Tax On Wheels, LLC
"We Come To You"
PO Box 2447 • 29 Olde Stream Court
Irmo, SC 29063

Education Expenses

Do you qualify for a tax credit?

Education credits are available for qualifying education expenses beyond high school for taxpayers, their spouses and their dependents.

The American Opportunity Tax Credit is available to those who have not completed the first four years of education beyond high school as of the start of the tax year. For 2011, the maximum American Opportunity Credit is 100 percent of the first $2,000 of qualified higher-education tuition and related expenses, plus 25 percent of the next $2,000 of such expenses paid during the tax year. The maximum credit allowed is $2,500. Up to 40 percent of this credit may be refundable, computed after AGI phase-out limitation and subject to the Kiddie Tax provisions.

The Lifetime Learning Credit is available for one or more post high-school courses taken by the student during the year, including graduate courses and courses taken to improve or acquire job skills. For 2011, the maximum Lifetime Learning Credit available is $2,000.

2011 AGI Phase-Out	American Opportunity Tax Credit	Lifetime Learning Credit
MFJ, QW	$160,000 – $180,000	$102,000 – $120,000
S, HH	$80,000 – $90,000	$51,000 – $60,000
MFS	Not Available	Not Available

Beware of Email Scams

The IRS does not solicit tax payments through email

Emails said to be from IRS agencies are not new, however this year they seem to be more abundant. One of the newer scams sent to business owners are allegedly from the Electronic Federal Tax Payment System (EFTPS). The email is supposedly a notification letting you know that your tax payment has been rejected and needs to be re-submitted. Please be aware that the IRS does not solicit tax payments via email.

When you click the links in the scam emails, malware/viruses are loaded onto your computer. The malware sends information stored on your computer back to the scammer, putting you at risk.

What do you need to know to keep safe? The IRS will never request financial information, passwords, PINs or any other sensitive information from you via email. The IRS sends paper notices to taxpayers to discuss tax account information. Never provide your bank information to someone via email or click links that are suspicious!

If you ever receive one of these scam emails, do not reply. Do not open any attachments since they might contain malicious code that could infect your computer. Also, do not click any links provided in the email. These websites could also give your computer a virus or malware. Instead, forward the email to phishing@irs.gov.

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Tax On Wheels, LLC
"We Come To You"
(803) 732-4288 • fax (803) 753-9897
PO Box 2447 • Irmo, SC 29063
taxonwheels@att.net • www.taxonwheels.com
Securities Email: Milton.Cooley@genworthrr.com

Are You Planning to Sell Your Home?

Know the tax consequences

If you are planning to sell your home, there are a couple of things you need to do in addition to packing and cleaning. For tax purposes you'll need to determine whether or not the home you are selling is your main residence. Your main home is usually the one that you live in most of the time.

You should determine whether or not you have a gain on the sale of your home. To determine this, you will need to figure out your adjusted basis. Your adjusted basis is the original purchase price of the residence, purchase expenses, improvements, additions, assessments and more. Consult with your tax professional for help in determining the items that may affect your home's adjusted basis. Take the final selling price and reduce it by your adjusted basis to calculate your gain or loss from the sale.

If you have a gain from the sale of your main home, you may qualify for an exclusion of income for all or part of the gain. In general, if you have owned and used your main home as your main residence for two out of the last five years, you are eligible to exclude $250,000 of gain from income ($500,000 for married taxpayers filing jointly). You are not eligible for the exclusion if you excluded the gain from the sale of another home during the two-year period prior to the sale of your home.

If you received the first-time homebuyer credit and within 36 months of the date of purchase you no longer use the property as your principal residence, you may be required to repay the credit. Repayment of the credit is due with the income tax return for the year the home ceased to be your principal residence. The repayment amount is determined by the gain associated with the sale; if there is a loss the credit may not be required. Consult with your tax professional to determine if a repayment is required.

