

A note from Jean

This month we are devoting the newsletter on tax issues for families and individuals. Life changes happen all the time but many events happen this time of year. Change and growth are part of life and usually these changes also bring changes in a family's tax situation. We hope you find this month's newsletter useful and if you do have questions or need more information, just call or email us. We will be happy to help in any way we can. Also, next month's newsletter will be devoted to the tax consequences of owning a home.



Birth and Childhood Tax Issues

Dependent

In most cases, a child can be claimed as a dependent in the year in which he or she was born. The child must have a Social Security Number (SSN).

Child Tax Credit

The child tax credit can reduce your tax. You may be able to take a credit on your tax return for each of your children under age 17.

Child and Dependent Care Credit

You may be able to claim the credit if you pay someone to care for your child under age 13 so that you can work or look for work.

Earned income Tax Credit

The Earned Income Tax Credit (EITC) is a benefit for certain people who work and have earned income or are self-employed. EITC reduces the amount of tax you owe and may also give you a refund.

Required Filing of Tax Return by Child under Age 14

Under certain circumstances, parents can elect to report their minor child's investment income on the parent's return.

Adoption Credit

You may be able to take a tax credit for qualifying expenses paid to adopt an eligible child. The credit may be more if the expenses are for the adoption of a child with special needs.

Credit for Retirement Savings Contributions

If you make eligible contributions to an employer-sponsored retirement plan or to an individual retirement arrangement, you may be able to take a tax credit.

The Retirement Savings Contributions Credit applies to:

- Individuals with incomes up to \$25,000 (\$37,500 for a head of household)
- Married couples, filing jointly, with incomes up to \$50,000
- Persons who are at least age 18, not a full-time student and cannot be claimed as a dependent on another person's return

You may be able to take the credit of up to \$1,000 (up to \$2,000 if filing jointly) if you make eligible contributions to a qualified IRA, 401(k) and certain other retirement plans.



Tax Quiz

I am divorced with one dependent child. This year my ex-spouse will claim the child as an exemption. Does this mean I cannot qualify as head of household?

Tax Relief in Disaster Situations

Special tax law provisions may help taxpayers recover financially from the impact of a disaster, especially when the president declares their location to be a major disaster area. Depending on the circumstances, the IRS may grant additional time to file returns and pay taxes. Both individuals and businesses in a presidentially declared disaster area can get a faster refund by claiming losses related to the disaster on the tax return for the previous year, usually by filing an amended return.

Tax Calendar for June

Individual

June 15 – 1040 ES, 2nd Qtr

Business

June 15 – Monthly Payroll Taxes Due

June 20 – Monthly Sales Tax Due



Tax Quiz Answer

You can file as head of household even though you do not claim your unmarried dependent child as an exemption if you meet all of the following requirements:

- You are unmarried or considered unmarried on the last day of the year.
- You paid more than half the cost of keeping up a home for the year.
- A qualifying person must live with you in the home for more than half the year (except for temporary absences such as school).

Motivational Quote

"You gain strength, courage and confidence by every experience in which you really stop to look fear in the face. You must do the thing you think you cannot do."

Eleanor Roosevelt (1884-1962)

Job Loss Creates Tax Issues

The IRS recognizes that the loss of a job may create new tax issues. The following will help to assist.

- Severance pay and unemployment compensation are taxable.
- Withdrawals from your pension plan are taxable unless they are transferred to a qualified plan. If you are under age 59 ½, an additional tax may apply to the taxable portion of your pension.
- Certain expenses incurred while looking for a new job may be deductible.
- Moving costs you incur because of a change in your job location may be deductible.

Some displaced workers may decide to start their own business – there is lots of information for new business owners.

Tips for Recently Married or Divorced Taxpayers

Newlyweds and the recently divorced should ensure the name on their tax return matches the name registered with the Social Security Administration. A mismatch could unexpectedly increase a tax bill or reduce the size of any refund.

For recently married taxpayers, the tax scenario begins when the bride says "I do." If she takes her husband's last name, but doesn't tell the SSA about the name change, a complication may result. If the couple files a joint tax return with her new name, the IRS computers will not be able to match the new name with the Social Security Number.

After a divorce, a woman who had taken her husband's name and made that change known to the SSA should contact the SSA if she reassumes a previous name.