INTERNAL REVENUE SERVICE

IRS Fact Sheet

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2011 Changes Offer Tax Benefits to Almost Everyone; Special Tax Payment and Reporting Requirements Apply to Many

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Two Extra Days to File and Pay

Taxpayers across the nation will have until Tuesday, April 17, 2012, to file their 2011 income tax returns and pay any taxes due. Taxpayers have extra time because April 15 falls on Sunday, and Emancipation Day, a holiday in the District of Columbia, is observed the following day on Monday, April 16. By law, filing deadlines that fall on D.C. holidays are extended to the next day that is not a Saturday, Sunday, or holiday.

The April 17 deadline applies to any return or payment normally due on April 15. It also applies to the deadline for requesting a tax-filing extension and for making 2011 IRA contributions.

Tax Benefits Extended

Legislation, enacted in December 2010, extended several popular tax benefits, including the American opportunity credit for parents and students, the enhanced child tax credit and the expanded Earned Income Tax Credit. Details on these and many other deductions and credits are in Publication 17.

Limited Nonbusiness Energy Property Credit Available in 2011

This credit generally equals 10 percent (down from 30 percent the past two years) of what a homeowner spends on eligible energy-saving improvements, up to a maximum tax credit of $500 (down from the $1,500 combined limit that applied for 2009 and 2010). In addition, the energy standards are increased for most property; windows, exterior doors and skylights, for example, must meet Energy Star Program requirements.

Because of the way the credit is figured, in many cases, it may only be helpful to people who make energy-saving home improvements for the first time in 2011. That's because homeowners must first subtract any nonbusiness energy property credits claimed on their 2006, 2007, 2009 or 2010 returns before claiming this credit for 2011.

The cost of certain high-efficiency heating and air conditioning systems, water heaters and stoves that burn biomass all qualify, along with labor costs for installing these items. In addition, the cost of energy-efficient windows and skylights, energy-efficient doors, qualifying insulation and certain roofs also qualify for the credit, though the cost of installing these items do not. See Form 5695 and its instructions for details.

Repayment of First-Time Homebuyer Credit

Taxpayers who claimed the first-time homebuyer credit for a home bought in 2008 must generally make the second of 15 annual repayment installments on their 2011 return. Report this repayment on Form 1040 Line 59b.

Separately, a repayment requirement also applies where a taxpayer purchased a home and claimed the credit on a prior year return and then sold it or stopped using it as a main home in 2011. Use Form 5405 to report the repayment.

Though the credit has expired for most homebuyers, certain members of the armed forces and some other taxpayers who bought a home early in 2011 may still qualify for the credit on their 2011 return. See Form 5405 and its instructions for details.

New Way to Report Capital Gains and Losses

In most cases, taxpayers now use new Form 8949 to report capital gain and loss transactions. Schedule D the form traditionally used to show these individual transactions, is now used as a summary sheet, reporting amounts for total sales price, basis and other adjustments for all individual transactions, and for figuring the tax. For securities both bought and sold in 2011, the Form 1099-B, issued by the broker, normally shows the taxpayer's basis. The information on this form will help taxpayers correctly fill out Form 8949. See the instructions for Schedule D for details.

Reporting Roth Conversions

As in 2010, income limits no longer apply to rollovers or conversions to Roth IRAs from other retirement plans. However, unlike 2010 conversions, all of the income resulting from a 2011 conversion must be included on the taxpayer's 2011 return. See Form 8606 and its instructions for details.

For 2010 conversions, only half of the resulting income must be included in income in tax-year 2011 and the other half is reported in 2012, unless the taxpayer chose to include all of it in income for 2010. For those who did not make this choice, report the taxable amount on either Line 15b or Line 16b of Form 1040 for 2011. See the instructions to Form 1040 for details.

Standard Mileage Rates Up in 2011

The standard mileage rate for business use of a car, van, pick-up or panel truck is 51 cents a mile for miles driven during the first six months of 2011 (January through June) and 55.5 cents a mile for the rest of the year, up from 50 cents for 2010.

The rate for the cost of operating a vehicle for medical reasons or as part of a deductible move is 19 cents a mile from January through June and 23.5 cents a mile after that, up from 16.5 cents per mile in 2010.

The rate for using a car to provide services to charitable organizations is set by law and remains at 14 cents a mile.

AMT Exemption Increased

For tax-year 2011, the alternative minimum tax exemption increases to the following levels:

- $74,450 for a married couple filing a joint return and qualifying widows and widowers, up from $72,450 in 2010.
- $37,225 for a married person filing separately, up from $36,225.
- $48,450 for singles and heads of household, up from $47,450.

Health Insurance Deduction for Self-Employed People

In 2011, eligible self-employed individuals and S corporation shareholders can use the self-employed health insurance deduction to reduce their income tax liability. Eligible taxpayers still claim this deduction on Form 1040 Line 29. Premiums paid for health insurance covering the taxpayer, spouse and dependents generally qualify for this deduction. In addition, premiums paid to cover an adult child under age 27 at the end of the year, also qualify, even if the child is not the taxpayer's dependent. However, the deduction from self-employment income for determining self-employment tax, which was available only in tax-year 2010, no longer applies.

As before, the insurance plan must be set up under the taxpayer's business, and the taxpayer cannot be eligible to participate in an employer-sponsored health plan. For details see Publication 17 and the instructions to Form 1040 (including a worksheet).

Change for HSAs and MSAs

Starting in 2011, the additional tax on distributions from a health savings account (HSA), not used for qualified medical expenses, increases from 10 percent to 20 percent. Report on Form 8889 . Similarly, the additional tax on distributions from an Archer medical savings account (MSA), not used for qualified medical expenses, rises from 15 percent to 20 percent. Report on Form 8853

New Form for Reporting Foreign Financial Assets

Taxpayers must report specified foreign financial assets on new Form 8938, if the aggregate value of those assets exceeds certain thresholds. This new requirement is designed to improve tax compliance by taxpayers with offshore financial assets. Form 8938 is separate from and does not replace the existing requirement that U.S. persons with financial accounts located in a foreign country report those accounts to the Treasury Department using Form TD F 90-22.1. Unlike Form TD F 90-22.1, Form 8938 is attached to a taxpayer's income tax return. Individuals who do not have an income tax return filing requirement need not file Form 8938.

The Form 8938 filing requirement applies to U.S. citizens and resident aliens, nonresident aliens who elect to file a joint income tax return and certain nonresidents who live in a U.S. territory. Form 8938 is required when the total value of specified foreign assets exceeds certain thresholds. For example, a married couple living in the U.S. and filing a joint tax return would only file Form 8938 if their total specified foreign assets exceed $100,000 on the last day of the tax year or more than $150,000 at any time during the tax year.

The thresholds for taxpayers who live abroad are higher. For example, a married couple living abroad and filing a joint return would file Form 8938 if the value of specified foreign assets exceeds $400,000 on the last day of the tax year or more than $600,000 at any time during the year.

The instructions to Form 8938 explain the thresholds for reporting, what constitutes a specified foreign financial asset, how to determine the total value of relevant assets, what assets are exempted, and what information must be provided.

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