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Licensed to represent taxpayers before the IRS.

TAX TIME IS UPON US

This has been a year of change and uncertainty. One thing is certain—tax time is upon us. For most taxpayers, the 2011 tax filing season starts on schedule. However, tax law changes enacted by Congress and signed by the President in December mean some people need to wait until mid-to late February to file their tax returns in order to give the IRS time to reprogram its processing systems.

Those who need to wait to file include: taxpayers claiming itemized deductions on Schedule A., higher education tuition and fees, and the educator expense deduction.

2010 TAX SAVERS

- **College Education.** There are different tax benefits for various situations. I'll see to it you get the most benefit allowed if you can provide complete information. Please give details on the school, the student, level of study and costs for the courses. I'll need to know how costs were paid and whether there was any form of grant or aid. Also, look for costs of books, course materials and supplies. If use of a computer is required, look for online fees and special software. For job related education I will need to know about driving to classes.
- **Have Employees?** 2010 has three complex benefits for small employers. They cover new hires, retained employees, and any employer who pays for at least half of health insur-

ance. I will need to have complete information and history for all employees and any health plan you may have. Figures for total payroll won't be enough.

- **New Home?** If you purchased a new home in 2010, there might be a special tax credit for you. Please call me to discuss this further and if it sounds like the credit may apply to your situation I give you a list of details you will need to gather. This is a big credit that might put \$8000 in your pocket.
- **Home Energy Credits** There are two types of credits here. **Energy Conservation.** 2010 is the last year for this credit. Replace insulation, doors, windows, skylights, certain furnaces, air conditioners and water heaters can help. This credit applies to your main home. The first \$5000 you spend in 2009 and 2010 combined reduces your tax by 30% of what you spent. Anything over \$5000 is ignored. The IRS says you can rely on the manufacturer's statement that a given device qualifies for the tax credit. I recommend you keep the brochure or print out the information from their website. **Generate Energy.** Larger credits apply if you install solar heating or generating equipment. 30% of your cost as a tax reduction and there is no limit on costs. This credit will apply for any property that you use personally, including a vacation home. This will be available through 2016.
- **Mileage Deductions** are worth .50¢

for each business mile. Keep a good log of your business mileage.

- **Separated Parents.** If you claim a child who lives with your ex-spouse, you need a signed waiver from the ex-spouse. Call me for a copy of the waiver.
- **Businesses** If you put new equipment in service prior to Dec 31. Liberal rules on depreciation were extended.

ISSUING FORM 1099

There are two cases in which you will need to issue a 1099. **Business/Rental** If you paid \$600 or more to anyone you may need to issue a 1099. This applies to business expenses only. You do not need to send a 1099 to a corporation or for personal expenses. Some bills show both labor and materials. If *any* part of the payment is for service, report the *total* amount on Form 1099-MISC. It is a good idea to have the person fill out a W-9 at the time that you hire them. This will avoid having to track them down for their information later.

Nominees. If you receive a payment in your name but part or all of the income really belongs to someone else, you are a nominee. You will need to issue a 1099 for the amount of money given to the other person.

You must issue the 1099 to the other party by January 31 and the copies due to the IRS must be received by Feb 28. There are penalties for not sending them.

LOOKING FOR WORK

With unemployment at such high levels, many of you may be looking for work. There might be valuable deductions from a job search. It's not always true, for there are a couple of steps involved:

1. **Itemize.** You need to be able to itemize your deductions. If you don't have enough other deductions your job search won't help.
2. **Same "Trade or Business"** You must be seeking employment within a field where you have a job history. A career change or finding a new line of work will not count.

Keep a log of phone numbers, dates and potential employers. Keep a complete written record of the process paying attention to any costs and the approximate time spent on your pursuit.

Direct Costs Watch for fees to an employment agency, cost of resumes, copying, postage, telephone, travel or driving mileage for interviews.

Got the Job? If your efforts were successful, look for costs of starting work. Special Tools, setting up the desk or workspace. Keep good records!!

Moving? Perhaps you even had to relocate for your new position. If so, expenses for moving over 50 miles can be deducted. Any costs to relocate your family, pets, vehicles, and possessions count. Movers, Packing, shipping, truck rental, storage and any other direct costs of the move must be tracked. If the employer reimbursed your moving expenses you can only claim the excess expenses.

TIME TO GET READY

Preparing your tax information is quick and easy if you spend a few minutes weekly. Start collecting the records and keep them in a special place. Most tax records show up in your January mail. The IRS gets a copy too, so don't miss any of these: W2, 1099s, 1098s, and other income such as unemployment and social security benefits, prizes and gambling winnings.

Look back at a calendar or your check register, it might help jog your memory. I'd prefer you have receipts for all expenses, but if you recall paying a deductible expense, claim it. Contributions are different— you *must* have receipts, or your deduction is denied.

Don't wait until the day before you give me your deductions. Make a list of items you're missing. Write down any questions you might have for me. Take a few minutes to review your information. Your subconscious mind will dig up things you forgot. Please call early if you have an unusual or difficult transaction. We may need to schedule a special meeting and I may need more time.

CHECKLIST OF ITEMIZED DEDUCTIONS

Use the partial list of deductions below as a checklist to help determine whether you would benefit from itemizing.

