



Impact of Key Tax Law Changes Individuals - Calendar Years 2011 and 2012
As of June 21, 2011

#	What is it?	Who is impacted?	When is it effective?	What does the taxpayer need to do?	Impact to the Taxpayer at tax time
Tax laws effective for 2011					
1	Adoption credit <ul style="list-style-type: none"> The credit is \$13,360 for 2011 AND For 2011 ONLY, credit and carry forward from prior years are fully 	<ul style="list-style-type: none"> Families who complete adoption in 2011 Families who paid qualified expenses for an incomplete domestic adoption in 2010 Families who paid qualified expenses in 2011 for a previously completed adoption 	2011	<ul style="list-style-type: none"> Be aware that the credit will be nonrefundable in 2012 	<ul style="list-style-type: none"> For adoptions in 2012 the credit will be nonrefundable In 2012, the credit amount will decrease to \$12,170 plus an inflation adjustment
2	Nonbusiness Energy Property Credit <ul style="list-style-type: none"> A nonrefundable credit for 10% of costs for qualifying home improvements for heating/cooling efficiency (windows, doors, HVAC) For 2011, the credit is extended but the maximum reverts to a \$500 lifetime credit (\$200 for windows) 	<ul style="list-style-type: none"> Individuals who invest in qualifying improvements to their home Individuals that claimed the credit in prior years will have to determine if they've exceeded the lifetime maximum 	2011	<ul style="list-style-type: none"> Purchase and install energy efficient improvements by 12/31/11 Claim allowable credit 	<ul style="list-style-type: none"> For 2011, 10% of cost of qualifying purchases up to \$500 lifetime limit In 2012, this credit will not be available
3	Alternative motor vehicle credits Beginning in 2011, credits are available only for: <ul style="list-style-type: none"> Vehicles converted into qualified plug-in electric drive motor vehicles (2011 only), Qualified plug-in electric drive motor vehicles, and Qualified fuel cell motor vehicles (2011 through 2014) 	<ul style="list-style-type: none"> Individuals who purchase qualifying vehicles within the appropriate time period 	2011	<ul style="list-style-type: none"> Convert a vehicle to or purchase a qualified plug-in electric drive vehicle in 2011 Purchase a qualified fuel cell vehicle (2011- 2014) 	<ul style="list-style-type: none"> Beginning in 2011, no credit is available for purchasing a hybrid vehicle, advanced lean-burn technology vehicle, or alternative fuel motor vehicle.
4	Qualified charitable distribution from IRAs <ul style="list-style-type: none"> Qualifying taxpayers may exclude from gross income up to \$100,000 of otherwise taxable distributions from their traditional IRA 	<ul style="list-style-type: none"> Taxpayers age 70 1/2 or older who direct their IRA trustee to make distributions directly to a qualified charitable organization 	2011	<ul style="list-style-type: none"> Direct IRA trustee to make distribution directly to a qualified charitable organization 	<ul style="list-style-type: none"> Lower taxable income for the taxpayer who owns the IRA
5	Mortgage Insurance Premiums deductible as mortgage interest <ul style="list-style-type: none"> Mortgage insurance premiums paid on a qualified mortgage may be deducted as mortgage interest on Schedule A (2011 only) 	<ul style="list-style-type: none"> Taxpayers who pay mortgage insurance premiums, AND Itemize deductions 	2011	<ul style="list-style-type: none"> Deduct eligible mortgage insurance premiums on Schedule A 	<ul style="list-style-type: none"> Higher deduction amount for mortgage interest in 2011 In 2012, this deduction is not available
6	AMT Patch <ul style="list-style-type: none"> Increased AMT exemption amounts for 2011 For 2011, exemption amounts will be \$48,450 (\$74,450 MFJ) 	<ul style="list-style-type: none"> Individuals with AMT preference items and adjustments that will increase AMT income 	2011	<ul style="list-style-type: none"> Consider income and/or expenses with AMT impact and consider avoiding or deferring them 	<ul style="list-style-type: none"> Higher exemption may reduce AMT exposure, but taxpayer may still be subject to AMT
7	Tuition and Fees Deduction <ul style="list-style-type: none"> Taxpayers enrolled or attending an eligible postsecondary educational institution may claim up to \$4,000 deduction for tuition and fees paid in 2011 	<ul style="list-style-type: none"> Individuals who pay qualified expenses while enrolled or attending an eligible educational institution in 2011 	2011	<ul style="list-style-type: none"> File Form 8917, Tuition and Fees Deduction 	<ul style="list-style-type: none"> Up to a \$4,000 adjustment to income for 2011 for qualifying taxpayers Taxpayer does not need to itemize to claim this deduction
8	State and Local Sales Tax <ul style="list-style-type: none"> Taxpayers who itemize may deduct state and local sales taxes paid in lieu of state and local income taxes paid 	<ul style="list-style-type: none"> Taxpayers who made substantial purchases in 2011 Taxpayers in states with no income tax 	2011	<ul style="list-style-type: none"> Bring in receipts for their state and local sales tax paid on large purchases 	<ul style="list-style-type: none"> Could result in a lower tax liability for taxpayers who itemize deductions
9	Educator Expense Deduction <ul style="list-style-type: none"> A \$250 deduction for expenses paid or incurred for books, supplies, computer equipment, other equipment, and supplementary materials purchased and used by the educator in the classroom 	<ul style="list-style-type: none"> Elementary and secondary (K – 12) educators who purchase supplies for their classrooms 	2011	<ul style="list-style-type: none"> Keep receipts for supplies purchased and Seek reimbursement from employer first 	<ul style="list-style-type: none"> Lower tax liability for qualifying taxpayers Taxpayer does not need to itemize to claim the deduction



