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MATERIALS NEEDED TO PREPARE YOUR INCOME TAX

- 1. Copy of last year's federal and state return if we did not prepare your return

Include any notes about changes in your dependents (such as not a full-time student, moved out of the house, etc.) This year, NJ wants to know if your dependents had health insurance on the date you will be filing. If you don't tell us, we will say yes.

- 2. Any federal and state tax correspondence or forms you received.

- 3. Dates and amounts of estimated tax payments:

	Date paid or Applied	Federal Amount	State Amount
1st.			
2nd.			
3rd.			
4th.			
w/ Extension:			

- 4. All W-2's & 1099s & 1098s including wages, non employee compensation, retirement income, interest and dividends, sales of stock and bonds, prizes etc.

- 5. Purchase information for any stocks, bonds, or mutual funds sold, including dividend reinvestments.

- 6. Income and expense from rental properties and businesses (worksheets are available)

- 7. Copies of K-1's from partnerships, subchapter S corporations, trusts and estates.

- 8. IRA/Keough/SEP contribution and rollover information.

- 9. NJ property tax deduction/credit requires total rent paid if you rent. Landlord info. no loner needed.

- 10. Child (under 13) care expenses for working (or looking for work) parent:

	Child 1	Child 2
Tax ID if provider not tax exempt:		
Name & address of provider:		
Amount of expenses paid:		

- 10a. Student loan interest paid and postsecondary education expenses for self, spouse, or dependent

11. Unreimbursed moving expenses for a job related move.

12. Purchase or sale of residence:

If old residence used for business or used as home less than two years, please call first to discuss.

Purchase of new:

Closing papers and any “points” paid outside of closing.

13. Itemized deductions:

Medical expenses including insurance and mileage (table below)

Real estate taxes

Interest on home mortgage & home equity loans or details of refinance, including “points”

Investment interest expense

Investor's expenses

Charitable mileage (table below) and contributions, cash and non-cash:

Remember, new rules require for your files a receipt or bank record for any cash contribution, and a receipt for any single donation over \$250.

Casualty losses if substantial.

Business related professional fees

Safety deposit box fees paid

Employee business expense including travel, entertainment, meals, supplies, dues, subscriptions, job hunting etc.

14. Business automobile expenses:

Make & year:

	Business mileage	Medical mileage	Charitable mileage
Total Mileage:			

Tolls and parking:

If you wish to have the standard mileage rate compared to your actual expenses, please also supply:

1. Purchase data (lease or buy) for first year of business use of car (otherwise we have it)
2. Repair and maintenance expenses
3. Gasoline expense

15. Residential energy credit information, if any.

Any questions? Just call!

FEDERAL IRS 2010 Changes Offer Expanded Tax Benefits January 2011

Three Extra Days to File and Pay

Taxpayers, nationwide, will have until Monday, April 18, 2011, to file their 2010 returns and pay any taxes due. Taxpayers get the extra time because Emancipation Day, a holiday in the District of Columbia, is observed this year on Friday, April 15. By law, D.C. holidays impact tax deadlines in the same way that federal holidays do. The April 18 deadline applies to any return or payment normally due on April 15. It also applies to the deadline for requesting a tax-filing extension and for making 2010 IRA contributions.

Special Charitable Contributions for Certain IRA Owners

This provision, now available through the end of 2011, offers older owners of individual retirement accounts (IRAs) a different way to give to charity. An IRA owner age 70½ or over can directly transfer, tax-free, up to \$100,000 per year to eligible charities. Known as a qualified charitable distribution (QCD), this option is available for distributions from IRAs, regardless of whether the owners itemize their deductions. Distributions from employer-sponsored retirement plans, including SIMPLE IRAs and simplified employee pension (SEP) plans, are not eligible to be treated as a qualified charitable distribution. For tax-year 2010 only, IRA owners can choose to treat QCDs made during January 2011 as if they occurred in 2010.

To qualify, the funds must be contributed directly by the IRA trustee to an eligible charity. Amounts so transferred are not taxable and no deduction is available for the transfer.

Not all charities are eligible. For example, donor-advised funds and supporting organizations are not eligible recipients. Remember to check eligibility of the charity before requesting a QCD.

