H&R Block Tax Tips 2010
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Finding the Right Tax Professional

1. Ask about a tax preparer's years of experience and ongoing education. Do they have the knowledge to accurately represent your interests? Up-to-date training is critical when selecting a tax professional.

2. When it comes to taxes, knowledge can translate into dollars saved. The tax code is always changing so it's critical taxpayers select a tax professional who receives ongoing training. Beware the tax preparer who also sells cars, furniture or other items unrelated to taxes.

3. Know the tax preparer's area of expertise before allowing them to do your taxes. A sick patient wouldn't see an eye doctor for a head cold and a small business owner shouldn't consult a tax professional who can't do small business returns.

4. Make sure your tax preparer protects your confidential data. Tax professionals see Social Security numbers, earnings statement and other private information. Make sure you trust
5. your preparer to review and protect your data.

6. Look for a tax professional who guarantees their work. Understand what happens if an error is made on your return. Will they pay the resulting penalties and interest or will you be left footing the bill? Seek a reputable preparer who guarantees their work.

7. While taxes are typically prepared January through April, the IRS corresponds with taxpayers throughout the year. So, it's important to select a preparer who's available year-round.

8. Avoid tax preparers who say they can obtain larger-than-average refunds. Refund estimations should be based on deductions and credits taxpayers are legally permitted to claim.

9. Regardless of who prepares the taxes, the taxpayer is legally responsible for the information on the return. A little research into the best tax professional now can prevent significant financial and legal harm later.

First-Time Homebuyer Credit

10. If you bought a home in 2009 or plan to in 2010, you may get some tax relief. First-time homebuyers can get a tax credit of up to $8,000 and repeat homebuyers may be eligible for a credit of $6,500.

11. Existing homeowners must have lived in their current home for five of the last eight years to be eligible in 2010 for the $6,500 homebuyer credit.

12. Taxpayers must have entered into a contract to buy a home by April 30, 2010 and close by June 30, 2010, in order to be eligible for the homebuyer credit.

13. Owning a home can trigger many other tax benefits. Taxpayers should consult their tax professional to ensure they receive all the credits and deductions a new house affords them.

Cars

14. Did you know that you can deduct the sales tax paid on up to $49,500 of the purchase price of a new vehicle bought in 2009? This is helpful particularly if you are taking the standard deduction on your tax return. In that case, remember you can add the sales tax to the standard deduction.

15. In order to deduct the sales tax paid on the purchase of a new vehicle, the auto most of have been purchased between Feb. 17, 2009 and Dec. 31, 2009.

Business

16. Small businesses with assets under $10 million continue to be a focus of IRS audits. Knowing what records you should keep to substantiate your business deductions can mean the difference between winning an audit and losing out on tax breaks you deserve.

17. If you own a small business that bought an SUV or other vehicle that weighs over 6,000 pounds in 2009 and it's used for business, you may be able to deduct up to $25,000 of the cost this year, plus take a 50% depreciation deduction on the remaining cost of the vehicle. For example, if your new SUV cost $75,000, you may be able to take a tax deduction of $52,000 on your 2009 business return.

18. If you own your business, 100% of the premiums you pay for the health insurance plan can be deductible as an adjustment on your individual return. Even if you don't have any employees, you can set up a health insurance plan through your business that covers you, your spouse and your dependent children. For additional tax savings, you can also set up a health savings account.

19. Health insurance is one of the most valuable benefits an employer can provide. The combination of a high-deductible health plan and a health savings account can mean big tax savings for you and your employees.

20. If you use part of your home regularly and exclusively for business, you may be able to deduct a portion of your mortgage interest, real estate taxes, utilities, home insurance, and repairs against your business income.

21. If you own a business and you bought new equipment in 2009, special rules allow you to write off more in the year you buy it. Up to $250,000 may be expensed against income. In addition, 50% bonus depreciation on the

remaining cost, in addition to regular depreciation, can mean a sizeable reduction of your taxable income.

22. In these tough economic times, it may be tempting to delay depositing the funds you withhold from your employee's paychecks. However, late payment of employment taxes is subject to a variety of penalties, including a 100% trust fund penalty. Don't go there!

