

2011 AND 2012 MAJOR TAX CHANGES

IRS

Due date: April 17, 2012. April 15th is a Sunday and April 16th is Emancipation Day in the District of Columbia.

New form 8949: Must be used in conjunction with Schedule D for reporting many transactions previously reported on Schedule D. There is a "code" column for the type of transaction.

Standard Mileage Rate: For 2011, the rate is 51 cents per mile through June 30th and 55.5 cents per mile from July 1st through December 31st.

Standard Deduction Increased: Standard Deduction amounts are now \$5800 for Single filers, \$11600 for Married filers, and \$8500 for Head of Household filers.

Exemption Amount Increased: The new exemption amount for taxpayers, spouses, children, etc, is now \$3700. We received a whopping \$50 increase.

Health Savings Account Distributions: The tax on withdrawals from HSA's, not used for medical purposes, has increased from 15% to 20%.

Roth IRA Conversions: If you converted a traditional IRA to a Roth IRA in 2010, and did not elect to pay the tax at that time, you must report half of the amount on your 2011 return and the other half on your 2012 return. If you rolled your 401(k) into a Roth IRA, this tax treatment also applies.

Alternative Vehicle Credit: You can no longer claim this credit for 2011 unless the vehicle is a new fuel cell motor vehicle.

First Time Homebuyer Credit: This credit is still available for 2011 but only for members of the uniformed services who spent at least 90 days duty outside the US between the dates of December 31, 2008 and May 1, 2010.

Repayment of First Time Homebuyer Credit: Your 2011 return will include the second installment of 15 due for the original credit that was a re-pay credit.

Schedule L: This form was used to calculate additional amounts added to increase your standard deduction the past couple years. It is no longer available.

Schedule M: This form was used to calculate your making work pay credit. An individual could receive up to \$400 in the form of a refundable credit. For a married couple, the amount was up to \$800. This form, as well as the credit, is gone.

Energy Credit: The energy credit was set to expire at the end of 2010. However, it was extended. The bad news is that the previous credit was calculated at 30% on most items. It is now calculated at 10% on most items.

MICHIGAN

Tax Rate: The tax rate remains at 4.35% for 2011 and 2012 returns. Beginning in 2013, the rate falls to 4.25%. WOW. We will save an impressive \$50 on \$50000 income.

Personal Exemption Rate: This amount remains at \$3700 per person and will be indexed to inflation beginning in 2013. Special and/or additional exemptions for senior citizens, children under 18, and unemployment benefits in excess of 50% of gross income have been repealed. Good ole **SNYDER!!!** At least he left the special exemptions for disabled and disabled vets alone. Apparently, he likes disabled people but not old people, young people, or unemployed people.

Pension Benefits: The majority of individuals receiving pensions have always subtracted the entire amount from their Michigan gross income. NO MORE. Many individuals will now be taxed on their pensions. It is a complex situation but many of my clients will be paying. I guess **SNYDER** does not like retirees living in the state either.

Other Deductions: The following deductions have been repealed and are no longer available; political donations, prize winnings from state bingo, raffle or charity games, and the Renaissance Zone deduction. Thank you **SNYDER**.

Other Credits: The following credits have also been eliminated; credit for city taxes, credit for public contributions, credit for contributions to homeless shelters, food banks, and community foundations, the film credit for wage withholding, credit for auto donations, credit for college tuition and fees, and the credit for historic rehabilitation plans certified after 2011. Again, thank you **SNYDER**.

Earned Income Tax Credit: For the past few years, an individual received, as a refundable credit (cash in your pocket) on the Michigan return, 20% of the IRS EIC amount. The average credit in my office was \$4000+ from the IRS. This put an extra \$800 in your pocket from the state. The state credit has been reduced to 6% of the IRS amount. Based on an identical situation, you will receive \$560 less. Hmm. **SNYDER???**

Property Tax Credit: Household income will be replaced by "household resources." This means that losses from business, rentals, and net operating losses will not be subtracted from other income to calculate your credit. Homes with taxable value exceeding \$135,000 will not be eligible for the credit. In past years, the phase-out of this credit began at \$73,650 of household income. That phase-out will now begin at \$41000 of household resources. Total phase-out will be at \$50,000. Seniors who have received 100% of their credit amount will now see a phase-out of the credit beginning at \$21,000 of household resources. The senior credit will also be entirely phased-out at \$50,000. Maybe **SNYDER** wants NO-ONE left in the state.