All QCDs from an IRA to eligible charities are counted in determining whether the owner has met the IRA's required minimum distribution. Where individuals have made nondeductible contributions to their traditional IRAs, a special rule treats QCD amounts as coming first from taxable funds, instead of proportionately from taxable and nontaxable funds, as would be the case with regular distributions.

Report qualified charitable distributions on Form 1040 Line 15. See the instructions for Form 1040 Line 15 for details.

More People Qualify for Roth IRA Conversions

Income limits no longer apply to rollovers or conversions to Roth IRAs from other retirement plans. In the past, only taxpayers with modified adjusted gross income of \$100,000 or less were eligible, and a married person filing a separate return who lived with his or her spouse at any time during the year was barred from Roth IRA rollovers or conversions, regardless of income.

FEDERAL IRS 2010 Changes Offer Expanded Tax Benefits January 2011

For 2010 rollovers and conversions only, half of the resulting income must be included in income in tax year 2011 and the other half in 2012, unless the taxpayer chooses to include all of it in income in 2010. In all situations, taxpayers must report any 2010 conversion on Form 8606 for tax year 2010. These rules do not apply to rollovers from another Roth IRA or from a designated Roth account. See Form 8606 and its instructions for details.

Exemptions and Itemized Deductions No Longer Phased Out

Overall income limits for personal and dependency exemptions and itemized deductions do not apply. Before 2010, taxpayers whose incomes were above certain levels lost part or all of their exemptions and part of their itemized deductions. For taxpayers at all income levels, limitations continue to apply to particular itemized deductions, such as medical and dental expenses, certain miscellaneous itemized deductions and casualty and theft losses.

Adoption Credit Expanded

The maximum adoption credit for 2010 is increased to \$13,170 per child, up from \$12,150 in 2009. The credit is refundable, meaning that eligible taxpayers can get the credit even if they owe no tax. In general, the credit is based on the qualified adoption expenses, which include adoption fees, court costs, attorney's fees and travel expenses. Income limits and other special rules apply.

In addition to filling out Form 8839, Qualified Adoption Expenses, eligible taxpayers must include with their return an adoption order or decree or certain other documents.

Because of these documentation requirements, taxpayers claiming the adoption credit will have to file paper tax returns. Normally, it takes six to eight weeks to get a refund claimed on a complete and accurate paper return where all required documents are attached. Taxpayers claiming the credit will still be able to use IRS Free File to prepare their returns, but the returns must be printed out and sent to the IRS, along with all required documentation.

Health Insurance Deduction Reduces Self Employment Tax

In 2010, eligible self-employed individuals can use the self-employed health insurance deduction to reduce their social security self-employment tax liability in addition to their income tax liability. As in the past, eligible taxpayers claim this deduction on Form 1040 Line 29. But in 2010, eligible taxpayers can also enter this amount on Schedule SE Line 3, thus reducing net earnings from self-employment subject to the 15.3 percent social security self-employment tax.

Premiums paid for health insurance covering the taxpayer, spouse and dependents generally qualify for this deduction. Premiums paid for coverage of an adult child, under

FEDERAL IRS 2010 Changes Offer Expanded Tax Benefits January 2011

age 27 at the end of the year, for the time period beginning on or after March 30, 2010, also qualify for this deduction, even if the child is not the taxpayer's dependent.

As before, the insurance plan must be set up under the taxpayer's business, and the taxpayer cannot be eligible to participate in an employer-sponsored health plan. Details, including a worksheet, are in the instructions to Form 1040.

First-Time Homebuyer Credit

Taxpayers who claimed the first-time homebuyer credit for a home bought in 2008 must generally begin repaying it on the 2010 return. In most cases, the credit must be repaid over a 15-year period. Many of those affected by this requirement received reminder letters from the IRS.

A repayment requirement also applies to a taxpayer who claimed the credit on either their 2008 or 2009 return and then sold it or stopped using the home as their main home in 2010. Use Form 5405 to report the repayment.

In addition, certain members of the armed forces and some other taxpayers still have time to buy a home and take the credit. See Form 5405 and its instructions for details.

Deduction for Corrosive Drywall

Taxpayers may claim a casualty loss deduction, using a special formula, for amounts paid to repair damage to their homes and household appliances resulting from corrosive drywall. The deduction is smaller for taxpayers with a pending claim for reimbursement or those who plan to pursue reimbursement through property insurance, litigation or other means.

