



**CHANGES OR ADDITIONS
TO ORIGINAL OUTLINE**

January 13, 2012



CALIFORNIA DIFFERENCES -- WHO MUST FILE

CALIFORNIA FILING REQUIREMENTS are based on gross income as well as AGI per Federal return. A return is required if *either* income exceeds the floor.

NOTE: \$250,000 EXCLUSION – SALE OF RESIDENCE. Excludable gain is NOT included in the gross income for purposes of filing requirements.

Status	Age	No depend	1 depend	2 depend
S, H/H, MFS, Surv Sp	Under 65			
	Calif. Gross	\$15,154	\$25,652	\$33,527
	Calif. AGI	12,122	22,622	30,497
	65 & up			
	Calif. Gross	20,252	28,127	34,427
	Calif. AGI	17,222	25,027	31,397
MFJ, RDP	Both under 65			
	Calif. Gross	30,305	40,805	48,680
	Calif. AGI	24,244	34,744	42,619
	One 65 & up			
	Calif. Gross	35,405	43,280	49,580
	Calif. AGI	29,344	37,219	43,519
	Both 65 & up			
	Calif. Gross	40,505	48,380	54,680
	Calif. AGI	34,444	42,319	48,619

Dependent of another

All ages – File if Gross Income or AGI exceeds standard deduction.

WHEN TO FILE?

GENERALLY BY 17 APRIL 2012. April 15 is a Sunday, but Emancipation Day is observed in Washington, DC on Monday April 16, thus the filing deadline is Tuesday, April 17.

(Note Regarding Emancipation Day: When April 16 falls on a Saturday, the Emancipation holiday is observed on Friday – filing deadline becomes Monday, April 18. If April 16 falls on Sunday, the holiday is Monday – filing deadline is Tuesday, April 18.)

LIVING AND WORKING ABROAD or on military duty abroad the date is 15 June. This is NOT available to one who is merely out of the country traveling.

NONRESIDENT ALIEN and no taxes were withheld, the date is June 15.

RESIDENT ALIEN about to leave the U.S. the date is 10 days before departure.

FISCAL YEAR FILER, date is 15th day of the fourth month following year-end.

AUTOMATIC EXTENSION until October 15 is obtained using Form 4868.

**“NORMAL RETIREMENT AGE” FOR
SOCIAL SECURITY**

Currently age 66 is the “normal retirement age” for social security. Beginning in 2020, the normal retirement age will begin to increase again.

YEAR OF BIRTH	RETIREMENT AGE	AGE 62 BENEFIT
1943-1954	66 years	75.0%
1955	66 years, 2 months	74.2%
1956	66 years, 4 months	73.3%
1957	66 years, 6 months	72.5%
1958	66 years, 8 months	71.7%
1959	66 years, 10 months	70.8%
1960 and later	67 years	70.0%

Begins in 2021

2011 Retirees Are Here



SOCIAL SECURITY EARNINGS ANNUAL COLA

COST OF LIVING ADJUSTMENT: The annual COLA adjustment for social security payments takes place with the January payment. The annual COLA for each year is given below. In addition, the maximum social security benefit and the estimated average social security benefit are also given below.

Year	COLA	Max Benefit	Avg Benefit
2012	3.60%	\$2,513/Mo	\$1,229/Mo
2011	0%	\$2,366/Mo	\$1,186/Mo
2010	0%	\$2,366/Mo	\$1,186/Mo
2009	5.80%	\$2,366/Mo	\$1,186/Mo
2008	2.30%	\$2,185/Mo	\$1,090/Mo
2007	3.30%	\$2,116/Mo	\$1,055/Mo

MEDICARE COST OF LIVING ADJUSTMENT: The annual COLA adjustment for Medicare premiums is discussed on page 121.

I AM SELF-EMPLOYED

WHAT IS THE ANNUAL MAXIMUM AMOUNT
I CAN PUT IN MY RETIREMENT PLAN?

Plan	2010	2011	2012
SIMPLE IRA			
Under Age 50	Double Employee \$23,000	Double Employee \$23,000	Double Employee \$23,000
Age 50 & Over	Double Employee \$28,000	Double Employee \$28,000	Double Employee \$28,000
SEP IRA	\$49,000	\$49,000	\$50,000
1-Person 401(k)			
Under Age 50	\$49,000	\$49,000	\$50,000
Age 50 & Over	> Age 50 + \$5,500 \$54,500 Max	> Age 50 + \$5,500 \$54,500 Max	> Age 50 + \$5,500 \$55,500 Max
403(b)—TSA			
Under Age 50	Not Applicable	Not Applicable	Not Applicable
Age 50 & Over	Not Applicable	Not Applicable	Not Applicable
457—Def Comp			
Under Age 50	Not Applicable	Not Applicable	Not Applicable
Age 50 & Over	Not Applicable	Not Applicable	Not Applicable
Profit Sharing Keogh	\$49,000	\$49,000	\$50,000
Money Purchase Keogh	\$49,000	\$49,000	\$50,000
Def Benefit Keogh	No Maximum	No Maximum	No Maximum

NOTE: EMPLOYEES use the charts beginning on Page **Error! Bookmark not defined.**

SPECIAL NOTE: MAXIMUM APPLIES TO ALL PLANS COMBINED. Some clients will have retirement plans at two or more jobs, or may be wage earners and self-employed at the same time. For example, a worker covered under both a SIMPLE and a profit sharing plan may not contribute more than \$11,500 to the SIMPLE, but has a maximum of \$49,000 for the profit sharing plan – if this client already funded \$11,500 to the SIMPLE, the maximum allowable for the profit sharing plan in the same year is reduced to \$37,500.

