

Recent Tax Law Changes May Delay some Taxpayers' Ability to File Before February

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Are you planning to itemize your deductions on your 2010 Tax Return? If so, you may have to wait until mid or late February to file your tax return. This is due to Congress's recent tax law update. On December 17, 2010, Congress passed the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 ("The Act").

Luckily, for taxpayers, The Act extended three important tax deductions: (1) state and local general sales tax deduction, (2) the Higher Education Tuition and Fees Deduction, and (3) the Educator Expense Deduction. Unfortunately, though, the IRS is still working on updating its forms and electronic filing system to keep up with Congress's recent change. Possibly the most important form to be updated is the Schedule A.

Generally, a taxpayer may choose to either take the standard deduction amount (\$5,700 if filing single or \$11,400 if married filing jointly) or itemize their specific deductions. Obviously, this decision hinges on which avenue of approach would result in a greater refund. If a taxpayer's itemized deductions are greater than the standard deduction, then the taxpayer should clearly itemize. By "itemize," I mean fill out a Schedule A, which lists all of the possible deductions that a taxpayer can claim.

One deduction found on the Schedule A is the state and local general sales tax deduction. If you itemize your deductions, you can deduct either state and local general *sales* tax, or you can deduct state and local *income* tax. However, you cannot claim both sales and income tax, together. If you saved your receipts from purchases throughout the year, you can add up the sales tax paid, and deduct that amount from your federal taxes owed.

Because Congress extended this deduction for the 2010 tax year, the IRS needs to update the Schedule A to include the deduction. The IRS predicts that it will have the Schedule A ready to go by February 15, 2011. Thus, if you plan to claim the state and local general sales (or income) tax deduction, you must wait a while before filing your return.

What does this mean for taxpayers who wish to itemize but do not plan to take the sales or income tax deduction? They have to wait too! Unfortunately, the sales or income tax deduction does not have its own form. It is reported on a Schedule A. Since every other itemized deduction is also reported on a Schedule A, anyone who wishes to itemize their deductions must wait until the middle of February to file their tax return.

The two other deductions extended by Congress are the Higher Education Tuition and Fees Deduction, and the Educator Expense Deduction. The tuition and fees deduction covers up to \$4,000 of tuition and fees paid to a post-secondary institution, and it is claimed on Form 8917. Accordingly, Form 8917 also has to be revamped for the 2010 tax year, meaning that taxpayers wishing to claim this deduction must wait until February to do so. However, taxpayers claiming other education credits, including the American Opportunity Tax Credit and the Lifetime learning Credit, will not have to wait to file.

The Educator Expense Deduction is for elementary educators (grades K-12) who had out-of-pocket expenses up to \$250 for classroom materials. The deduction is claimed on Form 1040, line 23 and Form

1040A, Line 16. Taxpayers wishing to claim this deduction must wait until the IRS updates its system to include this deduction.

Although this new legislation affects taxpayers wishing to itemize their deductions, it has no effect whatsoever on those who wish to take the standard deduction. Accordingly, those taxpayers can file in January.

The Fort Belvoir Tax Center will open on February 1, 2011 to prepare tax returns for those taxpayers wishing to take the standard deduction. As mentioned above, those who wish to itemize must wait until February 15, 2011 to make an appointment at the Tax Center. In either case, the Tax Center will prepare your tax return for FREE! The Tax Center is staffed by IRS certified personnel who will electronically file your tax return. Starting February 1, 2011, you can call (703) 805-8471 to set an appointment, or simply walk-in beginning at 8:00 a.m. The Tax Center's Office is located at the Fort Belvoir Community Center, Building 1200, 10300 Taylor Rd (off Belvoir Road near Pence Gate), Fort Belvoir, VA 22060.