Standard Mileage Rates for 2010

The standard mileage rate for business use of a car, van, pick-up or panel truck is 50 cents for each mile driven. The rate for the cost of operating a vehicle for medical reasons or as part of a deductible move is 16.5 cents per mile. The rate for using a car to provide services to charitable organizations is set by law and remains at 14 cents a mile.

AMT Exemption Increased

For tax-year 2010, the alternative minimum tax exemption increases to the following levels:

- * \$72,450 for a married couple filing a joint return and qualifying widows and widowers, up from \$70,950 in 2009.
- * \$36,225 for a married person filing separately, up from \$35,475.
- * \$47,450 for singles and heads of household, up from \$46,700.

FEDERAL IRS 2010 Changes Offer Expanded Tax Benefits January 2011

Tax Breaks Extended

Several tax breaks that expired at the end of 2009 were renewed and can be claimed on 2010 returns. They include:

- * State and local general sales tax deduction, primarily benefiting people living in areas without state and local income taxes. Claim on Schedule A, Line 5.
- * Higher education tuition and fees deduction benefiting parents and students. Claim on Form 8917.
- * Educator expense deduction for kindergarten through grade 12 educators with out-of-pocket classroom expenses of up to \$250, Claim on Form 1040, Line 23 or Form 1040A Line 16.
- * District of Columbia first-time homebuyer credit. Claim on Form 8859.

Page Last Reviewed or Updated: January 04, 2011

Indexed Tax Brackets

The 10 percent, 15 percent, 25 percent, 28 percent, 33 percent and 35 percent tax brackets all kick in at income levels that are more than 4 percent higher than they were in 2009.

Personal Exemptions

For 2010, each personal exemption you can claim is worth \$3,650, the same as in 2009.

Standard Deductions

For 2010, the standard deduction for married taxpayers filing a joint return is \$11,400, the same as in 2009.

For single filers, the amount is \$5,700 in 2010, up by \$250 over 2009. Heads of household can claim \$8,400 in 2010, up \$50 from 2009.

Credit for Energy-Saving Home Improvements

The 30 percent tax credit of the cost of energy-saving home improvements was extended by the Tax Relief Act of 2010 through 2011.

Section 179 Expense Deduction

The maximum amount of equipment placed in service in 2010 and 2011 that businesses can expense was increased to \$500,000. And the annual investment limit was raised to \$2,000,000. Thus, you won't begin to lose the benefit of expensing until you place more than \$2,000,000 of assets in service in 2010 and 2011. The allowance drops to \$125,000 for tax years beginning in 2012.

New Jersey Important Changes for 2010

Filing Deadline

The filing deadline is April 18, 2011, for calendar year taxpayers, the same day the Federal Form 1040 is due. The due date is April 18 instead of April 15 because of the [Emancipation Day](#) holiday in the District of Columbia.

Form 1099-G

The State of New Jersey is no longer mailing Form 1099-G, *Certain Government Payments*, to report the amount of a State tax refund a taxpayer received. State income tax refunds may be taxable income for Federal purposes for individuals who itemized their deductions on their Federal tax return in the previous year. Taxpayers who need this information to complete their Federal return can view or print their 1099-G information online.

Property Tax Deduction/Credit

Temporary Deduction Limitations Expire. For 2010, eligibility for the property tax deduction is not limited by income. Residents who meet the requirements may be able to deduct up to 100% of property taxes due and paid or up to \$10,000, whichever is less. (For tenants, 18% of rent paid is considered property taxes.) The temporary income eligibility and benefit amount limitations for the property tax deduction were for tax year 2009 only.

Property Tax Credit Application (Form NJ-1040-H). Most New Jersey residents claim the property tax deduction or credit on their resident income tax return (Form NJ-1040). However, certain residents who are not required to file a tax return but are eligible for the property tax credit can use the new Property Tax Credit Application (Form NJ-1040-H) instead of Form NJ-1040 to apply for the credit. Filers can use Form NJ-1040-H **only** if they:

1. Were 65 years of age or older, blind, or disabled on December 31, 2010, **and**
2. Had New Jersey gross income for 2010 of \$20,000 or less (\$10,000 or less if filing status is single or married/CU partner, filing separate return), **and**
3. Have not filed and will not file a 2010 New Jersey resident income tax return, **and**
4. Were **not** a New Jersey homeowner on October 1, 2010.