Employment

23. The amount of money withheld from a paycheck can come as a surprise to first-time filers. Generally, employers are required to deduct and withhold federal and state income taxes, local taxes, Social Security and Medicare.

24. The information submitted on a W-4 for a new job determines the amount that's withheld from your check. The more allowances claimed, the less tax withheld, resulting in what could be a bigger bill at tax time.

25. Young single workers earning below $9,350 are not required to file a tax return. However, even if their income is below the filing threshold, they should still file a return to claim a refund of any taxes paid.

26. Teenagers are typically claimed as dependents on their parents' returns unless they earn enough to provide more than half their own support.

27. All tips received are subject to federal income tax. The value of any non-cash tips received such as tickets or passes, also are taxable.

28. Since there's no employer to withhold taxes in a paycheck, self-employed individuals typically pay taxes by making quarterly estimated payments.

Unemployment

29. The first $2,400 of unemployment benefits an individual received in 2009 is tax free. This provision applies only to benefits received in 2009. Normally, unemployment benefits are taxable.

30. If you're unemployed, keeping track of job-search expenses can help reduce your tax liability. Qualified expenses may include job placement services, mileage for driving to interviews and resume development services.

Dependants

31. The dependent care credit isn't just for expenses of caring for a child. If you are caring for an elderly or disabled parent whom you claim as a dependent, you may be able to claim a dependent care credit for up to $600 if you pay a caregiver to look after your parent while you work. You may even be able to pay for up to $5,000 of this care with pre-tax dollars by contributing to your employer's flexible spending plan.

32. Taxpayers can claim a non-resident alien relative as a dependent in some circumstances, even if the relative does not live in the U.S. If the relative is a

resident of Canada or Mexico, an exemption may be allowed if the taxpayer contributes more than half the relative's support and the relative earns less than the exemption limit ($3,650 in 2009).

33. Some Latino Americans care for elderly parents. If you're one of them, you should know about important tax benefits that may be available to your parent or to you. A dependency exemption can mean big savings on your tax bill.

34. If you support an elderly parent, only the taxable portion of their Social Security counts toward the gross income test. But all of the Social Security benefits, whether taxable or not, count toward the support test if these funds are spent rather than saved.

35. If you pay for daycare while you work, you can take a tax credit on eligible daycare expenses limited to $3,000 for one child and $6,000 for two or more children. Also, don't forget to consider your employer's flexible spending plan, which could mean even more tax savings. Contributions to a flexible spending plan are made with pre-tax dollars.

36. Children are a gift! The Child Tax Credit is worth as much as $1,000 per child, regardless of whether taxpayers file singly or jointly. To qualify, parents must have earned income of at least $3,000. Even parents without any tax liability may be eligible for this refundable credit.

37. If you adopt a child, you may be able to take a tax credit for qualifying expenses related to the adoption, including legal fees, airfare and other travel expenses, and notary costs. The credit could reduce your federal tax liability by as much as $12,150 for any type of adoption, and your state may allow a credit as well.

38. If you were thinking of giving investments to your children, you need to know that the "kiddie tax" rules include most children under age 19 and college age children under age 24. If the kiddie tax applies, your child's investment income in excess of $1,900 is taxed at the same rate it would have been taxed had you received it.

Marriage and Divorce

39. How your divorce decree is worded directly affects your tax bill because alimony is taxable, but property settlements and child support aren't. If you receive a share of your ex-spouse's retirement plan, the distribution may be taxable to you based on the terms of the decree.

40. If you're divorced, your divorce decree may not control who claims your children as dependants. Under new IRS rules, Form 8332 has to be signed to release the child's dependency exemption to the non-custodial parent. In some limited situations, divorce decrees issues before 2009 may be used for the release instead of Form 8332.

41. If you divorced this year, you may be able to claim head of household status. You must have paid more than half the cost of keeping up your home and the qualifying dependent must have lived in your home for more than half the year. If you're still married buy your spouse did not live in the same house with you and your child, you may qualify as unmarried for tax purposes.

