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IRS 'What If' FAQs

If you visit the IRS website at www.irs.gov, you can find a section that would answer your 'What If' questions. It pays to look through this section as it might just save you a lot of money. This is especially so if you have undergone major changes in your life such as being laid off or closing down your small business.

Here are some examples of how this section of the IRS website can save you money.

For example, what if you were laid off? Unfortunately, you still have to pay taxes on certain incomes such as severance pay (if any). Any other employee benefits such as sick leave salary or accumulated vacation pay is taxable, too. But when you look for a new job, you should record your expenses such as travel and resume preparation as these are tax deductible.

Another example is if you did not earn much income last year (below the taxable income level). In such a case, you should still file your tax return. You may be eligible for the Earned Income Tax Credit. The maximum credit for 2010 is \$5,666 with three or more qualifying children. In fact, you

might even be eligible for a maximum credit of \$457 with no qualifying children. Check out 'EITC Assistant' on the IRS website to find out whether you should claim this credit.

If you are due a refund from the IRS, here's good news. It is now more convenient to check up on your refund status with the IRS smart phone app called IRS2Go. You can download this app for free from the iTunes store if you own an Apple iPhone or iTouch or the Android marketplace for you Android users. All you need to provide are your Social Security number, the anticipated amount of your refund and your filing status. All information provided by you will be encrypted for security, so it's perfectly safe.

If you submitted your tax return electronically, it only takes a few days for you to check your refund status. But if you had mailed your return, the process might take three to four weeks for you to receive an update on the app about your refund.

Now, what if you had borrowed on your 401(k) or other similar retirement funds for necessary expenses after being laid off? Unfortunately, the outstanding loan is taxable. My advice would be to file your return so that you are not penalized for not filing. Then contact the IRS to discuss your options for repayment. Ask about an Offer in Compromise, any means for a short-term extension or an installment agreement.

If you are not confident in dealing with the IRS, we can help you. Call us at (813) 229 7100 for a free consultation.