



**January 18, 2012**

## Tax Changes in 2012

The new year has just begun and it is worth taking note of the various changes the IRS has in store for you. Being aware of these changes could help you avoid a hefty penalty or reduce your risk of being audited.

The first change for this year is that the tax deadline submission date is deferred to April 17 due to the Emancipation Day holiday in DC that falls on April 16. This deadline extension applies not only to tax submissions and tax payments but also IRA contributions.

The second change is not as welcomed. The IRS is increasing its audits. This is especially for the more wealthy taxpayers. For those earning between \$200,000 and \$1 million in annual taxable income, the audit rate has risen up to 4% whereas for those earning above \$1 million per year the audit rate is up to 12.5%. If you compare these rates to the approximately 1% rates we have been having for the last 10 years or so, the rise is significant.

Now for some changes in filing. If you own foreign money amounting to more than \$10,000 in bank accounts, brokerage, mutual funds and trusts, you need to submit a Form TD F 90-22.1 Report of Foreign Bank and Financial Accounts or FBAR. The FBAR needs to be submitted by June 30 and failure to do so will result in a \$10,000 fine. The biggest change on the tax return is that Schedule B questions about foreign investments have been expanded, giving the IRS a means of crosschecking taxpayers against FBAR filers.

If you invest in stocks, listen up. The usual Schedule D is no longer used as before because it has been replaced with Form 8949. Form 8949 requires you to report capital gains and losses broken down into three types, and provide more information about each sale. Form 8949 requires you to classify sales into Types A, B and C. Type A sales are those with a 1099B with basis reporting, Type B sales are those with a 1099B and no basis reporting, and Type C sales are those with no 1099B or basis reporting, such as puts and calls and land investments. This information in total is reported in Schedule D. As usual, you can put all this information into a spread sheet but the three types of transactions must be reported in three separate spread sheets.

Finally, the mileage rate for 2012 changed as of July 1st, and the IRS representatives are expected to be scrutinizing returns that claimed exactly half of their mileage pre-July and half post-July.

Bearing in mind all these changes, it would be smart of you to keep good records of your income and expenses and get legal advice on how to reduce your taxes. If you want to discuss your tax situation, call us at (813) 229 7100 for a free consultation.