



# COUNT ON US.

## Accountants Society of Virginia

February/March 2011

[www.Virginia-Accountants.org](http://www.Virginia-Accountants.org)

107 S. West Street, #825  
Alexandria, VA 22314

office (800) 927-2731  
fax (703) 530-9653

[Home](#)

[About ASV](#)

[ASV Forms](#)

[Become a Member](#)

[Join or Renew Online](#)

[Members-Only](#)

[Count On Us Newsletter](#)

[The Annual Conference](#)

[ASV Board of Directors](#)

[ASV Seminars](#)

[Pay Online](#)

[Jennings Seminars](#)

[Spring Knowledge Seminars](#)

[ASV Calendar](#)

[Industry Links](#)

[PTIN](#)

[Picture Gallery](#)

[ASV Code of Ethics](#)

[ASV Rules of Professional  
Conduct](#)

[Contact ASV](#)

### IN THIS ISSUE:

- [ASV Now on LinkedIn](#)
- [Check Out the Member-Only Section](#)
- [Welcome New Members](#)
- [Medical and Dental Expenses](#)
- [EITC – Don't Overlook It](#)
- [Message from IRS Stakeholder](#)
- [Ten Tax Benefits for Parents](#)
- [PTINs Now Mandatory for Paid Preparers](#)
- [IRS Tax-Exempt and Government Entities Division Exempt Organizations Presents Starting Off Right \(Part II\)](#)

### ASV NOW ON LINKEDIN

The Accountants Society of Virginia now has a group page on LinkedIn. All members are invited to join (there is no cost) and start participating in the discussions.

### CHECK OUT THE MEMBER-ONLY SECTION

There are new offerings for members of the Accountants Society of Virginia. To find out all the benefits of membership, visit [www.virginia-accountants.org](http://www.virginia-accountants.org) and sign in. However, you must be a current ASV member to sign in.

Click [here](#) to find out more!

### WELCOME NEW MEMBERS

- A.R. Ashby, Jr, CPA, Exmore, VA
- Mark L. Bassett, CPA, CFE, Virginia Beach, VA
- James W. Eaton, Jr, Machipongo, VA
- Donald R. Leslie, MBA, DBA, CPA, Rustburg, VA

### MEDICAL AND DENTAL EXPENSES

If you itemize your deductions on Form 1040, Schedule A, you may be able to deduct expenses you paid in 2010 for medical care – including dental – for yourself, your spouse, and your dependents. Here are six things the IRS wants you to know about medical and dental expenses and other benefits.

You may deduct only the amount by which your total medical care expenses for the year exceed 7.5 percent of your adjusted gross income. You do this calculation on Form 1040, Schedule A in computing the amount deductible.

You can only include the medical expenses you paid during the year. Your total medical expenses for the year must be reduced by any reimbursement. It makes no difference if you receive the reimbursement or if it is paid directly to the doctor or hospital.

You may include qualified medical expenses you pay for yourself, your spouse, and your dependents, including a person you claim as a dependent under a multiple support agreement. If either parent claims a child as a dependent under the rules for divorced or separated parents, each parent may deduct the medical expenses he or she actually pays for the child. You can also deduct medical expenses you paid for someone who would have qualified as your dependent except that the person didn't meet the gross income or joint return test.

A deduction is allowed only for expenses primarily paid for the prevention or alleviation of a physical or mental defect or illness. Medical care expenses include payments for the diagnosis, cure, mitigation, treatment, or prevention of disease, or treatment affecting any structure or function of the body. The cost of drugs is deductible only for drugs that require a prescription except for insulin.

You may deduct transportation costs primarily for and essential to medical care that qualify as medical expenses. The actual fare for a taxi, bus, train, or ambulance may be deducted. If you use your car for medical transportation, you can deduct actual out-of-pocket expenses such as gas and oil, or you can deduct the standard mileage rate for medical expenses. With either method you may include tolls and parking fees.

Distributions from Health Savings Accounts and withdrawals from Flexible Spending Arrangements may be tax free if you pay qualified medical expenses.

For additional information on medical deductions and benefits, see Publication 502, Medical and Dental Expenses or Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans, available at <http://www.irs.gov> or by calling 800-TAX-FORM (800-829-3676).

## **EITC – DON'T OVERLOOK IT**

The Earned Income Tax Credit is a financial boost for workers earning \$48,362 or less a year. Four of five eligible taxpayers filed for and received their EITC last year. The IRS wants you to get what you earned also, if you are eligible.