Note: Residents who owned and occupied their principal residence in New Jersey *on October 1, 2010*, should not file Form NJ-1040-H even if they meet the requirements in paragraphs 1 – 3. The property tax credit for these homeowners will automatically be included with their homestead benefit, provided they file a homestead benefit application.

Earned Income Tax Credit

Residents who are eligible and file for a Federal earned income credit can also receive a New Jersey earned income tax credit. For tax year 2010 and thereafter, the amount of the NJEITC is equal to 20% of the Federal benefit. Complete Worksheet G to determine the eligible amount for 2010.

Family Leave Insurance

Beginning with tax year 2010, excess family leave insurance contributions can be claimed as a credit on Form NJ-1040. The maximum contribution for 2010 was \$35.64. Taxpayers who had more than the maximum amount withheld by two or more employers must enclose a completed Form NJ-2450 with their return to claim the credit.

Designated Contributions

Two new funds have been added to the list of organizations to which taxpayers can contribute on the New Jersey tax return. To donate to the new funds, taxpayers must specify the “code number” at the “Other Designated Contribution” line. The new funds that have been added for 2010 are: Community Food Pantry Fund (09) and Cat and Dog Spay/Neuter Fund (10).

Roth IRAs

Taxpayers who converted a traditional IRA to a Roth IRA during 2010 and made a Federal election to report the

New Jersey Important Changes for 2010

income resulting from the conversion in equal amounts in 2011 and 2012, must report the amount that is taxable for New Jersey in equal installments in 2011 and 2012. If a taxpayer elected to include the entire amount of income from the conversion on the 2010 Federal return, the entire amount that is taxable for New Jersey purposes must be reported on the 2010 New Jersey return.

Tax Rates Revert to 2008 Levels

The New Jersey gross income tax rates for 2010 have reverted to the rates that were in effect for 2008. (Rates were temporarily increased for 2009 on income over \$400,000.)

Commuter Transportation Benefits

The maximum commuter transportation benefit for 2010 is \$2,760.

Credit for Taxes Paid to Other Jurisdictions

The Philadelphia nonresident wage tax rate for 2010 is .034997 from January 1 to June 30, 2010, and .034985 from July 1 to December 31, 2010.

Homestead Benefit (Rebate) Program

Tenants. The new Form NJ-1040-H, Property Tax Credit Application, is not a tenant rebate application. Tenant rebates were suspended for 2009. As a result, no 2010 tenant rebate application is enclosed in the NJ-1040 packet.

Homeowners. New Jersey residents who owned and occupied a home in New Jersey that was their principal residence on October 1, 2010, may be eligible for a homestead benefit provided the 2010 property taxes were paid and certain income limits are met. The homestead benefit application for homeowners is *not* included in the NJ-1040 booklet. Information about the 2010 homestead benefit will be posted as it becomes available.

Note: Benefits available under this program are subject to change.

Property Tax Reimbursement

The Property Tax Reimbursement (PTR) Program reimburses eligible senior citizens or disabled persons for property tax increases. Eligible residents must file a 2010 Property Tax Reimbursement Application (Form PTR-1 or PTR-2) by June 1, 2011. The 2010 PTR applications are expected to be mailed in mid to late February.

Budgetary constraints limited the PTR benefits paid for 2009 to the previous year's benefit level for established participants and did not provide reimbursements to first-time applicants. Applicants who filed 2009 applications as first-time filers but who did not receive a check, should submit a 2010 application if they meet the requirements.

Income Limits With very few exceptions, all income received during the year, including income which is not required to be reported on Form NJ-1040, must be taken into account to determine eligibility for the property tax reimbursement. For residents applying for reimbursements for tax year 2010, total annual income must be:

For 2010: \$80,000 or less, and

For 2009: \$80,000 or less

These limits apply regardless of marital/civil union status. However, if an applicant's status is married/CU couple, combined income of both spouses/CU partners must be reported.

Note: Benefits available under this program are subject to change.

Last Updated: Thursday, 12/30/10