LINE 32 IRA DEDUCTIONS

IRA CONTRIBUTIONS

IRA CONTRIBUTION LIMITS. Maximum allowable contributions to a traditional and/or a Roth IRA are shown below. Contributions can be made 100% to either type of IRA or some to both of them, but the total cannot exceed this amount. Remember you can contribute to a Traditional IRA only if you have compensation and prior to the year you turn age 70 ½. Also remember that tax-free combat pay counts as compensation beginning after 12-31-2003.

For Tax Years	Under Age 50	Age 50 & Above
2008 & Later	\$5,000	\$6,000
2006-2007	\$4,000	\$5,000
2005	\$4,000	\$4,500
2002-2004	\$3,000	\$3,500


CALIFORNIA CONFORMITY AND NON-CONFORMITY

California generally conforms to the Federal treatment of traditional and Roth IRAs. See FTB Publication 1005 for any differences.

Rapid-Scan Fed & Cal Tax Tables - 2012 - SEE NOTE BELOW											
Federal Tax					California Tax				FEDERAL RATE SCHEDULES		
Taxable Income	Single	Joint	Sep.	H/H	Taxable Income	Sing/Sep	Joint	H/H	SINGLE		
2,000	200	200	200	200	2,000	20	20	20	0	0.00	10.0%
4,000	400	400	400	400	4,000	40	40	40	8,700	870.00	15.0%
6,000	600	600	600	600	6,000	60	60	60	35,350	4,867.50	25.0%
8,000	800	800	800	800	8,000	85	80	80	85,650	17,442.50	28.0%
10,000	1,065	1,000	1,065	1,000	10,000	125	100	100	178,650	43,482.50	33.0%
									388,350	112,683.50	35.0%
									Standard - 5,950 + 1,450 age/blind		
12,000	1,365	1,200	1,365	1,200	12,000	165	120	120	MARRIED		
14,000	1,665	1,400	1,665	1,480	14,000	205	140	140	0	0.00	10.0%
16,000	1,965	1,600	1,965	1,780	16,000	245	171	171	17,400	1,740.00	15.0%
18,000	2,265	1,830	2,265	2,080	18,000	292	211	211	70,700	9,735.00	25.0%
20,000	2,565	2,130	2,565	2,380	20,000	372	251	251	142,700	27,735.00	28.0%
									217,450	48,655.00	33.0%
22,000	2,865	2,430	2,865	2,680	22,000	452	291	291	388,350	105,062.00	35.0%
24,000	3,165	2,730	3,165	2,980	24,000	532	331	331	Standard - 11,900 + 1150 age/blind		
26,000	3,465	3,030	3,465	3,280	26,000	612	371	371	SEPARATE		
28,000	3,765	3,330	3,765	3,580	28,000	693	411	411	0	0.00	10.0%
30,000	4,065	3,630	4,065	3,880	30,000	813	451	451	8,700	870.00	15.0%
									35,350	4,867.50	25.0%
32,000	4,365	3,930	4,365	4,180	32,000	933	491	491	71,350	13,867.50	28.0%
34,000	4,665	4,230	4,665	4,480	34,000	1,053	531	531	108,725	24,332.50	33.0%
36,000	5,030	4,530	5,030	4,780	36,000	1,173	583	583	194,175	52,531.00	35.0%
38,000	5,530	4,830	5,530	5,080	38,000	1,293	663	663	Standard - 5,950 + 1150 age/blind		
40,000	6,030	5,130	6,030	5,380	40,000	1,438	743	743	HOUSEHOLD		
									0	0.00	10.0%
42,000	6,530	5,430	6,530	5,680	42,000	1,598	823	823	12,400	1,240.00	15.0%
44,000	7,030	5,730	7,030	5,980	44,000	1,758	903	903	47,350	6,482.50	25.0%
46,000	7,530	6,030	7,530	6,280	46,000	1,918	983	991	122,300	25,220.00	28.0%
48,000	8,030	6,330	8,030	6,645	48,000	2,078	1,063	1,111	198,050	46,430.00	33.0%
50,000	8,530	6,630	8,530	7,145	50,000	2,251	1,143	1,231	388,350	1,090,229.00	35.0%
									Standard - 8,700 + 1,450 age/blind		
52,000	9,030	6,930	9,030	7,645	52,000	2,437	1,223	1,351	Personal Exemption - 3,800/950		
54,000	9,530	7,230	9,530	8,145	54,000	2,623	1,303	1,471	Personal Exemption Phase-out		
56,000	10,030	7,530	10,030	8,645	56,000	2,809	1,386	1,591	Provision Inactive for 2012		
58,000	10,530	7,830	10,530	9,145	58,000	2,995	1,506	1,742	CALIF RATE SCHEDULES (estimated)		
60,000	11,030	8,130	11,030	9,645	60,000	3,181	1,626	1,902	SINGLE		
									0	0.00	1.00%
62,000	11,530	8,430	11,530	10,145	62,000	3,367	1,746	2,062	7,462	74.62	2.00%
64,000	12,030	8,730	12,030	10,645	64,000	3,553	1,866	2,222	17,695	279.24	4.00%
66,000	12,530	9,030	12,530	11,145	66,000	3,739	1,986	2,382	27,925	688.50	6.00%
68,000	13,030	9,330	13,030	11,645	68,000	3,925	2,106	2,559	38,764	1,338.87	8.00%
70,000	13,530	9,630	13,530	12,145	70,000	4,111	2,226	2,745	48,990	2,156.91	9.30%
									MARRIED		
75,000	14,780	10,810	14,890	13,395	75,000	4,576	2,526	3,210	0	0.00	1.00%
80,000	16,030	12,060	16,290	14,645	80,000	5,041	2,876	3,675	14,925	149.25	2.00%
85,000	17,280	13,310	17,690	15,895	85,000	5,506	3,276	4,140	35,386	558.47	4.00%
90,000	18,661	14,560	19,090	17,145	90,000	5,971	3,676	4,605	55,849	1,377.00	6.00%
95,000	20,061	15,810	20,490	18,395	95,000	6,436	4,076	5,070	77,528	2,677.74	8.00%
100,000	21,461	17,060	21,890	19,645	100,000	6,901	4,502	5,535	97,979	4,313.82	9.30%
									HOUSEHOLD		
105,000	22,861	18,310	23,290	20,895	105,000	7,366	4,967	6,000	0	0.00	1.00%
110,000	24,261	19,560	24,753	22,145	110,000	7,831	5,432	6,465	14,935	149.35	2.00%
115,000	25,661	20,810	26,403	23,395	115,000	8,296	5,897	6,930	35,386	558.47	4.00%
120,000	27,061	22,060	28,053	24,645	120,000	8,761	6,362	7,395	55,849	1,377.00	6.00%
125,000	28,461	23,310	29,703	25,976	125,000	9,226	6,827	7,860	77,528	2,677.74	8.00%
									97,979	4,313.82	9.30%
130,000	29,861	24,560	31,353	27,376	130,000	9,691	7,292	8,325	HOUSEHOLD		
135,000	31,261	25,810	33,003	28,776	135,000	10,156	7,757	8,790	0	0.00	1.00%
140,000	32,661	27,060	34,653	30,176	140,000	10,621	8,222	9,255	14,935	149.35	2.00%
145,000	34,061	28,379	36,303	31,576	145,000	11,086	8,687	9,720	35,386	558.37	4.00%
150,000	35,461	29,779	37,953	32,976	150,000	11,551	9,152	10,185	45,615	967.55	6.00%
									56,455	1,617.92	8.00%
160,000	38,261	32,579	41,253	35,776	160,000	12,481	10,082	11,115	66,684	2,436.21	9.30%
170,000	41,061	35,379	44,553	38,576	170,000	13,411	11,012	12,045	Std Deductions - 3,842 & 7,689		
180,000	43,928	38,179	47,853	41,376	180,000	14,341	11,942	12,975	Exemption Credits - 104 & 208		
190,000	47,228	40,979	51,153	44,176	190,000	15,271	12,872	13,905	Dependent Exemption - 321		
200,000	50,528	43,779	54,570	47,074	200,000	16,201	13,802	14,835	Phase-out starts at:		
									Sing/Sep - \$169,896		
210,000	53,828	46,579	58,070	50,374	210,000	17,131	14,732	15,765	Married - \$339,797		
220,000	57,128	49,497	61,570	53,674	220,000	18,061	15,662	16,695	H/H - \$254,849		
230,000	60,428	52,797	65,070	56,974	230,000	18,991	16,592	17,625	SDI: 1.0% on \$95,585		
240,000	63,728	56,097	68,570	60,274	240,000	19,921	17,522	18,555	Max - \$955.85		
250,000	67,028	59,397	72,070	63,574	250,000	20,851	18,452	19,485	Surtax - 1.0% on TxbI Inc over \$1M		
									NOTE - Calif rates use 2% inflation vs. 2011 rates		