42. Did you get married in 2009? This big change in you life will also affect your tax status. Consult you financial advisor to determine whether you should file as: married filing jointly or married filing separately.

43. If you changed your name after getting married, don't forget to apply for a new Social Security card. This will help prevent any delays in the processing of your tax return.

44. Whether you're married on Jan. 1 or Dec. 31 this year, the tax law views you as being married all year. And, with your joint filing status comes the threat of the "marriage penalty" – where a married couple pays more in taxes than two singles in the same tax situation. There is no need to worry, in some cases there may actually be a "marriage bonus."

Education

45. The Lifetime Learning Credit is one of seven different tax breaks available to help you pay for the cost of higher education. Are you planning on going back to school? The Lifetime Learning Credit lets you take a tax credit of up to $2,000 per year for college, graduate school, vocational school or even technical training programs. This may be better for some taxpayers than a Tuition and Fees deduction or paying the expenses from a tax-advantaged section 529 plan.

46. Are you gifting to your children's or grandchildren's 529 education savings plan? If so, there is a special gift-tax election to treat the contribution as given over a five year period which can reduce or eliminate gift tax. This is a great way to reduce your taxable estate while providing for a child's education.

47. A 529 college savings plan, provides a tax-efficient way to save for higher education expenses for your child or grandchild. Such a plan allows contributions well in excess of $100,000 to an established account and there is no income limitation on who can contribute. Growth is tax-free and distributions used to pay the higher education expenses of the plan's beneficiary are tax-free as well.

48. Need to save for education? Although there's no federal tax deduction for contributing to a 529 qualified education tuition plan, your state may offer a deduction or credit for contributions to one of its 529 savings or pre-paid tuition plans. Even better, distributions from a 529 plan used for qualified education expenses are tax-free to the plan beneficiary.

49. Student loans are a convenient way to pay for college expenses. If your income is too high to deduct the interest paid on a student loan, consider having your child take the college loans out in his or her name. Your child's income may be low enough to deduct the interest, even if you give them the money to repay the loan.

50. The American Opportunity Credit of up to $2,500 may be claimed for college expenses paid in 2009. The credit is 100% of expenses up to $2,000, plus 25% of the next $2,000 in expenses, and applies to all four years of college. Also, up to $1,000 of the credit is refundable, meaning that you can get the credit even if it more than your tax bill for the year.

Audits

51. The IRS issues millions of taxpayer notices each year. Most issues can be resolved by correspondence and no face-to-face meeting with the IRS is necessary. At H&R Block, we have experienced tax pros that can help you understand the IRS notice, and even help you prepare a response. Our enrolled agents can even represent at your audit if necessary.

52. The IRS will send millions of notices to taxpayers this year. If you receive a letter from the IRS, don't panic. H&R Block has an affordable Audit Service Program and experienced tax professionals who can assist you in responding to the notice or represent you at audit, even if we didn't prepare your return.

Mortgage

53. With foreclosures on the rise in states like California, the Mortgage Debt Relief Act could provide tax relief for homeowners who had mortgage debt forgiven. The legislation protects eligible taxpayers from paying federal income tax on as much as $2 million of debt forgiven on a principal residence.

Gifts

54. If you give cash to your church or other qualified charitable organization, you must have a receipt with the name of the charity, the date, and the amount of the contribution, in order to claim it on your taxes.

55. A charitable remainder trust is a great way to support your favorite charity while creating an income stream for yourself or a loved one. By contributing highly appreciated assets to a charitable remainder trust, you can claim a large charitable contribution deduction without having to pay tax on the gain. You or your life beneficiary is taxed only on the income that is distributed to you each year.

56. Are you considering giving a cash gift this year? The gift tax exclusion for 2009 is $13,000. Spouses together can give one person up to $26,000 without paying gift tax OR reducing their lifetime credit.

Estates

57. Most relatively simple estates (cash, publicly traded securities, small amounts of other, easily valued assets, and no special deductions or elections

or jointly held property) with a total value less than $3.5 million and a date of death in 2009 do not require the filing of an estate tax return.