- Medical expenses (see the medical checklist on the following pages)
- State income taxes
- Real estate taxes
- Personal property taxes
- Home mortgage interest
- Points paid on purchase of residence
- Points paid on refinancing
- Investment interest
- Charitable contributions
- Casualty losses
- Theft losses
- Tax return preparation fees
- Safe deposit box used to store investments
- Work clothes not suitable for normal wear
- Expense relating to tax planning
- Expenses relating to investments
- Professional Dues & Union Dues
- Certain unreimbursed employee expenses
- Subscriptions to professional magazines
- Continuing professional education
- Occupational licensing fees
- Travel relating to managing investments
- IRA administration fees
- Job hunting costs
- Medical exams required by employer
- Gambling losses to the extent of winnings
- Estate taxes Fees to collect interest or dividends
- Legal fees for collecting taxable income or keeping a job
- Trust administration fees
- Impairment-related work expenses
- Cosmetic Surgery for deformity relating to a congenital abnormality, accident or disease

Qualified Medical Expense Checklist

- Abortion
- Acupuncture
- Alcoholism- Inpatient treatment at a therapeutic center for alcohol addiction (includes meals and lodging provided by the center)
- Ambulance
- Artificial Limbs and Artificial Teeth
- Birth Control Pills
- Braille Books and Magazines to the extent the cost exceeds a regular printed edition
- Breast reconstruction after a mastectomy (Rev. Rul. 2003-57)
- Car- special hand controls, etc. for disabled individuals
- Chiropractor
- Christian Science Practitioner
- Contact Lens- Including equipment and materials such as saline and enzyme cleaner
- Crutches (Rev. Rul. 2003-58)
- Dentists & Dental Treatment
- Drug addiction- inpatient treatment at a therapeutic center (includes meals and lodging)
- Drugs-Prescription
- Elastic hosiery
- Equipment, supplies and diagnostic devices even if not prescribed (Rev. Rul. 2003-58)
- Eyeglasses- includes examination fees
- Fertility enhancement - in vitro and surgery (PLR 200318017)
- Guide dog or other animal- includes care expenses of the animal
- Health club—if treatment is prescribed and the physician issued a statement that the treatment is necessary to alleviate a physical or mental defect or illness of the individual receiving the treatment.
- Hearing aids (including batteries)
- Home care
- Hospital services
- Insurance premiums- hospitalization, surgical fees, x-rays, etc. including prescription drugs, replacement of lost or damaged contact lenses membership in “free choice” medical services, Medicare or qualified long-term care.
- Laboratory fees
- Laser eye surgery
- Lead-Based Paint Removal—to prevent a child who has or who has had lead poisoning from eating the paint
- Learning Disability—tuition fees for a special school for a child with sever learning disabilities caused by mental or physical impairments, including nervous systems disorders. Doctors must recommend child attend.
- Legal Fees- necessary to authorize treatment for mental illness.
- Lodging while away from home - \$50 per night for each person. Includes a person accompanying an ill person- both parties will be allowed to deduct up to \$50 per night. Lodging not provided in a hospital or similar institution must meet all of the following:

- Lodging is primarily and essentially for medical care and not lavish or extravagant;
- Medical Care is provided by a doctor in a licensed hospital or equivalent; and
- No significant element of personal pleasure, recreation or vacation in the travel.
- Meals—only for inpatient care
- Medical Conferences – admission to or transportation to a medical conference if it concerns the chronic illness of you, spouse, or dependent. Must spend a majority of your time at the conference attending sessions. Does not include meals or lodging.
- Medicines – prescribed medicines and drugs (requires a prescription) and insulin
- Medical Services—for legal medical services provided by physicians, surgeons, specialists, or other medical practitioners
- Mentally Retarded—the cost of keeping a mentally retarded person in a special home, not the home of a relative, on the recommendation of a psychiatrist to help the person adjust
- Nursing Home—cost of medical care in a nursing home, including the cost of meals and lodging in the home if the main reason for being there is to get medical care. If the reason for being there is personal, deduct only the portion for nursing and medical care
- Nursing Services need not be performed by a nurse as long as the services are of a kind generally performed by a nurse (giving medications, changing dressings, bathing, etc.)
- Operations—legal operation that are necessary (not cosmetic surgery)
- Optometrist
- Oxygen—for oxygen and oxygen equipment to relieve breathing problems caused by a medical condition
- Psychiatric Care—includes the cost of supporting a mentally ill dependent at a specially equipped medical center; does not include psychoanalysis you must get as part of your training to be a psychoanalyst
- Schools and Education, Special—payments to a special impaired or physically disable person I f the main reason for using the school is its resources for relieving the disability. Includes the cost of teaching Braille to the visually impaired, teaching lip reading to the hearing impaired and giving remedial language training to correct a condition caused by a birth defect. You cannot include the cost of sending a problem child to a special school for benefits the child may get from the course study and the disciplinary methods.
- Sterilization—costs of a legal sterilization
- Stop-smoking Program—You cannot include drugs that do not require a prescription such as nicotine patch or gum (Rev. Rul. 99-28)
- Telephone—the cost and repair of special telephone equipment that lets a hearing-impaired person communicate over a regular telephone.
- Television—the cost of equipment that displays the audio part of a television program for the hearing-impaired.
- Therapy
- Transplants—surgical, laboratory, and transportation expenses for a donor or possible donor of an organ
- Transportation Costs—primarily for and essential to medical care, includes bus, taxi, train, plane, ambulance, parking fees, tolls, and automobile expenses at the greater of out-of-pocket expenses for gas and oil or mileage rate for the current tax year.
- Trips—transportation to another city if the trip is primarily for and essential to receiving medical services. Does not include vacations even if recommended by a doctor.
- Weight-Loss Programs—undertaken at a physician’s direction to treat an existing disease (such as heart disease or obesity). Not deductible if it is to improve your general health and well-being (Rev. Rul. 2002-19 and rev. Rul. 79-151)
- Wheelchair—used mainly for the relief of sickness or disability and not just to provide transportation to and from work.
- X-Rays