

## **SPECIAL ALERTS** EMANCIPATION DAY AND TAX SEASON 2011

For Tax Season 2011, the due date for the 1040 family of returns for 2010 is April 18, 2011.

Although April 15 falls on a Friday in Tax Season 2011, Washington, D.C. will observe the Emancipation Day holiday on that day. All federal and municipal offices will be closed.

Emancipation Day, a legal holiday in D.C., is observed annually on April 16. Under D.C. statutes, if a legal holiday falls on a Saturday, the holiday is observed the preceding non-holiday day.

Under §7503 of the IRC, when the last day for “performing any act” falls on a Saturday, Sunday, or legal holiday, the performance of that act is considered timely if it is performed on the next succeeding day which does not fall on a weekend or legal holiday. “Legal holiday” for this purpose includes a legal holiday in Washington, D.C.

Thus individual tax returns and all returns that are normally due on April 15 will be considered timely filed if they are in fact filed on or before April 18, 2011.

Note: The April 18 due date applies to all federal taxpayers, not just to Washington, D.C. residents.

## **CHARITABLE CONTRIBUTIONS OF CREDIT CARD CASH BACK OPTIONS**

In Private Letter Ruling (PLR) 201027015, the IRS analyzed whether several taxpayers would be allowed to claim a deduction for a contribution made to a charity via a credit card rebate program. The taxpayers also inquired as to whether the rebates were includable in gross income.

The Service concluded that the taxpayers could not claim a charitable deduction for the contribution of cash rebates.

The taxpayers had planned to make a donation of a credit card rebate to a charity participating in the program offered by the credit card company. Under the program, the card holder had the option to either receive the cash rebate or to have the credit card company donate the rebate directly to a participating charity.

The ruling request included a sample written acknowledgment with the request. It stated:

This letter is to acknowledge your contribution made to the \_\_\_\_\_, an organization described in section 501(c)(3) of the Internal Revenue Code and qualified to receive contributions deductible for federal income tax purposes, provided the contribution is made exclusively for charitable purposes.

We appreciate your contribution of \$ \_\_\_\_\_ made in calendar year \_\_\_\_\_ and wish to confirm for you that no goods or services were provided to you in consideration, in whole or in part, for your contribution.

Under §170(f)(8), in order to claim a deduction for a charitable contribution a taxpayer must comply with all substantiation requirements for gifts of \$250 or more. The written acknowledgment must show (1) the name of the donee organization, (2) the date of the contribution, and (3) the amount of the contribution.

In rejecting the taxpayers’ claim for a charitable deduction, the IRS determined that the substantiation requirements were not met because the written acknowledgement provided by the credit card company did not specify the date of the contribution. Although the acknowledgment specified the calendar year, it was not specific enough to meet the substantiation requirements.

In response to the taxpayers’ question about whether the rebates were taxable income, the IRS noted that the rebate amount was an adjustment to the purchase price that was not an accession to wealth and not includable in the gross income of the card holder. Thus the taxpayers did not have basis in the rebates.



# For the Tax Pro

## QUESTION OF THE MONTH

### Lay-Off at 62

*Q. My client's position was eliminated late last year due to a downsizing. She was 62 last year and decided to start collecting social security benefits. She is now considering looking for a part-time job. We know that the taxable amount of her benefits, if any, will depend on her total provisional income.*

*Can you explain what will happen to her social security benefits if she returns to work?*



**A.** In years before a social security retirement benefit recipient reaches full retirement age, social security benefits are reduced by \$1 for every \$2 of earnings over an “earnings test” amount. For 2010, the earnings test amount is \$14,160.

For example, say that your client starts a part-time job in August that pays \$18,000 for the year, which is \$3,840 over the annual limit. Based on her earnings, \$1,920 ( $\$3,840 \div 2$ ) of her social security benefits would be withheld. Benefits should be withheld starting with her August, 2010 payment until that amount is recovered. Note that during the first part of the year, in any month she either does not work or earns less than \$1,180, her full social security benefit is payable.