58. Do you know what lies ahead for estate tax? For 2009, up to $3.5 million of an estate is excluded from federal estate tax. However, there are changes in 2010 and 2011 which may trigger additional taxes for the estate or the heirs.

59. The federal estate tax will be eliminated for estates of individuals who die in 2010 unless Congress acts by December 31, 2009 to retain it.

Investments

60. Be sure to contribute at least the minimum 401(k) matching funds that your employer contributes during 2009. For 2009, you can contribute a maximum of $16,500. If you will be 50 or older by the end of the year, you may make an additional "catch up" contribution of up to $5,500, for total of $22,000 for 2009.

61. Have you thought recently about who should inherit your IRA or pension plan? It may be better to make a charitable organization the beneficiary of your IRA and leave life insurance to your children instead. Why? Because the charity won't pay tax on the IRA, but your children will. Reducing the tax that is paid increases your overall legacy.

62. You may be able to deduct your investment expenses - such as brokerage fees – as long as they exceed 2% of your adjusted gross income. Also, if you're paying your IRA management fees with funds outside of your IRA, you may actually be receiving a lower return on your money. If you're not benefitting from the tax deduction, check on how your fees are paid.

63. There is a silver lining when stock or other securities become worthless – a tax break. The security must be completely worthless in order to claim the loss. Such losses offset capital gains, and up to $3,000 of a net loss reduces your ordinary income. Any unused loss can be carried forward to future years until used.

64. Did you know that if you closed a CD or other timed savings account early, you can deduct the early withdrawal penalty? For example, if you had to pay a penalty of $1,000, you can lower your tax bill by up to $350.

65. Investors: you can lower your capital gains taxes by selling securities that have lost money. Losses offset gains dollar for dollar, and losses in excess of your gains can be deducted, up to $3,000 per year. Investors with significant capital losses might want to reverse this strategy and sell off stocks that have capital gains as a way to use up their losses.

66. Thinking of trading your real estate property for a better one? A like-kind exchange of real property used in a business or as an investment is a great way to trade up while deferring all or most of the tax on the gain in the original property. There are strict rules that must be followed to receive like-

kind exchange treatment, including identification and transfer of the properties. If you do it wrong, there's no going back.

67. Rebalancing your portfolio may be a good idea, but doing so may result in a taxable gain. And even though any losses you have may offset gains, the wash sales rules may prevent you from claiming the losses if you purchase substantially similar property within 30 days before or after the sale. Don't be caught by surprise.

68. Tax-exempt bonds can provide federal and state tax-free income. If you invest in tax-exempt securities rather than taxable ones, your adjusted gross income may be reduced making you eligible for tax benefits that you are otherwise phased out of.

69. If you actively trade stocks and are thinking of electing to be treated as a day trader, you need to know that the requirements to be a day trader are very stringent and many would-be day traders are determined to be "regular" investors. Don't be misled.

70. Did you know that you may save tax by itemizing deductions even if you don't have a mortgage on your home? If your state has high income tax rates, itemizing may be worthwhile for you even if your home is paid for or if you are a renter.

Real Estate

71. Severe storms and flooding this year designated many parts of the country to be eligible for tax relief. To check if your community has been designated, visit the IRS website.

72. Special rules apply to renting your home. If you rent your primary home for 14 days or less, the rental income is not taxable but you can't claim any deductions.

73. Thinking of selling an appreciated capital asset such as stock or a vacation home? You may even want to consider giving the asset to a child or grandchild who is in a lower tax bracket. He or she may be able to sell the property and have all or most of the gain taxed at 0%. However, be careful of "kiddie tax" rules which may tax some of your child's income at your rates.

IRAs

74. If you pay your child for services performed for your business, he or she can contribute the earned income up to $5,000 to an IRA or Roth IRA. She can earn up to $5,450 more wages and pay no tax on her wages. Of course, you can deduct the wages you pay against your business income, and, if your child is under 18, you generally will not have to pay social security tax on the wages.

