

# CORNERSTONE'S 2¢CENTS

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JANUARY  
2012

## 2011 Important Tax Filing Info & What's New for 2012

Tax season is here! And while you may have a couple of months until the filing deadline, you will be receiving all required third-party reporting documents (W2s, 1099s, 1099-Bs, etc.) starting this month. If you have not already done so, we recommend that you create a file to store all of these important documents.

### Realized Gain/Loss Reports

**One of the most important changes this year for Cornerstone Capital Advisors' clients is that "Realized Gain/Loss" reports will now be sent directly to you from Charles Schwab & Co., Inc., and you will now be responsible for sending this information to your tax preparer.** In the past, Cornerstone Capital Advisors has provided this report for all taxable accounts to each client and certain tax preparers. However, due to the Emergency Economic Stabilization Act of 2008, brokerage firms are required to report to the IRS not only proceeds from the sales of stocks and mutual funds, but also the cost basis of the investments that were sold. The IRS has designed a new Form 8949 for reporting capital gains and losses. A summary of the information listed on this form is carried over to Schedule D. A couple of new columns have been added to Form 8949 reporting (one for adjustments to basis in case your broker has an incorrect amount, and another for coding the transaction to identify the type of sale).

## **2011 Filing Deadline**

The due date for filing your taxes this year is April 17<sup>th</sup>. This is because April 15<sup>th</sup> falls on a Sunday, and April 16<sup>th</sup> is a Federal Holiday. If you are unable to file by the deadline, you may obtain an extension to October 15<sup>th</sup>. However, your entire tax liability must be paid by April 17<sup>th</sup> to avoid penalties and interest.

## **Other Information**

Business mileage rates for 2011 were changed mid-year, so when calculating your mileage for 2011 you should use the rate of 51 cents per mile for miles driven up to June 30, 2011, and then 55 ½ cents per mile from July 1<sup>st</sup> to December 31<sup>st</sup>.

Mileage rates for 2012 are: 55 ½ cents per mile for business, 23 cents per mile for moving and medical, and 14 cents per mile for charitable purposes.

The temporary payroll tax cut has been extended to February 29<sup>th</sup>. This means employees will enjoy a continued savings of 2% of wages withheld for Social Security – from 6.2% to 4.2%. The Social Security wage base for 2012 is now \$110,100, which is up from \$106,800 in 2011. This means that once your wages exceed this amount, Social Security will not be withheld, but Medicare will continue to be withheld.

The self-employment health insurance deduction will no longer offset the self-employment tax. In 2010 only, self-employed workers were able to reduce the amount subject to self-employment tax on Schedule SE by the amounts paid for health insurance premiums. However, you can still take the deduction on Form 1040 as an adjustment to income.

Also gone for 2011 is the "Making Work Pay Credit". For the past few years we enjoyed a credit of either \$400 per year for single or \$800 per year for married couples filing jointly.

The first-time home buyer's credit is now only available to members of the military or Foreign Service. If you are repaying

the first-time home buyer's credit, you may not need to complete and attach Form 5404.

Foreign financial assets are reported on a new Form 8938. The foreign asset disclosure form is separate and different from the foreign bank account report. Taxpayers with foreign assets may need to file both documents.

If you have any questions regarding these changes, please feel free to call your tax preparer or your Advisor.

*Source: Excerpted from article by Bonnie Lee / Fox Business*