanks to this adjustment, you are subject to the AMT for tax year 2011 only if you earned more than \$48,450 as a single filer, \$37,225 if married filing separately, or \$74,450 if filing jointly.¹

Don't send your return to an obsolete filing address. Some of the filing locations for federal tax returns have recently changed. Visit www.irs.gov to see where you should send your return this year - it is probably the same address as always, but check and see as it may be different.¹

Finally, you get two extra days. Procrastinators, take heart: once again, the federal filing deadline this year falls on Tuesday, April 17. That's because April 15 is a Sunday and April 16 is a holiday within the District of Columbia (Emancipation Day).¹

The tax code is complex and constantly changing. Consult your tax professional to see if these or other tax changes affect you.

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Citations.

- 1 - www.advisorone.com/2012/03/05/irs-top-12-tax-law-changes-for-2012 [3/5/12]
- 2 - www.irs.gov/newsroom/article/0,,id=240903,00.html [6/23/11]
- 3 - www.irs.gov/individuals/article/0,,id=109960,00.html [2/24/12]