



CWR Monthly

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Late Filing Season Tax Tips

Although the regular tax filing season is nearing completion, the IRS has provided some last minute things you can do to assist you in preparing your 2008 tax return. Some of these tips apply to the 2008 tax year, whereas, others would be applicable in preparing your 2009 tax return.

1. Economic Stimulus Recovery Rebate Credit

The recovery rebate credit is a one-time benefit for the people who didn't receive the full economic stimulus payment last year and whose circumstances may have changed, making them eligible now for some or all of the unpaid portion.

Generally, a credit adds to the amount of your tax refund or lowers the amount of taxes owed. Therefore, the amount you receive for the recovery rebate credit will be included as a part of your refund, as shown on your tax return.

People who fall into the categories described below may be eligible for the recovery rebate credit this year:

- Individuals who did not receive an economic stimulus payment
- Those who received less than the maximum economic stimulus payment in 2008 -- \$600 per taxpayer; \$1,200 if married filing jointly because their qualifying or gross income was either too high or too low.
- Families who gained an additional qualifying child for 2008.
- Individuals who could be claimed as a dependent on someone else's tax return for 2007, but, who cannot be claimed as a dependent on another return in 2008.
- Individuals who did not have a valid Social Security Number in 2007, but, who did receive one in 2008.

You need to claim the recovery rebate credit on Form 1040, 1040 A, or 1040 EZ. Unlike the economic stimulus payment, the recovery rebate credit will be included in your tax refund for 2008 and will not be issued as a separate payment.

2. Extension of time to file your tax return

If you are coming up to the end of the regular tax filing season (April 15) and you still do not have all the information to accurately file your tax return, individuals can receive an automatic six month extension to file your tax return by filing a Form 4868 (Application For Automatic Extension of Time to File U. S. Individual Tax Return). This extension waives the failure to file penalty that you would be assessed by not filing your tax return in a timely manner.

Please understand that an extension to file is not an extension to pay. If you subsequently owe a tax liability when you file your return, interest will continue to accumulate on the amount due until the tax is paid.

Certain businesses and others file a Form 7004 for an automatic extension of time to file their tax returns. The following entities qualify for:

- **Automatic 5 month extension**

Partnerships (Filing Form 1065)
Estates & Trusts (Filing Form 1041)

- **Automatic 6 month extension**

C Corporations (Filing Form 1120)
S Corporations (Filing Form 1120 S)
Estates (Filing Form 706)

3. Tax Scams – How to recognize and avoid them

To help the public recognize and avoid illegal tax schemes, the IRS offers an abundance of educational materials. Participating in an illegal scheme to avoid paying taxes can result in imprisonment and fines, as well as the repayment of taxes owed with penalties and interest. Education is the best way to avoid the pitfalls of these “to good to be true” tax scams. Some of the most common Scheme Types are:

- Anti-tax law schemes
- Abusive Home-Based Business Schemes
- Misuse of the Disabled Access Credit
- Abusive off-shore Schemes
- Employee Plans abusive tax transactions
- Exempt organization abusive tax avoidance transactions

4. Standard Deduction Increased for Some Non-Itemizers

New this year, taxpayers can claim an additional standard deduction, based on the state or local real estate taxes paid in 2008.

The standard deduction is increased by any state and local real estate taxes you paid in 2008. Up to \$500 (\$1,000 if married filing jointly) is available to non-itemizing filers. The taxes must be state or local real estate taxes that would be deductible on Form 1040 (Schedule A) if you were itemizing your deductions. Taxes deductible in arriving at adjusted gross income, such as taxes on business real estate, and taxes on foreign real estate cannot be used to increase your standard deduction.

5. Standard Mileage Rates for 2009

Beginning on January 1, 2009 the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:

- 55 cents per mile for business miles driven
- 24 cents per mile for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

The new rate for business, medical and moving purposes are slightly lower than rates for the second half of 2008 that were raised by a special adjustment mid-year in response to a spike in gasoline prices. The rate for charitable purposes is set by law and is unchanged from 2008.

As the regular filing season comes to a close, it is hoped that these filing season tax tips helped you in preparing your 2008 tax returns.

Next month we will look at some tax planning strategies that will benefit you as you prepare for the 2009 tax filing season.

Till next time,

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