

IRS Tax Law Changes for 2011

The exclusive purpose for the information which is provided from this website is to disseminate information, and not to provide tax advice.

In times past there was a certain degree of stability and predictability in our tax laws. In the past eleven years, or longer, the U.S. Congress has opted to provide U.S. Taxpayers with a continuously changing environment. While this has provided tax preparers with a significant boost in their job security, it has created an environment of heightened stress and frustration for the taxpayers themselves. Regardless of who prepares a tax return, the taxpayer is responsible for its accuracy.

Each year since the 1940s the IRS has published Publication 17 ("Your Federal Income Tax for Individuals") which is an excellent reference document to provide you with a better understanding of the tax law requirements and with the information that is required to complete and file an accurate income tax return. It is available to you throughout the year via the Internet at: <http://www.irs.gov/pub/irs-pdf/p17.pdf>

Listed below is a summary of the key tax law provisions which are either new or which have changed for 2011:

What's New

This section summarizes important tax changes that took effect in 2011. Most of these changes are discussed in more detail throughout Publication 17.

The IRS has created a page on IRS.gov for information about this publication at www.irs.gov/pub17. Information about any future developments affecting this publication (such as legislation) will be posted on that page.

Due date of return. File Form 1040, 1040A, or 1040EZ by April 17, 2012. The due date is April 17, instead of April 15, because April 15 is a Sunday and April 16 is the Emancipation Day holiday in the District of Columbia.

Reporting capital gains and losses on new Form 8949. In most cases, you must report your capital gains and losses on new Form 8949. Then you report certain totals from that form on Schedule D (Form 1040). See chapter 16.

Standard mileage rates. The 2011 rate for business use of your car is 51 cents a mile for miles driven before July 1, 2011, and 55 ½ cents a mile for miles driven after June 30, 2011. See chapter 26. The 2011 rate for use of your car to get medical care is 19 cents a mile for miles driven before July 1, 2011, and 23 ½ cents a mile for miles driven after June 30, 2011. See chapter 21. The 2011 rate for use of your car to move is 19 cents a mile for miles driven before July 1, 2011, and 23 ½ cents a mile for miles driven after June 30, 2011. See Publication 521, Moving Expenses.

Standard deduction increased. The standard deduction for some taxpayers who do not itemize their deductions on Schedule A (Form 1040) is higher for 2011 than it was for 2010. The amount depends on your filing status. See chapter 20.

Exemption amount. The amount you can deduct for each exemption has increased. It was \$3,650 for 2010. It is \$3,700 for 2011. See chapter 3.

Self-employed health insurance deduction. This deduction is no longer allowed on Schedule SE (Form 1040). However, you can still take it on Form 1040, line 29. See chapter 21.

Alternative minimum tax (AMT) exemption amount increased. The AMT exemption amount has increased to \$48,450 (\$74,450 if married filing jointly or a qualifying widow(er); \$37,225 if married filing separately).

Health savings accounts (HSAs) and Archer MSAs. For distributions after 2010, the additional tax on distributions from HSAs and Archer MSAs not used for qualified medical expenses has increased to 20%. Also beginning in 2011, amounts paid for medicine or a drug are qualified medical expenses only if the medicine or drug is a prescribed drug or is insulin. See the instructions for Form 8889 or Form 8853 for details.

Roth IRAs. If you converted or rolled over an amount to a Roth IRA in 2010 and did not elect to report the taxable amount on your 2010 return, you generally must report half of it on your 2011 return and the rest on your 2012 return. See Publication 575 for details.

Designated Roth accounts. If you rolled over an amount from a 401(k) or 403(b) plan to a designated Roth account in 2010 and did not elect to report the taxable amount on your 2010 return, you generally must report half of it on your 2011 return and the rest on your 2012 return. See Publication 575 for details.

Alternative motor vehicle credit. You cannot claim the alternative motor vehicle credit for a vehicle you bought in 2011, unless the vehicle is a new fuel cell motor vehicle. See chapter 36.

First-time homebuyer credit. To claim the first-time homebuyer credit for 2011, you (or your 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 United States for at least 90 days during the period beginning after December 31, 2008, and ending before May 1, 2010. See chapter 36.

Repayment of first-time homebuyer credit. If you have to repay the credit, you may be able to do so without attaching Form 5405. See chapter 36.

Nonbusiness energy property credit. This credit is figured differently for 2011 than it was for 2010. See chapter 36 for details.

Health coverage tax credit. This credit has been extended, and the amount has changed. See chapter 36 for details.

Foreign financial assets. If you had foreign financial assets in 2011, you may have to file new Form 8938 with your return. Check www.irs.gov/form8938 for details.

Schedule L. Schedule L is no longer in use. You do not need it to figure your 2011 standard deduction. Instead, see chapter 20 for information about your 2011 standard deduction.

Making work pay credit. The making work pay credit has expired. You cannot claim it on your 2011 return. Schedule M is no longer in use.

Mailing your return. If you are filing a paper return, you may be mailing it to a different address this year because the IRS has changed the filing location for several areas. See *Where To File* near the end of this publication for a list of IRS addresses.

Courtesy: IRS