

Sample article for organizations to use to reach customers

Customize and post the following article on your websites and/or use in other communication vehicles letting your customers know about tax credits being extended through the end of the year.

2010 legislation extends individual tax credits through Dec. 31, 2012

In 2010, Congress extended a number of expiring tax credits through Dec. 31, 2012. These credits are particularly valuable for lower- and middle-income families. They may help you prepare to go back to school, pay for your child's college tuition or daycare expenses or offset the costs related to adopting a child.

The following are some of the highlights for individual taxpayers under the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (the Act), which was signed into law on Dec. 17, 2010.

Individuals: Tax Rates

- **Tax Rates** —The Act extended to Dec. 31, 2012 the 2001 tax cuts previously set to expire on Dec. 31, 2010.
- **Marriage Penalty Relief** — For 2011, the basic standard deduction for a married couple filing jointly is \$11,600.

Individuals: Tax Credits

- **Child and Dependent Care Credit** — If, in order to work or look for work, you pay someone to take care of your dependent who is under the age of 13 at the end of the tax year or is incapable of self-care, you may qualify for a credit of up to \$1,050 (up to 35 percent of \$3,000 of eligible expenses) for one qualifying individual or \$2,100 (up to 35 percent of \$6,000 of eligible expenses) for two or more qualifying individuals. The credit percentage is reduced for higher income earners. The credit percentage is not reduced below 20 percent, regardless of the amount of adjusted gross income.
- **Child Tax Credit** — This \$1,000 credit is extended through 2012. A portion of the credit may be refundable, which means that you can claim the amount you are owed, even if you have no tax liability for the year. The credit is phased out for those with higher incomes.
- **Adoption Credit** — A refundable credit of up to \$13,360 for 2011 is available for qualified adoption expenses for each eligible child. The refundable credit is available for 2010 and 2011.

Individuals: Educational Expenses

- **American Opportunity Tax Credit** — The expansion of the Hope Scholarship Credit by the American Opportunity Tax Credit has been extended through 2012. For 2011, the maximum Hope Scholarship Credit that can be used to offset certain higher education expenses is \$2,500, although it is phased out beginning at \$160,000 adjusted gross income for joint filers and \$80,000 for other filers.

- **Coverdell Education Savings Account** — For two more years, you can contribute up to \$2,000 a year to Coverdell savings accounts. These accounts can be used to offset the cost of elementary and secondary education, as well as post-secondary education.
- **Employer Provided Educational Assistance** — Through 2012, you, as an employee, can exclude up to \$5,250 of qualifying post-secondary and graduate education expenses that are reimbursed by your employer.
- **Lifetime Learning Credit** — A credit of up to \$2,000 is available for an unlimited number of years for certain costs of post-secondary or graduate courses or courses to acquire or improve your job skills. For 2011, the credit is fully phased out at \$122,000 adjusted gross income for joint filers and \$61,000 for others.
- **Student Loan Interest** — For 2011 and 2012, the \$2,500 maximum student loan interest deduction for interest paid on student loans is not limited to interest paid during the first 60 months of repayment. The deduction begins to phase out for higher-income taxpayers.
- **Tuition and related expenses deduction** — For 2010 and 2011, there is an above-the-line deduction of up to \$4,000 for qualified tuition expenses. This means that qualified tuition payments can directly reduce the amount of taxable income, and you don't have to itemize to claim this deduction. However, this option can't be used with other education tax breaks, such as the American Opportunity Tax Credit, and the amount available is phased out for higher-income taxpayers.

Now might be a good time for all of us to do some tax planning for the next two years. Don't wait until the last minute to make sure that you take advantage of every provision that applies to you. Check out www.IRS.gov for more information.