



OnTime Accounting & Tax Services

"We Aim to File Your Returns In Time...On Time...Every Time!"

Give Us a Call Today at 303•922•5522

Happy New Year January 2011

We hope you had a nice Holiday Season and were able to spend quality time with family and friends. Based on the retail sales statistics, it appears that the nation is out of economic funk and people were in the mood to spend! I hope that means that you had a good year in 2010.

The "lame duck" Congress was unusually active and enacted a number of legislations last month. The most significant was the extension the Bush-era tax cuts for another two years. This activity had little impact on the 2010 taxes; however, the picture for 2011 has changed dramatically as compared with the just a few weeks ago. Below are the highlights of the changes that would affect the most of us.

TAX LAW CHANGES

- ❖ Standard deduction and personal exemptions for 2010 remains the same as for 2009. The standard deduction for single/married for 2010 is \$5,700/\$11,400, and the personal exemption is \$3,650. Only the heads of household will see an increase of \$50 in the standard deduction. Additional standard deduction of up to \$1,000 for real estate taxes has been eliminated.
- ❖ The child tax credit, once again, remains at \$1,000 per qualifying child.
- ❖ The standard mileage rate for business travel was 50¢/mile in 2010. The rate for 2011 has been increased slightly to 51¢/mile. Mileage rate for medical travel was 16.5¢/mile in 2010. Rate for charity work was 14¢/mile in 2010.
- ❖ Maximum IRA contribution amount remained at \$5,000 for 2010. The "catch-up" provision for age 50 and older taxpayers remained at \$1,000. These amounts remain unchanged for 2011 as well.
- ❖ Energy credits remained in place for 2010. You may qualify for a tax credit of up to 30% of the costs paid or incurred in 2010 for any qualified energy efficiency improvements and any residential energy property. One caveat: be sure to get a certificate from the vendor showing that the installed property qualifies for the credit. Mostly, the credit amount is capped at \$1,500 for combined credits in 2009 and 2010.

- ❖ The First-Time Homebuyer Credit was extended through September 2010. Qualifying homebuyers can claim a maximum of \$8,000 credit in their 2010 tax returns.
- ❖ Three tax breaks that were to expire in 2010 were re-instated in the recently passed tax law. They are: deduction of state and local sales taxes, deduction of tuition and fees expenses, and the educator expense deduction. If you were to claim any of the above deductions, your returns filing will be delayed. IRS has indicated that it will not be able to process returns claiming any of the above three deductions until late February 2011.
- ❖ Estate tax that was eliminated in 2010 has been re-instated in 2011. Estates of \$5 million or less will be exempt from federal tax in 2011 and 2012. The top federal rate for 2011 is 35%.
- ❖ For 2011 only, the employee share of FICA tax has been reduced from 6.2% to 4.2%. This will result in a lower amount of social security tax withholding in your paycheck. On the other hand, you might notice an increase in your federal income tax withholding due to the expiration of the Making Work Pay credit.

These are but some of the highlights of the tax law changes for the filing year 2009. As always, you are welcome to call us with questions about these or other tax issues.

Soon, it will be the time to set up your appointment. Please call us at 303•922•5522. Or if you prefer, send us an e-mail to info@eminance.com. Emily, Lynn, or Kirit will be glad to help you reserve your favored slot on our calendar. Please remember to bring the social security cards for the entire family with you. We will not be able to claim an exemption if a valid social security number is not available. Also, please ensure that you have either bank records or receipts for any charitable contributions you would like to claim on your returns. We look forward to seeing you soon.

Kirit Merchant Emily Espinoza Lynn Kasten

Important Phone Numbers:

IRS	1•800•829•1040
State of Colorado	303•238•3278/7378