

## Changes for Tax Year 2011

by Donald Davis

The biggest change most taxpayers will notice when they visit our tax assistance centers to have their 2011 federal income tax returns prepared is that their refunds are not as large as they were last year. This is due to the elimination of the Making Work Pay Credit, which added \$400 to taxpayers' refunds on their 2009 and 2010 returns (\$800 if they were married filing jointly). Schedule M, which was used to calculate the credit, is a thing of the past. The good news is, now that Congress has finally extended the payroll tax cut through the end of 2012, taxpayers should receive more each payday because their Social Security tax withholdings will be lower. That should help make up for the loss of the Making Work Pay Credit.

Schedule B has more specific questions at the bottom about foreign bank accounts than in prior years. See Mark Christensen's article on page 4 for more information on the perils of not reporting foreign bank accounts and other foreign financial assets.

Taxpayers will also notice major changes to Schedule D. In prior years, you reported capital gains and losses on Schedule D itself. Now, you have to report them on the new Form 8949, and transfer the totals to Schedule D.

Taxpayers who sold real estate in 2011 will likely receive a 1099-S form, which reports the gross proceeds from real estate transactions, which must also be reported on Form 8949.

We've also noticed an increase in the number of clients who come in with 1099-C forms, which report cancellation or forgiveness of debt. This is usually deemed to be taxable income. The theory is that the taxpayer has been enriched to the extent that he no longer has to pay back a debt he owed. This can come as a real shock to our clients.

We're also doing more state tax returns than in past seasons. Remember, just because you are overseas doesn't mean you don't have to pay state taxes. It all depends on the law of your state of legal residence. Some states have no income tax. Some do but don't tax you if you meet a "three-part test." Others have special tax breaks for the military. And still others tax you regardless of whether you are in the military or overseas. This is a very complicated and tricky business, and the best advice I can give you is to visit our tax assistance centers and let the tax experts figure it out for you. We have special guides and software that can be a big help, **and the service is absolutely free!**

While the stateside filing deadline is April 17th this year, taxpayers overseas enjoy an automatic extension of the deadline to file until June 15th. **This is not an extension of the time to pay any taxes you owe!** If you owe taxes, you must pay by April 17th to avoid paying interest and late payment penalties. Our tax centers will remain open through June 15th to assist taxpayers who avail themselves of the overseas filing extension. It's a valuable program; use it or lose it!



### KAISERSLAUTERN LEGAL SERVICES CENTER

Building 3210  
Kleber Kaserne

Legal Assistance 483-8848  
Tax Assistance 483-7688  
Claims 483-8414/8862  
International Affairs 483-8854  
Trial Defense Service 483-8397  
[Civilian: 0631-411-XXXX]

Administrative Law 484-8747  
Criminal Law 484-7419  
[Civilian: 0631-413-XXXX]

### TY 2011 KEY FIGURES:

Average Exchange Rate:  
\$1.00 = .7188 Euros

#### Mileage Rates:

Business: 51 cents/mile (Jan-Jun)

55.5 cents/mile (Jul-Dec)

Moving/Medical:

19 cents/mile (Jan-Jun)

23.5 cents/mile (Jul-Dec)

Charitable: 14 cents/mile (all yr.)

Maximum Foreign Earned  
Income Exclusion: \$92,900

#### Standard Deductions:

MFJ/Qual. Widow(cr) \$11,600

Single/MFS: \$5,800

Head of Household: \$8,500

Personal Exemptions: \$3,700