

## Tax Preparers' Due Diligence Requirements for EITC

Paid preparers who file EITC returns or claims for refunds for clients must meet four due diligence requirements. Those who fail to do so can be assessed a \$500 penalty for each failure.

- 1) Complete and file with taxpayer's return Form 8867, Paid Preparer's Earned Income Credit Checklist.
- 2) Fill out the appropriate EIC worksheet found in the Form 1040, 1040A, or 1040EZ instructions or in Publication 596, or your own equivalent form.
- 3) You must have no knowledge that any of the information used to determine the taxpayer's eligibility for the credit and the credit amount is incorrect.
- 4) Retain Form 8867 and the EIC worksheets (or your own equivalents of each), and a record of how, when, and from whom the information used to prepare the form and worksheet(s) was obtained. You must keep these documents for three years from June 30 following the date the return or claim for refund was presented to the taxpayer for signature. (In Drake Software, Form 8867 includes a place for the taxpayer, spouse, and preparer to optionally sign and date, which helps meet this requirement.)

## 2011 Medical Savings Accounts (MSA)

### 2011 Premium for High Deductible

|                 |                   |
|-----------------|-------------------|
| Self Coverage   | \$2,050 - \$3,050 |
| Family Coverage | \$4,100 - \$6,150 |

### Maximum Out of Pocket

|                 |         |
|-----------------|---------|
| Self Coverage   | \$4,100 |
| Family Coverage | \$7,500 |

## Health Savings Account (HSA)

### 2011 Maximum Annual Contribution Limits

|                    |         |
|--------------------|---------|
| Self-Only Coverage | \$3,050 |
| Family Coverage    | \$6,150 |

### 2011 Minimum Deductible

|                 |         |
|-----------------|---------|
| Self Coverage   | \$1,200 |
| Family Coverage | \$2,400 |

### 2011 Maximum Out of Pocket

|                 |          |
|-----------------|----------|
| Self Coverage   | \$5,950  |
| Family Coverage | \$11,900 |

### Additional Over Age 55

|                |         |
|----------------|---------|
| 2011 and after | \$1,000 |
|----------------|---------|

## Standard Deductions

| IF Your Filing Status Is...               | Base Amount                    | Additional Amount for Blindness or Over Age 65 |
|---|--------------------------------|--|
| Single                                    | \$5,800                        | \$1,450  |
| Married Filing jointly                    | \$11,600                       | \$1,150  |
| Married Filing Separate                   | \$5,800                        | \$1,150  |
| Head of Household                         | \$8,500                        | \$1,450  |
| Qualifying Widow(er) with Dependent Child | \$11,600                       | \$1,150  |
| Dependent of Another                      | \$950 or Earned Income + \$300 | \$1,150 or \$1,450 if single or HOH            |

## MACRS Recovery Periods

| Type of Property   | MACRS RECOVERY PERIOD  |                                 |
|--|--|---------------------------------|
|  | General Depreciation System  | Alternative Depreciation System |
| Computers and their peripheral equipment   | 5 years  | 5 years                         |
| Office machinery, such as:<br>Typewriters<br>Calculators<br>Copiers  | 5 years  | 6 years                         |
| Automobiles  | 5 years  | 5 years                         |
| Light trucks   | 5 years  | 5 years                         |
| Appliances, such as:<br>Stoves<br>Refrigerators  | 5 years  | 9 years                         |
| Carpets  | 5 years  | 9 years                         |
| Furniture used in rental property  | 5 years  | 9 years                         |
| Office furniture and equipment, such as:<br>Desks<br>Files   | 7 years  | 10 years                        |
| Any property that does not have a class life and that has not been designated by law as being in any other class             | 7 years  | 12 years                        |
| Roads  | 15 years   | 20 years                        |
| Shrubbery  | 15 years   | 20 years                        |
| Fences   | 15 years   | 20 years                        |
| Residential rental property (buildings or structures) and structural components such as furnaces, water pipes, venting, etc. | 27.5 years   | 40 years                        |
| Nonresidential real property   | 39 years   | 40 years                        |
| Additions and improvements, such as a new roof   | The same recovery period as that of the property to which the addition or improvement is made, determined as if the property were placed in service at the same time as the addition or improvement. |                                 |