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Getting on top of Tax Changes

Tax season is in full swing so it's time to take out your calculator and fill out your tax forms. If only it was as simple as filling in new amounts into the same lines on the same forms. All too often there are changes in tax laws so this makes filing out tax forms a new challenge every year.

Here are some changes in tax laws that affect you this year:

1. Self Employment and Health Insurance

If you are self-employed and buy health insurance, you could save quite a lot of money in taxes with a new regulation that's applicable only for 2010. You can deduct your health insurance premiums from your self-employment taxes.

Although insurance premiums have always been deductible from your income taxes, but this break allows you to subtract this cost from the income that's subject to Social Security taxes too. That can save roughly 15.3% on your annual health premium cost. So, if you pay \$500 a month in premiums, you'll save about \$918 in tax.

But the problem is figuring out where to claim this deduction as it is not included in Form 1040 or even the IRS Schedule SE, where your Social Security and Medicare taxes are calculated. So what you should do is to write it in on the SE form, putting the cost in brackets on Line 3 to show that it is subtracted from your otherwise taxable self-employment earnings.

However, if you got laid off from your job and you received a subsidized COBRA health insurance coverage from your previous

employer and you earned more than \$125,000 if you're single or \$250,000 a year as a married couple then you need to pay the subsidy back.

2. Homebuyers Tax Credit

If you bought a home for the first time in early 2010, you qualify for the homebuyers tax credit of up to \$8,000 or 10% of the purchase price, whichever is less. If you were already a home owner but moved to a new home, you could still claim up to \$6,500 in credits if you bought your home in certain months. But there have been numerous changes in tax law pertaining to this credit.

If you bought a home between November 2009 and May 2010, you might qualify for some kind of credit. However, you cannot file your taxes electronically because claiming the homebuyers credit requires you to submit home closing documents aimed at deterring the sort of widespread fraud that were rampant in the first time home buyer program in its first year.