



# Special Year-End Newsletter

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LANEY ACCOUNTING & TAX SERVICES, LLC

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## TAX NEWS

### Seven Tax Tips for Recently Married Taxpayers

The Internal Revenue Service advises the soon-to-be married and the just married to review their changing tax status. If you recently got married or are planning a wedding, the last thing on your mind is taxes. However, there are some important steps you need to take to avoid stress at tax time. Here are seven tips for newlyweds.

- **Notify the Social Security Administration** Report any name change to the Social Security Administration so your name and Social Security number will match when you file your next tax return. File a Form SS-5, Application for a Social Security Card, at your local SSA office. The form is available on SSA's website at [www.ssa.gov](http://www.ssa.gov), by calling 800-772-1213 or at local offices.
- **Notify the IRS if you move** If you have a new address you should notify the IRS by sending Form 8822, Change of Address. You may download Form 8822 from [www.irs.gov](http://www.irs.gov) or order it by calling 800-TAX-FORM (800-829-3676).
- **Notify the U.S. Postal Service** You should also notify the U.S. Postal Service when you move so it can forward any IRS correspondence or refunds.
- **Notify your employer** Report any name and address changes to your employer(s) to make sure you receive your Form W-2, Wage and Tax Statement, after the end of the year.
- **Check your withholding** If both you and your spouse work, your combined income may place you in a higher tax bracket. You can use the IRS Withholding Calculator available on [www.irs.gov](http://www.irs.gov) to assist you in determining the correct amount of withholding needed for your new filing status. The IRS Withholding Calculator will give you the information you need to complete a new Form W-4, Employee's Withholding Allowance Certificate. You can fill it out and print it online and then give the form to your employer(s) so they withhold the correct amount from your pay.
- **Select the right tax form** Choosing the right individual income tax form can help save money. Newly married taxpayers may find that they now have enough deductions to itemize on their tax returns. Itemized deductions must be claimed on a Form 1040, not a 1040A or 1040EZ.
- **Choose the best filing status** A person's marital status on Dec. 31 determines whether the person is considered married for that year. Generally, the tax law allows married couples to choose to file their federal income tax return either jointly or separately in any given year. Figuring the tax both ways can determine which filing status will result in the lowest tax, but usually filing jointly is more beneficial.

For more information about changing your name, address and income tax withholding visit [www.irs.gov](http://www.irs.gov) or give our office a call. IRS forms and publications can be obtained from [www.irs.gov](http://www.irs.gov).

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## Why Your Tax Bill Might Surge Next Year

By Bob Jennings



In a recent tax planning meeting with one of our clients, we shocked them with what their income tax future looked like for 2013 if -- on the off-chance -- Congress continues to do nothing to provide a long-term permanent set of tax laws.

They had no idea what tax breaks were expiring this year and next year, and how much it would cost them personally in extra income tax. But they aren't alone, many Americans and even tax professionals aren't aware that their tax bill could rise dramatically next year.

These clients are your average American family and their situation is a good example of the law changes that will affect all of us. Here's their tax situation with a table summarizing the expiring tax laws that are scheduled to occur in 2011 and 2012.

Meet the Smiths: 26-year-olds Bill and Joan have been married for five years and have two young children. Bill earns about \$65,000 a year in sales and Joan has gone back to work and earns about \$35,000 annually. Bill owes quite a bit on his college student loans and will pay about \$3,000 in interest on them in 2013. With Joan working again, they are paying \$3,000 for year-round child care. Joan inherited some AT&T stock from her grandmother, which pays her \$1,000 in dividends every year. Finally, counting home mortgage interest, they have about \$20,000 in itemized deductions.

The first big change affecting the Smiths will be a combined increase in income tax rates, and a tightening of tax brackets as a result of the expiration of the Bush tax cuts. We estimate this will cost them \$960 in 2013.

Bill will lose the complete deduction of his student loan interest in 2013, costing about \$840. The pair's allowable deduction for child care will drop to \$2,400 from \$3,000, and they will also see their credit for children drop in half, costing another \$1,000.

The marriage tax penalty will come roaring back to hit the Smiths in 2013, costing an estimated \$500. The tax on their dividend income will increase to \$280 from \$150, adding another \$130. Finally, although we did not calculate the effect, without Congressional action to once again "fix" the alternative minimum tax, the Smiths could owe this ugly tax as well!

Luckily for the Smiths — but not for many Americans — other major changes for 2013, which do not personally affect them, include a phase out of itemized deductions and personal exemptions if their income starts to climb.

In summary, because of tax laws expiring this year and next, we estimate that the Smiths will owe \$3,598 more in income tax in 2013 than in 2011 with no change in their income.

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### *FUNNY TAX QUOTES*

**Will Rogers**

It is a good thing that we do not get as much government as we pay for.

**Arthur Godfrey**

I am proud to be paying taxes in the United States. The only thing is I could be just as proud for half of the money.

**Martin A. Sullivan**

There may be liberty and justice for all, but there are tax breaks only for some.

**Peg Bracken**

Why does a slight tax increase cost you two hundred dollars and a substantial tax cut save you thirty cents?



### **Why Your Tax Bill Might Surge Next Year Cont'd.**

**Major Individual Income Tax Benefits Expiring 12/31/2011:**

- Personal tax credits applied against income tax no longer apply
- Higher alternative minimum tax exemptions revert back to extraordinarily low thresholds
- \$250 school teacher expense deduction ends
- Mortgage insurance premium deduction expires
- State and local sales tax deductions expire
- Tuition and related fees deduction end
- IRA to charity tax-free transfers stop
- 2% Social Security tax reduction ends

**Major Individual Income Tax Benefits Expiring 12/31/2012:**

- Marriage penalty equalization ends
- Dividends taxed at capital gains rates removed, taxed at regular rates now
- Capital gains low tax rates expires
- Removal of itemized deduction phase out for higher income Americans
- Removal of personal exemption phase out for higher income Americans
- Child care deduction limit of \$3,000 reverts to \$2,400
- Child credit reduces from \$1,000 per child to \$500 per child
- Low 10% tax bracket for low income Americans is eliminated
- Lower income tax rates and smaller brackets expires
- Refundable adoption credit and reduced deduction
- American Opportunity college education credit expires
- Major reduction in earned income credits and refunds
- Income tax exemption for debt forgiven on home foreclosures and repossessions
- Deduction for student loan interest ends
- Education IRA limit drops from \$2,000 to \$500

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