**OTHER STATE TAX CREDIT- SCHED S
FORM 540, LINE 43 & 44**

OVERVIEW. If income is taxed by two states, use the chart below to determine where to take this credit.

Income Is From	California Resident	California Non-Resident
Normal Rule: Almost All States	Credit on California Resident Return	Credit on Other State Resident Return
The Exceptions: AZ, IN, OR, VA or Guam	Credit on Other State Nonresident Return	Credit on California Nonresident Return

**NONREFUNDABLE CHILD CARE
FORM 3506
FORM 540, LINE 40**

OVERVIEW. Taxpayers are allowed a nonrefundable tax credit for the cost of employment-related child and dependent care. Prior to 2011, this credit was refundable. The credit is based on a percentage of the nonrefundable Federal credit (Federal Form 2441). Form 3506 is required to compute the credit. California treats parents who were never married to each other the same as divorced taxpayers for purpose of this credit thus creating another Federal/California difference. In addition, military taxpayers must make special adjustments to their California income. See Form 3506 for details. The amount of the credit is as shown below:

California AGI	% Federal Credit 2002	% Federal Credit 2003-2011
\$40,000 or less (Includes Non-filers)	63%	50%
Over \$40,000 but not over \$70,000	53%	43%
Over \$70,000 but not over \$100,000	42%	34%
Over \$100,000	0%	0%

<p style="text-align: center;">NONREFUNDABLE RENTERS CREDIT FORM 540, LINE 46</p>
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OVERVIEW. It is for "qualified California renters," is not refundable and limited by California AGI. The credit is \$60 for single and MS returns with a 2011 California AGI of less than \$35,659 and \$120 for all other returns with a 2011 California AGI of \$71,318 or less. Amounts are indexed annually for inflation.