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10	Capital gain reporting requirements <ul style="list-style-type: none"> Beginning in 2011, details for each sale of a capital asset (stock, mutual fund, etc.) must be reported on new Form 8949 AND Carried to Schedule D to aggregate totals from all gain and loss transactions 	<ul style="list-style-type: none"> Taxpayers who sell capital assets in 2011 and future years 	2011	<ul style="list-style-type: none"> Be aware of new filing requirement File Form 8949 with return 	<ul style="list-style-type: none"> Additional reporting requirement
11	Payroll Tax Holiday – <u>not</u> an income tax event <ul style="list-style-type: none"> For 2011, employees will pay 4.2% (instead of 6.2%) in social security taxes on wages up to \$106,800, AND Self-employed individuals will pay self-employment tax at a rate of 13.3% (instead of 15.3%) 	<ul style="list-style-type: none"> All taxpayers who earn income subject to social security tax Self-employed taxpayers making estimated tax payments 	2011	<ul style="list-style-type: none"> Nothing Be aware that in 2012 social security withholding increases AND after-tax take home pay will decrease 	<ul style="list-style-type: none"> There is no impact at tax time Taxpayers need to be aware that their paychecks will decrease in 2012 Self-employed taxpayers will have increased estimated payments in 2012
Tax laws effective for 2012					
12	Adoption credit <ul style="list-style-type: none"> The credit is \$12,170 plus an inflation adjusted amount for 2012 AND The credit is nonrefundable for 2012 	<ul style="list-style-type: none"> Families who complete adoption in 2012 Families who paid qualified expenses for an incomplete domestic adoption in 2011 Families who paid qualified expenses in 2012 for a previously completed adoption 	2012	<ul style="list-style-type: none"> Be aware that the credit is nonrefundable in 2012 	<ul style="list-style-type: none"> The credit is nonrefundable; excess credit will have to be carried forward Beginning in 2013, the credit amount decreases and is subject to many limitations
13	American opportunity credit (AOC) <ul style="list-style-type: none"> Credit up to \$2,500 for the first four years of college Partially refundable, up to \$1,000 	<ul style="list-style-type: none"> College students or their parents if claiming the student as a dependent 	2012	<ul style="list-style-type: none"> Be aware the credit expires 12/31/12 	<ul style="list-style-type: none"> After 2012, there may be fewer tax benefits available for education expenses
14	Child tax credit (CTC) and Additional Child Tax Credit (ACTC) <ul style="list-style-type: none"> Credit of \$1,000 per child (reduced to \$500 per child beginning in 2013) After 2012, refundability is limited to families with earned income and three or more children 	<ul style="list-style-type: none"> Families with children under age 17 	2012	<ul style="list-style-type: none"> Be aware that the maximum credit is reduced to \$500 per child beginning in 2013 	<ul style="list-style-type: none"> After 2012, the amount of the credit is reduced by \$500 per child After 2012, refundability changes may result in: <ol style="list-style-type: none"> (1) \$0 credit for low income families with one or two children AND (2) Limited refundability for families with three or more children
15	Earned income tax credit (EITC) <ul style="list-style-type: none"> For 2011 and 2012 a higher phaseout range (\$5,000 adjusted for inflation) is available for MFJ taxpayers AND There is a greater benefit for families with three or more children 	<ul style="list-style-type: none"> MFJ filers claiming EIC Taxpayers with more than 2 children 	2012	<ul style="list-style-type: none"> Be aware that beginning in 2013, marriage penalty relief is eliminated AND The largest benefit is for families with two children 	<ul style="list-style-type: none"> In 2013, many qualified taxpayers will qualify for a smaller credit
Estate Tax					
16	Estate Tax <ul style="list-style-type: none"> Basis of assets stepped up to FMV on date of death The estate gets an exemption amount of \$5M The top estate tax rate will be 35% 	<ul style="list-style-type: none"> Beneficiaries of individuals with a date of death in 2011 and 2012 	2011 and 2012	<ul style="list-style-type: none"> Those with estates over \$5M will pay estate tax 	<ul style="list-style-type: none"> None



NOTE: For more information, go to www.thetaxinstitute.com.