In the year your client reaches full retirement age (see the chart below), the earnings test changes. Social security benefits are reduced \$1 for

every \$3 over the test limit for the full retirement year (currently \$37,680). Starting in the month your client reaches full retirement age, she can earn any amount and still receive full benefits.

Your client should inform the Social Security Administration of her work plans and of any changes in salary, work months, etc.

Note: If social security benefits are withheld because of work, the monthly benefit will be recalculated when your client reaches full retirement age and will likely increase.

For more information on social security benefits and work, see the SSA publication *How Work Affects Your Benefits*.

RETIREMENT AGE	
Year of Birth	Full Retirement Age
1942 and earlier	Age requirements are met
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Note: People born on January 1 of any year should refer to the prior year.

## TAXWORKS TIP OF THE MONTH - Summary Pane

The Summary pane displays client information such as AGI, EIC, Net Tax, Total Payments, and Refund. As you enter information in the client's return, the Summary pane will display real-time calculations. You may select whether to display the *Return Summary*, which includes the above information, or *Same as Output*, which provides a summary of information and totals pertinent to the form or schedule you are working on. A limited amount of information is also included on the status bar when the Summary pane is minimized. This feature is only available in the 1040 system. The figures below compare *Return Summary* and *Same as Output Summary* panes when working on a Schedule C.

Return Summary	
AGI . . . . .	\$163,237
Std or Itemized . . .	15,286
Exemptions . . . . .	1,723
Taxable Income . . .	146,228
Income Tax (33%) . .	37,855
Child Care Credit . .	0
Child Tax Credit . . .	0
Education Credit . .	0
Net Tax . . . . .	54,533
Withheld . . . . .	0
EIC . . . . .	0
Total Payments . . .	50,000
Tax Due . . . . .	4,533
State Zero Bal . . .	-0-

Same as Output	
Gross receipts or	20,000
Total expenses...	1,000
Net profit.....	1,000

## Power Seminar Dates

### Don't Wait to Register

Fifteen years ago we started our Power Training Seminars. Our purpose and goals were many, but two main objectives remain: 1) provide clients training on topics they may not otherwise receive; 2) give clients the opportunity to meet one-on-one with the decision makers of the tax software they use for their livelihood.

Although we receive requests regarding other locations, our responses are overwhelmingly positive in preserving the locations we currently hold the seminars. That stated, our 2010 seminars will be held at the following locations on the dates specified:

#### LAYTON, UT—MON. & TUES. DECEMBER 6th & 7th, 2010

Davis Convention Center—Rooms \$99 per night Single/Double occupancy at the adjoining Hilton Garden Inn. For reservations call: 1-800-861-8712.

#### LAS VEGAS, NV—THURS. & FRI. DECEMBER 9th & 10th, 2010

Treasure Island Resort —Rooms \$89 per night Single/Double occupancy. For reservations call: 1-888-503-8999

#### ORLANDO, FL—MON. & TUES. DECEMBER 13th & 14th, 2010

Walt Disney's Coronado Springs Resort® Rooms \$119 per night Single/Double occupancy. For reservations call: 1-407-939-1020

### Special Rates

Special rates apply for the night prior to, and the first night of the seminars. If staying at the seminar location you **MUST CALL THE SPECIFIED HOTEL LINE FOR RESERVATIONS, NO LATER THAN NOVEMBER 1, 2010**, to receive the TaxWorks special discount. Remember to mention TaxWorks for our special rate. Includes up to 16 hours of CPE\* credit, luncheon, continental breakfast, and materials.

### Registration fee is only \$295 per person

A basic understanding of computer use and tax law is required for attending this seminar. Topics will range from basic to advanced courses. Beginning topics include: Boot Camp for New Users (which covers the basics of the program), use of new technology, electronic filing, sample returns, etc. Advanced topics include:

Asset Manager, 1040 returns, Business returns, etc. Refer to [www.taxworks.com](http://www.taxworks.com) for topics and their level of complexity. This program is a "live-group" offering, and will include interaction between attendees and presenters.



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