“QUALIFIED RENTER”. A "qualified California renter" is a person who is a California resident who rented or occupied premises in California that was a principal place of residence during at least 50% of the taxable year.

NOT A “QUALIFIED RENTER”. A "qualified California renter" does not include: (1) An individual who rents and occupies premises that is exempt from property taxes for more than 50% of the year; or (2) An individual whose principal place of residence for more than 50% of the taxable year is with any other person who claims that individual as a dependent for income tax purposes; or (3) An individual (and spouse if applicable) was granted the homeowner's property tax exemption during the taxable year. (Does not apply if an individual's spouse is granted the homeowner's property tax exemption if each spouse maintains a separate residence for the entire taxable year).

MARRIED FILING SEPARATE. A husband and wife are entitled to only one renter's credit. If the husband and wife file separate returns, the credit may be taken by either or equally divided between them.

PART-YEAR RESIDENT. The credit is available to a qualifying renter who is a nonresident for any portion of the taxable year at the rate of 1/12 of the credit for each full month that the person resided in California.

Expired California Tax Credit Checklist—2011
(Only Available If Carryover From Previous Year)

Credit Title	Code
Agricultural Products	175
Commercial Solar Electric System	196
Commercial Solar Energy	181
Energy Conservation	182
Farm Worker Housing	207
First-Time Home Buyer	222
Joint Strike Fighter—Wages	215
Joint Strike Fighter—Property Costs	216
LARZ Hiring and Sales or Use Tax	159
Low Emission Vehicle	160
Manufacturer's Investment	199
New Home Purchase	221
Orphan Drug	185
Political Contribution	184
Recycling Equipment	174
Residential Rental and Farm Sales	186
Rice Straw	206
Ridesharing—Employee	194
Ridesharing—Large Employer	191
Ridesharing—Small Employer	192
Ridesharing—Employer Transit Passes	193
Ridesharing (Pre-1989 Carryovers Only)	171
Salmon & Steelhead Trout Habitat Restoration	200
Solar Energy	180
Solar Pump	179
Solar Or Wind Energy System	217
Water Conservation	178
Young Infant	161

SCHEDULE A**SCHEDULE A REDUCTION**

2010 THROUGH 2012 – NO SCHEDULE A REDUCTION

STEP 1: Find the amount by which AGI exceeds the phase out number.

STEP 2: Reduce itemized deductions by 3% of the excess found in step 1, HOWEVER, the following itemized deductions are NOT reduced:

Medical, Investment Interest, Casualty Losses, Gambling Losses,
AND, itemized deductions cannot be reduced by more than 80%, or below the standard deduction.

STEP 3: IN 2006 & 2007, reduction was 2/3 of Step 2 amount. In 2008 & 2009, reduction was 1/3 of the Step 2 amount. However, **IN 2010 THROUGH 2012**, the reduction under IRC section 68(g) is totally eliminated.

MEDICAL DEDUCTIONS

NEW MEDICAL MILEAGE AMOUNTS FOR 2011

For 2011 returns, 19.0¢ per mile (from January 1 through June 30) or 23.5¢ per mile (from July 1 through December 31) is the standard medical mileage allowance. The 2010 amount was 16.5¢ per mile. For 2012, the amount is 23.0¢ per mile.

Revenue Procedure 2009-54, 2010-51, and Notice 2012-01, IR 2011-116 and Announcement 2011-40.

MEDICARE B PREMIUMS are deductible as a medical expense. Folks begin paying the premium at age 65. Those receiving Social Security benefits have it withheld from their monthly benefit checks. Form 1099-SSA shows the amount of Medicare B premiums withheld.



FOR 2010 – 2 LEVELS OF MEDICARE B PREMIUM

INCREASE IN MEDICARE PREMIUMS, BUT ONLY FOR SOME RETIREES. In 2010 premiums increased from \$96.40 to \$110.50. However, in 2010 Social Security benefits did not increase. Therefore, existing recipients of Social Security benefits, by law, could not see a reduction in net benefit. Since their benefit was frozen, they did not pay the higher premium. However, only newly retiring taxpayers and those paying the “surcharge” (see the next page) faced the higher premium of \$110.50.



FOR 2011 – 3 LEVELS OF MEDICARE B PREMIUM

ANOTHER INCREASE IN MEDICARE PREMIUMS, BUT AGAIN ONLY FOR SOME RETIREES. In 2011 premiums increased from \$110.50 to \$115.40. Again for 2011, there is again no increase in Social Security benefits, so existing recipients again can not see a reduction in their net benefits. Thus those who reached retirement age before 2009 will continue to pay \$96.40. Those who reached retirement age in 2010 will continue to pay \$110.50. The 2011 premium of \$115.40 will only be paid by those reaching retirement age in 2011, and by those who pay the Medicare surcharge.

MEDICARE B PREMIUMS PAID (If Affected By Medicare Surcharge- See Next Page)				
	2009	2010	2011	2012
Reached Medicare Age 2009 & before	\$96.40	\$96.40	\$96.40	\$99.90
Reached Medicare Age in 2010	N/A	\$110.50	\$110.50	For All
Reached Medicare Age in 2011	N/A	N/A	\$115.40	Retirees Not
Reached Medicare Age in 2012	N/A	N/A	N/A	Subject To
				Surcharge
Annual Total	\$1,156.80 For All Retirees Not Subject To Surcharge	\$1,156.80 or \$1,326.00	\$1,156.80 or \$1,326.00 or \$1,384.80	\$1,198.80 For All Retirees Not Subject To Surcharge

SCHEDULE EIC

**COMBAT PAY AS EARNED INCOME MADE PERMANENT**

FOR EIC PURPOSES ONLY. Combat pay is nontaxable, but appears on Form W-2 in Box 12, with Code Q. The HEART Act of 2008 has made permanent the election to treat combat pay as “earned income” for purposes of the EITC only.