75. If you are 70½ or older, you do not have to take the annual required withdrawal from your IRA or other retirement plan in 2009. Instead, leaving

that money in your plan may be more financially advantageous. For example, if your minimum required distribution is $30,000 and you're in the 35% tax bracket that means that over $10,000 of your IRA account will continue to grow tax-deferred rather than having been paid in taxes.

76. If you're retired, you need to know that for 2009 and 2010, your pension administrator is using adjusted withholding tables that will likely result in less tax being withheld. To avoid being under withheld at the end of the year, you need to review your withholding now. If necessary, you can increase your withholding by submitting a new W-4P to your pension administrator.

77. Are you a baseball fan? Yes? Then you know all about the seventh inning stretch. A "stretch IRA" should be in your vocabulary, too. A stretch IRA simply means that your beneficiary can withdraw funds from an inherited IRA over his or her lifetime, increasing the time those investments can grow tax-deferred.

78. If you're 70½ or older and would like to make a donation to your favorite charity, consider transferring the funds from your IRA. This allows you to give up to $100,000 directly from your IRA without paying tax on the transfer.

Green Savings

79. If you use alternative sources to provide energy from your home, such as solar, wind, fuel cell, or geothermal heat pump equipment, you can claim a tax credit of up to 30% of the cost of the new equipment. The home could be your main, vacation, or other second home.

80. You can claim up to $1,500 in homeowner's tax credits for energy efficiency improvements made in 2009 if you installed new insulation, energy-efficient windows, or an energy-efficient furnace, boiler, or air conditioner. Not only do you get a tax break but also years of saving on your energy bill.

81. Did you miss Cash for Clunkers? The American Recovery and Reinvestment Act allows taxpayers to take a deduction for state and local sales and excise taxes paid on the purchase of new cars, light trucks, motor homes and motorcycles on purchases made through December 31, 2009.

82. Don't forget to research the credits and incentives available in your home state for energy efficiency. Each state has a number of energy-related credits available that can reduce your state taxes.

Miscellaneous

83. Bartering, or trading goods or services, is taxable. For example: trading a signed Joe DiMaggio baseball for a set of vintage baseball cards. Knowing how to correctly report this income can be complex.

84. Good record-keeping can really pay off at tax time. Not only will it make your tax preparation easier and faster, but you might uncover enough tax

deductions to be able to itemize. More importantly, the IRS will require receipts and other records in the event of an audit.

85. Download a preview version of H&R Block at home. By drafting out your tax return, you get a birds-eye view of your tax situation. This allows you to make smart decisions about what to do now, in order to lower your taxes. As an added bonus, starting your tax prep now will mean it will take less time for you to finish up your return next year!

The Making Work Pay Credit

86. A key provision of the 2009 Recovery Act, the Making Work Pay Credit gave 95 percent of the nation's workers some extra cash in their paychecks.

87. The credit was worth up to $400 for individuals and $800 for married couples depending on their income.

88. Some taxpayers may find themselves paying a portion of the $400 or $800 back on their 2009 taxes unless they adjusted their withholdings. Those at-risk for owing include workers with multiple jobs and dual-income families.

Filing Extensions

89. As the tax deadline looms, some taxpayers request an extension of time to file. But an extension to file is not an extension to pay.

90. If you need to file an extension beyond the April 15 filing deadline, notify the IRS by completing form 4868. This can be found on IRS.gov or by calling (800) 829-1040.

91. Taxpayers who file an extension have until Oct. 15 to submit a completed tax return. But they should estimate their tax liabilities and send at least 90 percent of what they owe with the extension by the April 15 deadline to avoid penalties and interest.

92. Even if you can't pay what you think you owe, file the extension paperwork. The penalty for failure to file a return or valid extension is 5 percent a month on the unpaid balance. However, the penalty for failure to pay is only .5 percent a month.

93. If you can't pay what's owed, request an installment agreement. If $25,000 or less is owed in taxes, interest and penalties, the taxpayer may apply for an installment agreement through IRS.gov or by completing form 9465. If more than $25,000 is owed, an installment agreement may be applied for using form 433F.

94. Consult your tax professional to complete a late return. H&R Block has more than 4,000 offices open year-round nationwide to help taxpayers after April 15.

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