

Taxes—April 18 (Yes, that's Right) Is Coming Up

By **LAURA SAUNDERS**

It's that time again: tax-filing season. Most employers have to send workers their W-2 wage reports by the end of January, and, with luck, banks and brokers won't be far behind with 1099 forms detailing interest and investment income.

This year's season has several notable wrinkles. Because Congress waited till the last minute to make important changes to 2010 taxes, the Internal Revenue Service is telling some taxpayers to delay filing while it updates its computers.



Tim Foley

Who's affected? The biggest group includes all taxpayers who itemize deductions on Schedule A instead of taking the standard deduction, which for 2010 is \$11,400 for married couples and \$5,700 for single filers. Itemizers give the IRS a detailed list of their deductions for such items as mortgage interest, charitable donations, and state and local taxes, in order to qualify for greater tax benefits from these write-offs.

Others affected by the delay include teachers who claim the \$250 Educator Expense Deduction and those taking the Higher Education Tuition and Fees Deduction on Form 8917 (see Tom Herman's Ask Dow Jones column). But taxpayers using other education benefits -- such as the American Opportunity Tax Credit -- aren't affected.

Recently, the IRS announced plans to start accepting delayed returns on or about Feb. 14, according to agency spokesman Eric Smith. Until then, electronic filers in the affected groups may find that the agency's computers won't accept their returns.

This year is also notable because it's the first year that the IRS isn't sending paper tax forms and instructions to millions of taxpayers. Instead, it's pushing both preparers and individuals to e-file their returns online, although people who want or need to file on paper may print forms from the IRS's website (www.irs.gov) or pick them up at a local office. Last year, 70% of individual returns -- nearly 100 million -- were e-filed.

For those earning less than \$58,000, the IRS offers a special "Free File" program. The software was provided by a consortium of 20 tax preparers, including [H&R Block](#) and TurboTax, and

offers a simple question-and-answer format to guide users. The IRS also offers free "fillable forms" that do simple math for use by any taxpayer.

Taxpayers who e-file will need to supply the IRS with a five-digit PIN number they either create (for the first use) or re-use from earlier years. Each partner of a married couple filing jointly has a separate ID, and the agency has made provisions for those who have forgotten their number. For more information on all aspects of e-filing, go the IRS website.

Finally, taxpayers get a break this year. This year's tax due date is Monday, April 18, even though April 15 falls on a Friday. The reason: The IRS follows the District of Columbia's holiday calendar, and April 16 is a D.C. holiday that moves up when it falls on a Saturday. It commemorates Abraham Lincoln's signing of an 1862 order emancipating slaves in the district. For taxpayers who use the automatic six-month extension -- a grace period for filing but not for paying -- the due date is Monday, Oct. 17.

Here are more changes affecting 2010 returns.

First-time homebuyer tax credit: There have been several versions of this credit, but most taxpayers who claimed it for 2008 purchases must begin repaying it on their 2010 return. See parts III and IV of Form 5405.

Self-employed health-insurance deduction: For 2010 only, self-employed workers who can deduct health-insurance premiums also may take them against Social Security taxes on Schedule SE. For 2010 and after, self-employed workers who deduct insurance premiums can include those for a child who is under age 27 at the end of year, even if the child is not a dependent for tax purposes.

Adoption credit: For 2010, the tax credit of up to \$13,170 for out-of-pocket expenses for the legal adoption of a child is refundable -- meaning that eligible taxpayers can get a check from Uncle Sam even if they owe no tax. This credit phases out for joint filers with incomes above \$182,520. Adoption papers must be filed with a return. For more information, see the instructions for Form 8839.

Mileage rates: For tax year 2010, the standard mileage rate for business use of a car is 50 cents per mile (See IRS Publication 17, chapter 26). For medical expenses, it's 16.5 cents a mile (IRS Publication 502). For moving expenses, it's 16.5 cents a mile (IRS Publication 521). For charitable donations, it's 14 cents a mile (IRS Publication 526).

Sales-tax deduction: Lawmakers extended (for 2010 and 2011) a deduction for state and local sales taxes in lieu of income taxes. This is primarily used by taxpayers who live in states without an income tax, such as Florida, Texas and Washington.

Charitable IRA rollovers: Lawmakers also extended (for 2010 and 2011) a popular provision allowing taxpayers over age 70½ to make contributions of IRA assets of up to \$100,000 per year directly to a charity. The donation isn't tax-deductible, but doesn't raise reported income that might trigger higher Social Security taxes or Medicare premiums. Amounts donated can count as part of a person's required minimum distribution.

Deduction for higher-education expenses: Also extended (for 2010 and 2011) was a deduction for as much as \$4,000 of higher-education expenses for singles earning up to \$80,000 or couples earning up to \$160,000. For many students and their families, however, the American Opportunity Credit is more effective because it's a dollar-for-dollar tax credit of up to \$2,500 per student per year.

Unemployment pay fully taxable: In 2009, taxpayers were allowed to exclude up to \$2,400 of unemployment compensation from income. That exemption expired, so all unemployment compensation is taxable for 2010.

No extra standard deduction for property taxes: Lawmakers didn't extend a provision allowing taxpayers to add as much as \$1,000 to their standard deduction if they pay property taxes. This means taxpayers who want to deduct property taxes will have to itemize.

—Laura Saunders writes about tax issues for The Wall Street Journal.