FORM 1040, LINE 64b is used. It’s an “all or nothing” election. If including the income produces an increased EITC, use the election – otherwise do not use it.



INPUT ALERT. It is likely our software packages will make the most advantageous choice, but only if we indicate the amount of combat pay. Look for the appropriate inputs.

AVAILABLE WITH OR WITHOUT TIER 1 DEPENDENTS. There is a smaller EIC available to those with no Tier 1 Dependents.

“INSIDE THE US” ADDITIONAL REQUIREMENT. The dependent in question must reside with you *inside the US* for more than half the year.

DISQUALIFIED INCOME RULES. “Disqualified income” causes the earned income credit to be unavailable. For 2011, the maximum disqualified income allowable is \$3,150. For 2010, it was \$3,100 and in 2012, it will be \$3,200.

FORM 8867 IS REQUIRED FOR 2011 AND ON. IRS now requires Form 8867 to be completed for all returns filed for 2011 and on that claim an EIC.

YEAR 2011 FLOOR AND PHASE-OUT AMOUNTS. IRS determined the adjusted amounts applicable for 2011 to be as follows:

Eligible Individual with	Max Credit of:	At Earned Income of:	Phase-out begins at: Single Filer/MFJ	Complete phase-out: Single Filer/MFJ
1 Tier 1 dependent	\$3,094	\$ 9,100	\$16,670/\$21,770	\$36,052/\$41,132
2 Tier 1 dependents	\$5,112	\$12,780		\$40,964/\$46,044
3 or more Tier 1 dependents	\$5,751	\$12,780	\$16,670/\$21,770	\$44,000/\$49,000
No Tier 1 dependents	\$ 464	\$ 6,070	\$7,590/\$12,670	\$13,650/\$18,740

SCHEDULE SE SELF-EMPLOYMENT TAX

For 2011,
Employees
Receive A 2%
Soc Sec Rate
Reduction

In 2012, Employees
Receive A 2% Soc
Sec Rate Reduction
For Jan & Feb.
Congress May
Extend This 2%
Reduction For The
Remainder Of 2012.

SOCIAL SECURITY / MEDICARE TAX & EARNINGS LIMITS			
Item	2010	2011	2012
Employees			
Max Earnings Soc Sec Limit	\$106,800	\$106,800	\$110,100
Employee Rate Social Security	6.20%	4.20%	4.20%
Employer Rate Social Security	6.20%	6.20%	6.20%
Max Employee Soc Sec Tax	\$6,621.60	\$4,485.60	\$4,624.20
Max Employer Soc Sec Tax	\$6,621.60	\$6,621.60	\$6,826.60
Max Earnings Medicare Limit	Unlimited	Unlimited	Unlimited
Employee Rate Medicare	1.45%	1.45%	1.45%
Employee Rate Total	7.65%	5.65%	5.65%
Employee Earns To Receive 1 Qtr of Soc Sec Coverage	\$1,090	\$1,120	\$1,130
Employee Earns 4 Qtr	\$4,360	\$4,480	\$4,520
Self-Employed Persons			
SE Reaches Max At Sch C Income (Max Earn / 0.9235)	\$115,647	\$115,647	\$119,220
SE Rate Social Security	12.40%	10.40%	10.40%
Max SE Soc Sec Tax	\$13,243.20	\$11,107.20	\$11,450.40
Max Earnings Medicare Limit	Unlimited	Unlimited	Unlimited
SE Rate Medicare	2.90%	2.90%	2.90%
SE Rate Total	15.30%	13.30%	13.30%
SE Earns To Receive 1 Qtr of Soc Sec Coverage	\$1,180	\$1,212	\$1,224
SE Earns 4 Qtr	\$4,720	\$4,850	\$4,896
Max SE Earnings To Avoid SE Tax	\$432	\$432	\$432

“COMPENSATION” IS THE PROBLEM! Employees seem to reach the maximum earnings for social security at a lower amount than self-employed persons. However, the problem is that the self-employed person’s Schedule C income must be converted to “compensation” before we compare the two amounts. Thus the Schedule C income must be multiplied by 92.35% (as is actually done on Schedule SE) to become “compensation.” When you multiply the 2011 SE Schedule C income limit of \$115,647 by 92.35%, the resultant “compensation” amount of \$106,800 is identical to the employee limit.

2011 REFERENCE GUIDE FOR FORM 1099-SA CODES—BOX 3

Code	Item
1	Normal distributions (including transfers)
2	Excess contributions plus earnings taxable in 2010
3	Disability
4	Death distribution other than Code 6 below
5	Prohibited transaction
6	Death distribution after year of death to non-spouse beneficiary

**FORM 1099-K
MERCHANT CARD & THIRD PARTY
NETWORK PAYMENTS**



NEW FORM FOR 2011 & ON

PAYMENT SETTLEMENT ENTITIES MUST FILE FORM 1099-K. Payment settlement entities (PSE) must file this form for payments made in settlement of reportable payment transactions for each calendar year. A PSE makes a payment in settlement of a reportable payment transaction (ie, any payment card or third-party network transaction) if the PSE submits the instruction to transfer funds to the account of the participating payee to settle the reportable payment transaction. Additional information and rules are available in the 2011 Form 1099-K Instructions.

