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## Charting The Tax Changes For 2010



February 14, 2011

by: **David Pitman**

**This is the week when the Internal Revenue Service will start processing itemized federal income tax returns for 2010. That's later than usual, because the IRS needed extra time to update its software to reflect last-minute changes to the tax code. David Pitman sat down with an accountant to go over some of those changes.**

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Many of the itemized deductions taxpayers take advantage of the most are still around. Those include breaks for property tax, mortgage interest, private mortgage insurance, and charitable contributions.

The sales tax deduction is back for 2010 and 2011. It lapsed at the end of 2009. It was one of several deductions lawmakers brought back in December. And it's particularly helpful for taxpayers in Texas.

*"In most states, you deduct your income tax. Since we don't have have that here, the sales tax is a deduction — that was extended."*

David Donnelly is tax partner with accounting firm Gainer Donnelly and Desroches. He says there are a number of ways to figure out how much sales tax you paid last year.

*"You can go look at your your-end credit card statement and come up with a pretty good estimate of that. You can use the actual (amount) from the receipts. Or, the IRS has tables. Those tables are based on your adjusted gross income. They appear to be on the low side. If you can use your actual expenses, you're probably going to come up with a better deduction."*

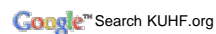
Donnelly says itemizing pays off even more this year than before when it comes to sales and property tax deductions. For instance, people who itemize can still deduct the tax on new cars they bought in 2010. But those who don't itemize, can no longer do that. And when it comes to property taxes, homeowners who 'don't' itemize can not increase their standard deduction, as they could in years past.

*"For joint filers, the additional standard deduction for property tax was capped at \$1,000. So it's not a great loss, but if*

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*you're in the 25% tax bracket, it costs you \$250."*

Deductions aren't the only changes for 2010. This is the first year the IRS is not automatically mailing out paper tax forms and instructions to millions of taxpayers. That means no physical reminder in your mailbox to pay your taxes. Donnelly says the idea is to encourage more people to file electronically.

*"If your adjusted gross income is less than \$58,000, you can go to the IRS website, and there are several different free e-file programs. These are all very good. They can handle relatively complicated tax returns. And those forms will certainly let you know if your situation is more complex than they can handle."*

The IRS says 70% percent of individual tax returns were e-filed last year. But Donnelly questions whether the IRS is prepared for a huge increase. He says those who plan to e-file through the IRS website should try to get their returns in at least a week before the deadline. That's in case their returns are bounced back, or take more than a few hours to process. The deadline this year is Monday, April 18th.

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