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DWORKEN, HILLMAN, LAMORTE & STERCZALA, P.C.

Being GREEN = Emailing future issues!
Please send your current email address to Lynn at lynnb@dhl.com
(Addresses of colleagues & friends are also welcome.)



The principals and staff at DHL&S extend our wishes for a happy and prosperous new year to all our clients and friends. We reaffirm our commitment to provide our clients with the highest level of professional accounting, tax and business services available and to our core business philosophy of direct hands on client service by the principals of DHL&S.

In this issue of our Newsletter we will focus on the upcoming tax filing season with tips and thoughts about how to make this arduous task less stressful and more productive, touch on what's new for 2012 filing season and offer our prognostications about what to expect on the federal tax legislative front.

Eric N. Hendlin, Managing Principal



Helpful Hints for Preparation of your Return

by Bob Fulton, CPA, MST

As in past years, each of our individual clients will receive a personalized tax organizer. This handy booklet provides details of your 2010 tax information and an organized means for you to gather and assemble your 2011 information.

The organizers provide us with a valuable tool for streamlining the return preparation process, minimizing cost and allowing more time to review your information for potential tax savings and planning opportunities. Please fill it out as completely as possible.

We will mail the organizers by the end of January, 2012, so be on the lookout for your copy.

In recent years brokerage firms have been issuing year-end tax reporting statements later and later. This has made what was already a compressed "busy season" even more difficult and we expect this trend to continue. Please provide your information to us as soon as possible. There is no need to wait until you've received the year-end tax report from your broker. Also see our schedule D comment.

The sooner we can begin the preparation of your return, the better. Just note for us what's missing and you can send it along later. And, as always, we're here to answer your questions and assist in any way we can.

Now, let's take a look at the 2011 Form 1040 and review what's changed and what's new...

First of all, this year's filing deadline is Apr. 17, 2012 because Apr. 15 is a Sunday and Apr. 16 is a holiday in the District of Columbia. The Apr. 17 due date applies even for taxpayers who do not live in the District of Columbia, and also applies to Connecticut filers.

FORM 1040 PAGE 1

Line 15: IRA distributions and **Line 16:** Pensions and annuities. A taxpayer who converted an IRA to a Roth IRA in 2010 and chose to report the taxable amount on his 2011 and 2012 returns must report the amount that is taxable on his 2011 return on line 15b (for conversions from IRAs) or 16b (for rollovers from qualified retirement plans).

Line 32. IRA deduction. A taxpayer may be able to take an IRA deduction if he was covered by a retirement plan and his 2011 modified adjusted gross income (AGI) is less than \$66,000 (\$110,000 if married filing jointly or qualifying widow(er)). If the taxpayer's spouse was covered by a retirement plan, but the taxpayer was not, he may be able to take an IRA deduction if his 2011 modified AGI is less than \$179,000.

Tax and Credits

Line 40. Itemized deductions or standard deduction. For 2011, the standard deduction is \$5,800 for single filers and for married persons filing separately, \$11,600 for joint filers and qualifying widow(er)s, and \$8,500 for heads of household.

Line 42. Exemptions. The amount for each exemption for 2011 is \$3,700.

Line 45. Alternative minimum tax. The AMT exemption amount for 2011 is \$48,450 (\$74,450 if married filing jointly or a qualifying widow(er); \$37,225 if married filing separately).

Line 52. Residential energy credits. The nonbusiness energy property credit is available for property placed in service in 2011, but with new limitations. The credit now has a lifetime limit of \$500, of which only \$200 may be used for windows.

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Helpful Hints...

Line 56. Self-employment tax. Maximum amount of self-employment income subject to FICA tax is \$106,800; no ceiling on Medicare wage base.

The self-employment tax rate is reduced from 15.3% to 13.3%.

Health insurance costs for a taxpayer and his family are no longer deductible in computing self-employment tax.

Line 60. Other taxes. The additional tax on distributions from HSAs and Archer MSAs not used for qualified medical expenses has increased to 20% for distributions after 2010.

Making work pay credit. The making work pay credit has expired. A taxpayer cannot claim it on his 2011 return.

Line 67. First-time homebuyer credit. To claim the first-time homebuyer credit for 2011, the taxpayer (or his or her spouse if married) must have been a member of the uniformed services or Foreign Service or an employee of the intelligence community on qualified official extended duty outside the U.S. for at least 90 days during the period beginning after Dec. 31, 2008, and ending before May 1, 2010.

Schedule A, Itemized Deductions

Line 1. Medical and dental expenses. The 2011 standard mileage rate for medically-related use of an auto is 19¢ per mile for miles driven before July 1 and 23.5¢ for miles driven after June 30.

Line 21. Unreimbursed employee expenses. The 2011 standard mileage rate is 51¢ per mile for miles driven before July 1 and 55.5¢ for miles driven after June 30.

Depreciation and Amortization-Form 4562

Part I. Election to expense certain tangible property under Sec. 179. For 2011, the maximum amount that may be expensed under Code Sec. 179 is \$500,000, with the investment-based phaseout beginning at \$2,000,000.

Part II. Special depreciation allowance. Businesses that acquire and place qualified property into service during 2011 can claim a depreciation allowance equal to 100% of the cost of the property.

Part V. Listed property. First-year luxury auto limits for vehicles first placed in service in 2011 are \$11,060 for autos and \$11,260 for light trucks or vans.

Schedule D, Capital Gains and Losses

New Form 8949, Sales and Other Dispositions of Capital Assets, replaces Schedule D-1.

Basis on Form 1099-B. A taxpayer who sold a covered security in 2011 should be sent a Form 1099-B, Proceeds from Broker and Barter Exchange Transactions, from his broker that shows his basis. This should help in completing Form 8949. ■

Major New Foreign Asset Reporting Requirement for 2011

For 2011 tax returns, U.S. taxpayers who have an interest in certain "specified foreign financial assets" with a total value more than \$50,000 on the last day of the year or more than \$75,000 at any time during the year (\$100,000 and \$150,000, respectively, for married individuals filing a joint annual return) must report those assets to IRS on newly released Form 8938, (Statement of Specified Foreign Financial Assets). Other thresholds apply to certain other individuals covered by these new rules.

The new reporting requirements generally apply to U.S. citizens, U.S. resident aliens, or nonresident aliens who have elected to be taxed as U.S. residents.

In addition, to the extent provided by IRS in future regulations, the reporting requirement may also apply to any domestic entity formed or availed of for purposes of directly or indirectly holding such assets.

"Specified foreign financial assets" are: (1) depository or custodial accounts at foreign financial institutions, and (2) to the extent not held in an account at a financial institution, (a) stocks or securities issued by foreign persons, (b) any other financial instrument or contract held for investment that is issued by or has a counterparty that is not a U.S. person, and (c) any interest in a foreign entity.

Do not confuse this new foreign asset reporting requirement with the long standing requirement to disclose and report interest you may have in a foreign financial account. If required, you may have to file new Form 8938 and existing Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts (the so called FBAR report).

Penalties of \$10,000 or more may be imposed for failure to file either of these reports, so please contact us if you have any questions.

For the finest in tax advice and preparation services regarding the issues raised in this Newsletter or any other issue or need, contact the tax experts at DHL&S. We can help. ■

DHL&S Family News & Events

■ **Congratulations** to Gabriel Rosado, Mark Pires, and Nicholas Valli, who have successfully completed all four sections of the CPA Exam.

For more information on how we at DHL&S can help with these and other tax planning and financial opportunities, please contact your tax specialist at 203-929-3535, or visit our website at www.dhls.com.