EXCEPTION FOR DE-MINIMIS PAYMENTS. A third-party settlement organization is required to report any information concerning third-party network transactions of any participating payee only if for the calendar year:

- 1) The gross amount of reportable payment transactions exceeds \$20,000 AND
- 2) The total number of such transactions exceeds 200.

THINK eBAY! Your client posts items for sale on eBay. She actually makes a sale of an item that she posted for sale. The buyer makes payment to eBay and eBay remits this payment (through PayPal) to your client. eBay/PayPal is a PSE. This type of transaction is now reported on Form 1099-K and not on Form 1099. eBay has already sent out a letter to all appropriate payees informing them of this new requirement and asking for their SSN or TIN.

Regulations Section 1.605W-1 and Notices 2011-88 & 2011-89.

MILEAGE, COMMUTING, ETC.

MILEAGE ALLOWANCES. IRS publishes these annually.

Year	Business miles	Deemed Deprec.	Charitable	Medical or Moving	Source
2012	55.5¢	23¢	14¢	23.0¢	Notice 2012-01
2011 thru 6/30 7/01 – 12/31	51.0¢ 55.5¢	22¢ 22¢	14¢ 14¢	19.0¢ 23.5¢	Rev. Proc 2010-51 Ann 2011-40
2010	50¢	23¢	14¢	16.5¢	Rev. Proc 2009-54
2009	55¢	21¢	14¢	24¢	Rev. Proc 2008-72
2008 thru 6/30 7/01 – 12/31	50.5¢ 58.5¢	21¢ 21¢	14¢ 14¢	19¢ 27¢	Rev. Proc 2007-70 Ann 2008-63
2007	48.5¢	19¢	14¢	20¢	Rev. Proc 2006-49
2006	44.5¢	17¢	14¢*	18¢	Rev. Proc. 2005-78
2005 thru 8/31 9/01 – 12/31	40.5¢ 48.5¢	17¢ 17¢	14¢* 14¢*	15¢ 22¢	Rev. Proc. 2004-64 & 2005-6
2004	37.5¢	16¢	14¢	14¢	Rev. Proc. 2003-76
2003	36¢	16¢	14¢	12¢	Rev. Proc. 2002-61
2002	36.5¢	15¢	14¢	13¢	Rev. Proc 2001-54
2001	34.5¢	15¢	14¢	12¢	Rev. Proc 2000-48
2000	32.5¢	14¢	14¢	10¢	Rev. Proc 99-38

* Katrina contribution mileage is increased to 70% of the business rate for 2005 & 2006.

**FORM 4562
DEPRECIATION & §179**

SECTION 179

Summary Chart – Section 179 Deductions

Year	Maximum Deduction	Phase out Begins	Phase out Complete	Software	Revoke Sec 179 election on 1040X
2013 & on	\$25,000 indexed	\$200,000 indexed	\$225,000	No	No
2012	\$139,000	\$560,000	\$699,000	Yes	Yes
2010 & 2011	\$500,000	\$2,000,000	\$2,500,000	Yes	Yes
2009	\$250,000	\$800,000	\$1,050,000	Yes	Yes
2008	\$250,000	\$800,000	\$1,050,000	Yes	Yes
2007	\$125,000	\$500,000	\$625,000	Yes	Yes
2006	\$108,000*	\$430,000	\$538,000	Yes	Yes
2005	\$105,000*	\$425,000	\$530,000	Yes	Yes
2004	\$102,000*	\$410,000	\$512,000	Yes	Yes
2003	\$100,000*	\$400,000	\$500,000	Yes	Yes
2001 & 2002	\$24,000*	\$200,000	\$224,000	N/A	N/A
2000	\$20,000	\$200,000	\$220,000	N/A	N/A

* plus \$35,000 for NYC Liberty Zone – applies 9/11/2001 through 12/31/2006



EXPIRING – SEC 179 FOR SOME REAL PROPERTY

SPECIAL \$250,000 LIMIT FOR "QUALIFIED REAL PROPERTY". \$500,000 is the normal Section 179 limit for 2010 & 2011. However, for 2010 and 2011 only, property qualifying for expensing is extended to certain "Qualified Real Property." To the existing "depreciable tangible personal property used in a trade or business" we may add (1) qualified leasehold property, (2) qualified restaurant property, & (3) qualified retail improvement property. Property used for lodging is NOT included. These three types of property are described on the next page.

HOWEVER, no amount attributable to these real properties can be carried over to years beginning after 2011. For such carryovers, the law will apply as if no Section 179 expensing election had been made for that property.

Small Business Jobs Act of 2010, September 27, 2010

**FORM 4684
CASUALTIES & THEFTS**



PONZI – STYLE INVESTMENT FRAUD RELIEF

OVERVIEW. IRS has issued guidance for many investors caught in Ponzi style investment frauds similar to the recent Bernard Madoff scheme. The guidance consists of (1) a revenue ruling (Rev Rul 2009-9) dealing with seven specific tax issues that victims of these schemes may confront; and (2) a revenue procedure (Rev Proc 2009-20) providing safe harbors for determining the proper time and amount of the loss. This guidance applies to investors caught up in any fraud, if they qualify for relief under this revenue ruling and revenue procedure.

