

## THIS MONTH:

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### The Mortgage Forgiveness Debt Relief Act and Debt Cancellation



This provision allows you to exclude from income certain debt forgiven on your personal residence in calendar years 2007 through 2012. The maximum amount that you can treat as qualified principal residence indebtedness is \$2 million or \$1 million if married filing separately. The exclusion does not apply if the discharge is due to services performed for the lender or any other reason not directly related to a decline in the home's value or the taxpayer's financials. You must complete Form 982, *Reduction of Tax Attributes Due to Discharge of Indebtedness*, and file it with your federal return for the year the cancellation occurs.

### Get Copies of Your Tax Documents Faster

Do you need a copy of a previously filed tax return? You can order copies of your tax return or tax account transcript quicker and easier.



You have two ordering methods - phone or mail. To request your free transcripts call the new toll-free number (1-800-908-9946) and follow the message prompts, or complete IRS Form 4506T, *Request for Transcript of Tax Return*, and mail it to the address listed in the instructions. You should receive your transcript in fewer than two weeks. For mailed requests, allow up to 30 days.

If you need an exact copy of a previously filed and processed tax return with attachments (including Form W-2), you should complete Form 4506, *Request for Copy of Tax Return*, and mail it to the address listed in the instructions, along with a \$57 fee for each tax year requested. Copies are generally available for returns filed in the current year and going back six years.

Keep this valuable information in mind in case you, or someone you know, need a copy of a tax document.

### Increased Withholding May Avoid Estimated Tax Penalty

As the year comes to a close, you may find that the amount of tax withheld from your salary or paid in through estimated tax vouchers isn't enough to cover your required estimated tax payments. Increasing your 4<sup>th</sup> quarter estimated tax payment will not avoid the penalty, since these payments are applied on an installment basis. You may however, avoid the penalty by increasing your income tax withheld by your employer. This is because the heavy year-end withholding will be treated as paid equally over the four installment due dates.

## Making the Most of the 2010 IRA-to-Roth-IRA Conversion Rules

New for 2010! This year is the first in which you may convert funds in regular IRAs (as well as qualified plan funds) to Roth IRAs **regardless** of your income level. What's more, you have the choice of paying the tax on the conversion when you file your 2010 return, or deferring the tax hit on the conversion to the 2011 and 2012 tax years. These rules favor those who want to convert to a Roth IRA before year-end but are hesitant to do so because of the current uncertainty over post-2010 tax rates. You now have the luxury to convert before year-end and wait until April 18, 2011, the due date of your 2010 return, to see how the conversion should be handled for best tax results.

## Property Damage from Corrosive Drywall

Did you suffer property damage due to corrosive drywall? The Internal Revenue Service has issued guidance providing relief to homeowners who have suffered property losses due to the effects of certain imported drywall installed in homes between 2001 and 2009. Revenue Procedure 2010-36 enables you to treat damages from corrosive drywall as a casualty loss and provides a "safe harbor" formula for determining the amount of the loss.



You can claim a loss for 75% of the unreimbursed amount paid during the tax year to repair damage to your residence and household appliances from corrosive drywall.

## Promised AMT Relief

What needs to be patched? Absent Congressional action, the 2010 AMT exemption amounts for individuals revert to the levels they were at for 2000. Under present law, more than 21 million taxpayers will be subject to higher taxes in 2010 unless legislation is enacted to limit the reach of the AMT. Taxwriters are assuring the IRS that 2010 AMT patch will be enacted. They are committed to AMT legislation in which, in the aggregate, not one additional taxpayer faces higher taxes in 2010 due to the onerous AMT. Such legislation will allow the personal credits against the AMT and set the AMT exemption amounts for 2010 at \$47,450 for individuals and \$72,450 for married taxpayers filing jointly.

## Adoption Credit for 2010 and 2011

The adoption credit was scheduled to sunset at the end of 2010. However, the massive health care reform legislation extended and revised the adoption tax credit. The health care legislation enhanced the adoption tax credit in three ways. First, it bumped the maximum adoption credit from \$12,150 to \$13,170. Second, it extended this increased tax credit amount to the year 2011. Third, it made the adoption credit refundable. Any adoption credit in the year 2009 or earlier that was in excess of your tax liability can be carried forward to the subsequent tax year. Excess adoption credit can be carried forward for five years and is used up on a first-in, first-out basis.

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**PENALTY NOTICE:** As required by U.S. Treasury regulations, you are advised that any written tax advice contained herein was not written or intended to be used (and cannot be used) by any taxpayer for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code.