Example for married taxpayers filing jointly selling home:

Sales Price	$2,000,000
*Adjusted Basis**	($1,000,000)
Exclusion	($500,000)
Taxable Gain	$500,000

**(Original cost $750,000 plus $250,000 of improvements)*

Business Trips and Conventions

Mixing business with pleasure

It's not uncommon for business meetings and conventions to be located in vacation destinations such as Las Vegas, Orlando or Honolulu. If the trip is 100 percent business, there's little question as to whether or not the cost of the trip is deductible. However, when it comes to a mix of work and play, it becomes harder to determine what is and is not deductible. It is very important to keep accurate records to substantiate what are business expenses and what are personal expenses during your trip.

If your trip was primarily for business purposes and you only spent some personal time while away, you should be able to fully deduct transportation expenses. Hotel costs are only deductible for the business days; the same is true for meal expenses, with a 50 percent limitation. Hotel and meal costs are not deductible on personal days. However, if your convention or meeting takes place on Thursday, Friday and Monday, the weekend days are deductible, even if you spend the time enjoying personal activities.

There are additional caveats when it comes to annual shareholder meetings, traveling on a cruise or to a resort, as well as traveling abroad. Consult with your tax professional to learn more.

Tax Deductions for Teachers

Did you buy supplies for your classroom?

As a small token of appreciation, teachers are allowed to deduct up to $250 on their tax return for money they spent on classroom supplies. The deduction is an "above-the-line" deduction, which means that it's an adjustment to income; filing a Schedule A, Itemized Deductions, isn't necessary to receive the benefit.

Instructors, counselors, principals and aides employed by state-approved K-12 public and private school systems are also eligible to claim this deduction. Deductible items include unreimbursed books, supplies, computer equipment and other materials used in the classroom. The items you purchase for your classroom must be considered ordinary and necessary in order to deduct the costs. But if you receive a reimbursement for the items you purchase, you may not deduct the cost on your tax return.

The New www.taxonwheels.com is up and running.

After several false starts we are pleased, proud and generally excited to announce that the new web site is up and running. This is no ordinary, run-of-the-mill, put-up-some-pictures website. This is a fully functioning work horse that has many useful benefits for clients. A few things that have us really excited include:

1. The Secure Client Portal which allows you to both upload and download documents to and from the website securely. So if an extra W-2 shows up in the mail unexpectedly you can simply go to the website and upload it to us without having to send it to us in an email using the unsecured internet. This is sure to make things much more secure for all of us.
2. The ability to pay your Tax On Wheels, LLC invoice on the website using your credit card, debit card or your checking account. Now there are no more stamps to buy (unless you are mailing a letter to Santa Claus).
3. The online filing tool is still available for those do-it-yourselfers who have returns that don't need professional assistance. And, if you are eligible to file the form 1040EZ the preparation and electronic filing are free (state tax filing for an additional charge). Even if your return won't fit onto the form 1040EZ the online filing tool will prepare and electronically file your tax return for an affordable cost.
4. Make sure you visit the Tax On Wheels, LLC blog by clicking the word "Blog" at the top of the page. This will be an important method of communication going forward. The blog will enable us to communicate with everyone quickly and efficiently. So drop in and take a look; we've already posted many articles that just may help you save some time or money or both.

Visit us at www.taxonwheels.com and make sure you bookmark the site so you can find your way back when you need us.

Auto Expenses

Do you use your car for business purposes?

If you use an automobile for business, you may be able to receive a tax deduction to lower your income tax. Unless your car is used 100 percent for business, some of your expenses aren't deductible. The IRS is quick to question a vehicle used 100 percent for business. Do you, for example, keep the car at the company headquarters over night?

Deducting auto expenses requires diligent record-keeping. There are two ways to calculate your auto deductions - the standard mileage rate or actual expenses. These methods are available whether you own or lease your vehicle. Taxpayers who wish to use the standard mileage rate in lieu of actual expenses for computing deductible vehicle expenses must elect to do so in the first year. Switching to the standard mileage rate in a later year is not an option.