REVENUE RULING 2009-9 offers generous tax treatment for Ponzi victims. The seven specific tax consequences to investors in these schemes are listed and explained later (outside of this box) in the section for Rev Rul 2009-9.

WHEN APPLICABLE. All open tax years.

REVENUE PROCEDURE 2009-20 allows Ponzi victims to use safe harbors to measure loss and determine year of loss. These safe harbors are listed and explained later (outside of this box) in the section for Rev Proc 2009-20.

WHEN APPLICABLE. To losses for which the discovery year is a tax year beginning after 12-31-2007.

Rev Rul 2009-9, Rev Proc 2009-20 and Rev Proc 2011-58.

**REVENUE RULING
2009-9**

(1) NATURE OF LOSS. A loss from criminal fraud or embezzlement in a transaction entered into for profit is a theft loss under Code Section 165. The loss is not a capital loss. Thus the loss is reported on Form 4684, not on Schedule D.

**FORM 5405
FIRST-TIME HOMEBUYER CREDIT**



HOMEBUYER CREDIT 2011 UPDATE

REPAYMENT OF 2008 HOMEBUYER CREDIT CONTINUES. The 2008 Homebuyer Credit (maximum credit of \$7,500) is being repaid in equal payments over 15 years with the first repayment due in 2010. This repayment is further accelerated if the home ceases to be used as a principal personal residence at any time during those 15 years. This repayment is reported on Form 5405 and appears on Form 1040, line 59b.

REPAYMENT OF 2009 & 10 HOMEBUYER CREDIT. The 2009 and 2010 Homebuyer Credit (maximum credit of \$8,000 or \$6,500) must be repaid only if the home ceases to be used as a principal personal residence within 36 months from date of original purchase. However, see special rules for service members shown directly below.

2011 CREDIT RULES -- ONLY AVAILABLE FOR SERVICE MEMBERS. For individuals who are on "qualified official extended duty" as a member of the uniformed services, a member of the U.S. Foreign Service or an employee of the intelligence community, WHBA extends this credit and eliminates any recapture. ("Qualified official extended duty" is any period of extended duty while serving at a place of duty at least 50 miles away from taxpayer's principal residence or in mandated government quarters for a period in excess of 90 days or for an indefinite period).

(1) The expiration of the credit is extended for one year beyond the dates shown in the table (starting on the next page) for an individual (and their spouse if married) who serve on qualified official extended duty beginning after 12-31-2008 and ending before 05-01-2010. (This must be duty outside of U.S.)

(2) Recapture of the credit (under 2008 or 2009/2010 laws) will be waived in the case of a disposition of a principal residence or the cessation of use as a principal residence after 12-31-2008, by an individual (and their spouse if married) who receive Government orders for official extended duty service.

American Recovery & Reinvestment Act Of 2009 and Worker, Homeownership & Business Assistance Act Of 2009.



CALIFORNIA DIFFERENCES

CALIFORNIA no longer has a credit for purchase of homes. However the 2009 and 2010 credits are still being carried forward.



FOR 2010 & 2011 – MORE PERSONAL CREDITS ALLOWED

See the chart below for credits allowed against AMT.

ARRA 2009 and Tax Relief Act of 2010

Credits Allowed Against AMT			
Type Of Credit	Code Section	Form	Years
Child & Dependent Care	21	2441	Through 2011
Elderly & Permanently/Totally Disabled	22	Schedule R	Through 2011
Adoption Expense (Refundable in 2010 & 2011)	23	8839	Permanent
Child Tax Credit	24	Worksheet	Through 2012
Mortgage Certificate	25	8396	Through 2011
Education—HOPE/Lifetime Learning	25A	8863	Through 2011
Education—American Opportunity	25A	8863	Through 2012
Low Income Retirement Savings (“Savers”)	25B	8880	Permanent
Non-Business Energy Property (Energy-efficient improvements to principal residence)	25C	5695	Through 2011
Residential Energy-Efficient Property (Solar, fuel cell, wind and geothermal property)	25D	5695	Permanent
Qualified Plug-in Electric Vehicle (QPEV)	30	8834	Permanent
Alternative Motor Vehicle (AMV)	30B	8910	Permanent
New Qualified Plug-in Electric Vehicle (NQPEV)	30D	8936	Permanent
1st Time D.C. Homebuyer	1400C	8859	Through 2011



OLDER AMT CREDITS BECOME REFUNDABLE

For 2007, taxpayers with large “long-term” AMT Credits have limited ability to capture the older ones.

Tax Relief & Health Care Act of 2006.

For 2008, the credits are captured quicker, and refundable regardless of income.

Emergency Economic Stabilization Act of 2008.

For more information on this topic see Form 8801 discussions.

HOPE and AMERICAN OPPORTUNITY Credits (§25A)—2011

Item	HOPE	AMERICAN OPPORTUNITY
Who Can Use?	Taxpayer, Spouse & Dependent	
Form	Form 8863	
Years Applicable	Before 2009 & After 2012 (Used in 2009 only if student in Midwestern disaster area)	2009 Through 2012 Only
Credit Amount	Up to \$1,800 per student per year. (100% of first \$1,200 of qualified expense, plus 50% of next \$1,200). No refund or carryover.	Up to \$2,500 per student per year. (100% of first \$2,000 of qualified expense, plus 25% of next \$2,000). No carryover, but part is refundable (see below).
Refundable?	No	40% of credit is refundable. (But not for Kiddie Tax child).
Use Against AMT?	Usually No, But Yes in 2009	Yes
Qualifying Education	Only allowed for first 2 years of post-secondary education in a degree or certificate program (i.e., student may use the credit in only 2 tax years, & they must be years when student is taking part of first 2 years of study).	Only allowed for first 4 years of post-secondary education in a degree or certificate program. IRS instructions indicate that academic period must begin in 2011 or 1 st 3 months of 2012. It has been pointed out to IRS that this time period might include 1 st year of graduate school and IRS has not disagreed with this.
Qualifying Expenses	Tuition and fees - No books, supplies, room & board, student activity or health fees, insurance, transportation etc.	Tuition, fees and course materials. - No room & board, student activity or health fees, insurance, transportation etc.
Special Rules	Student must be enrolled at least halftime. Credit denied if student convicted of felony drug offense within last 2 or 4 years. No courses involving sports, hobbies, games - unless part of degree program. Offsets for scholarships, VA benefit, etc. A given student may not claim HOPE or AMERICAN OPPORTUNITY and LL in same year.	
Phase Out 2009--2012	\$100,000 - \$120,000 = couples, \$50,000 - \$60,000 = single.	\$160,000 - \$180,000 = couples, \$80,000 - \$90,000 = single

FORM 8863 OVERVIEW. As in 2010, Form 8863 for 2011 still has two pages but only four sections because the HOPE credit is again not available in 2011.

Part I is for the calculation of the American Opportunity Credit.

Part II is for the Lifetime Learning Credit.

Part III calculates the refundable portion of the American Opportunity Credit.

Part IV calculates the non-refundable portion of all remaining credit amounts.


PROFESSIONAL CONTINUING EDUCATION & LICENSE RENEWAL

See chart below for 2011 continuing education and license/registration renewal requirements for CPAs, EAs and CTEC registrants.

2011 Continuing Education and Licensing/Registration Requirements			
Who	Renewal Period	Hours For Renewal	Other Requirements
CPA California Board of Accountancy 916-561-1702	Renew license every 2 years with year ending last day of birth mo Born even yr, renew even yr; born odd yr, renew odd yr Submit CE hours for previous renewal cycle	80 hrs/renewal cycle 20 hrs/renewal year minimum with 12 hrs in technical subjects CE credits based on 50 minute hour Every 3 rd renewal cycle (every 6 yrs) need 2 hrs regulatory review approved by Board	CPA with A&A requirement = 24 of 80 hrs in A&A courses and 8 hr fraud course CPA perform govt audits = 24 of 80 hrs in govt courses and 8 hr fraud course 4 hrs Ethics/renewal cycle
CPA AICPA	Renew membership every 3 years with year ending Jul 31 Submit CE hours and pay dues annually with year ending Jul 31	120 hrs/renewal cycle Satisfy state board CE requirements = OK CE credits based on 50 minute hour	Be member in good standing with state board
EA IRS 313-234-1280	Renew license every 3 years with year ending Dec 31 Submit CE hours for previous renewal cycle	72 hrs/renewal cycle 16 hrs/calendar year minimum CE credits based on 50 minute hour	2 hrs Ethics or Prof Conduct in each year of renewal period
EA NAEA/CSEA	Renewal membership annually with year ending June 30 Submit CE hours for previous calendar year	30 hrs/calendar year CE credits based on 50-minute hour	2 hrs of Ethics in each calendar year
CTEC 877-850-2832	Renew license annually with year ending Oct 31 Submit CE hours for previous renewal cycle	20 hrs/renewal cycle CE credits based on 50-minute hour	12 hrs of Federal 4 hrs of California 2 hrs of Ethics 2 hrs of either Federal or California

**INTEREST RATES CHARGED OR PAID
BY IRS (§6621) AND FTB**

Period	IRS Rate	FTB Rate
2012		
10/01 – 12/31	%	%
07/01 – 9/30	%	%
04/01 – 06/30	%	4%
01/01 – 03/31	3%	4%
2011		
10/01 – 12/31	3%	3%
07/01 – 9/30	4%	3%
04/01 – 06/30	4%	4%
01/01 – 03/31	3%	4%
2010		
10/01 – 12/31	4%	4%
07/01 – 9/30	4%	4%
04/01 – 06/30	4%	4%
01/01 – 03/31	4%	4%
2009		
10/01 – 12/31	4%	5%
07/01 – 9/30	4%	5%
04/01 – 06/30	4%	5%
01/01 – 03/31	5%	5%
2008		
10/01 – 12/31	6%	7%
07/01 – 9/30	5%	7%
04/01 – 06/30	6%	8%
01/01 – 03/31	7%	8%
2007		
10/01 – 12/31	8%	8%
07/01 – 9/30	8%	8%
04/01 – 06/30	8%	8%
01/01 – 03/31	8%	8%
2006		
10/01 – 12/31	8%	7%
07/01 – 9/30	8%	7%
04/01 – 06/30	7%	6%
01/01 – 03/31	7%	6%
2005		
10/01 – 12/31	7%	5%
07/01 – 9/30	6%	5%
04/01 – 06/30	6%	4%
01/01 – 03/31	5%	4%
2004		
10/01 – 12/31	5%	4%
07/01 – 9/30	4%	4%
04/01 – 06/30	5%	5%
01/01 – 03/31	4%	5%