The actual expense method is as exactly as it sounds. Actual expenses, such as the cost of gas, oil, insurance, repairs, maintenance, tires, washing, licenses and depreciation or lease payments, are eligible. For the standard mileage rate method, instead of tracking the above expenses, you track the business mileage you accrue and use a standard rate. For January 1 through June 30, 2011, the standard rate is 51 cents per mile; for July 1 through December 31, 2011, the rate is 55.5 cents per mile.

You'll need to keep accurate records of the miles incurred for business purposes, dates of business use, destinations and the business purpose. Also, you'll need to note the odometer readings at the beginning and end of the year to determine the total miles for the year for all uses. The important aspect is to make sure you maintain accurate records. The IRS may disallow a deduction for mileage if you are unable to substantiate your deduction.

It's important to note that you cannot deduct commuting mileage (mileage from your home to your regular job). It is necessary to determine your tax home. If you are self-employed and maintain an eligible office in your home, you can deduct the mileage to and from your client's or customer's place of business, as well as between jobs. As an employee, you can deduct mileage between jobs or to a temporary assignment. If you do not have a regular place of business, you can only deduct your transportation expenses to a temporary location outside your general area of employment.

The standard mileage rate for business is based on an annual study of the fixed and variable costs of operating an automobile. The rate for medical and moving purposes is based on the variable costs as determined by the same study. Independent contractor Runzheimer International conducted the study.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.

A taxpayer may not use the business standard mileage rate for a vehicle after using any depreciation method under the Modified Accelerated Cost Recovery System (MACRS) or after claiming a Section 179 deduction for that vehicle. In addition, the business standard mileage rate cannot be used for more than four vehicles used simultaneously.

Child Tax Credit

Your tax preparer can determine if you qualify

The Child Tax Credit has been extended through 2012. The maximum credit is $1,000 for each qualifying child. All or a portion of this credit may be refundable. A qualifying child must satisfy six tests:

Relationship. This is your child or step-child (whether by blood or adoption), foster child, sibling or step-sibling, or a descendant of one of these (for example: grandchild, niece or nephew).

Residence. The child must have the same principal residence as you for more than half the tax year. In certain cases, exceptions apply for children of divorced or separated parents, kidnapped children, temporary absences and for children who were born or died during the year.

Age. The child is under the age of 17 at the end of 2011.

Support. The child must not have provided more than one-half of his/her own support for the year.

Dependent. The child must be claimed as a dependent on your tax return.

Citizen. The child is a U.S. citizen, resident or U.S. national.
For further information on determining whether or not you can claim the Child Tax Credit, speak with your tax professional.

Quik *Tips*

1 Capital gains rates are taxed at 0 percent and 15 percent for 2008 through 2012.

2 Qualified dividends are taxed at 0 percent and 15 percent for 2008 through 2012.

3 The 2011 annual deductible health savings account (HSA) contribution is $3,050 for individuals and $6,150 for families. For a high-deductible health plan (HDHP), the minimum deductible is $1,200 for individuals and $2,400 for families. The HDHP maximum out-of-pocket expense is $5,900 for individuals and $11,900 for families.

4 The 2012 annual deductible HSA contribution is $3,100 for individuals and $6,250 for families. For an HDHP the minimum deductible is $1,200 for individuals and $2,400 for families. The HDHP maximum out-of-pocket expense is $6,050 for individuals and $12,100 for families.

5 For 2011, the contribution limit to a traditional or Roth IRA is $5,000 ($6,000 for taxpayers age 50 and over).

6 Qualified property purchased after September 9, 2010, and before January 1, 2012, may be eligible for 100 percent bonus depreciation.

7 Each person engaged in a trade or business who, in the course of that trade or business, receives more than $10,000 in cash in one transaction or in two or more related transactions, must file Form 8300.