Here are the top 10 things the IRS wants you to know about this valuable credit, which has been making the lives of working people a little easier for 36 years.

As your financial, marital or parental situations change from year to year, you should review the EITC eligibility rules to determine whether you qualify. Just because you didn't qualify last year, doesn't mean you won't this year.

If you qualify, the credit could be worth up to \$5,666. EITC not only reduces the federal tax you owe, but could result in a refund. The amount of your EITC is based on your earned income and whether or not there are qualifying children in your household. The average credit was around \$2,100 last year.

If you eligible for EITC, you must file a federal income tax return and specifically claim the credit – even if you are not otherwise required to file. Remember to include Schedule EIC, Earned Income Credit when you file your Form 1040 or, if you file Form 1040A, use and retain the EIC worksheet.

You do not qualify for EITC if your filing status is Married Filing Separately.

You must have a valid Social Security Number. You, your spouse – if filing a joint return – and any qualifying child listed on Schedule EIC must have a valid SSN issued by the Social Security Administration.

You must have earned income. You have earned income if you work for someone who pays you wages, you are self-employed, you have income from farming, or – in some cases – you receive disability income.

Married couples and single people without children may qualify. If you do not have qualifying children, you must also meet the age and residency requirements as well as dependency rules.

Special rules apply to members of the U.S. Armed Forces in combat zones. Members of the military can elect to include their nontaxable combat pay in earned income for the EITC. If you make this election, the combat pay remains nontaxable.

It's easy to determine whether you qualify. The EITC Assistant, an interactive tool available on the IRS website, removes the guesswork from eligibility rules. Just answer a few simple questions to find out if you qualify and estimate the amount of your EITC.

Free help is available at Volunteer Income Tax Assistance sites and IRS Taxpayer Assistance Centers to help you prepare and claim your EITC. If you are preparing your taxes electronically, the software program you use will figure the credit for you. To find a VITA site or TAC near you, visit [www.irs.gov](http://www.irs.gov).

For more information about the EITC, see IRS Publication 596, Earned Income Credit. This publication – available in both English and Spanish – can be downloaded from the IRS website or ordered by calling 800-TAX-FORM (800-829-3676).

## MESSAGE FROM IRS STAKEHOLDER

Here is an excellent link for all practitioners. This [www.Tax.gov](http://www.Tax.gov) provides video and audio presentations including archived versions of live panel discussions, webinars, national phone forums, etc. It is broken into Individuals, Small Businesses, Tax Professionals, Governments, and Espanol. I thought you may be interested in this. And please share this with your members, partners, etc. Thank you very much and have a wonderful weekend. And have a great tax season. Signed, Herbert D. (Ley) Mills

## TEN TAX BENEFITS FOR PARENTS

Did you know that your children may help you qualify for some tax benefits? Here are 10 tax benefits the IRS wants parents to consider when filing their tax returns this year.

**Dependents:** In most cases, a child can be claimed as a dependent in the year they were born. For more information see IRS Publication 501, Exemptions, Standard Deduction, and Filing Information.

**Child Tax Credit:** You may be able to take this credit on your tax return for each of your children under age 17. If you do not benefit from the full amount of the Child Tax Credit, you may be eligible for the Additional Child Tax Credit. For more information see IRS Publication 972, Child Tax Credit.

**Child and Dependent Care Credit:** You may be able to claim the credit if you pay someone to care for your child under age 13 so that you can work or look for work. For more information see IRS Publication 503, Child and Dependent Care Expenses.

**Earned Income Tax Credit:** The EITC is a benefit for certain people who work and have earned income from wages, self-employment or farming. EITC reduces the amount of tax you owe and may also give you a refund. For more information see IRS Publication 596, Earned Income Credit.

**Adoption Credit:** You may be able to take a tax credit for qualifying expenses paid to adopt an eligible child. Taxpayers claiming the adoption credit must file a paper tax return because adoption-related documentation must be included. For more information see the instructions for IRS Form 8839, Qualified Adoption Expenses.

**Children with Earned Income:** If your child has income earned from working they may be required to file a tax return. For more information see IRS Publication 501.

**Children with Investment Income:** Under certain circumstances a child's investment income may be taxed at the parent's tax rate. For more information see IRS Publication 929, Tax Rules for Children and Dependents.

**Higher Education Credits:** Education tax credits can help offset the costs of education. The American Opportunity and the Lifetime Learning Credit are education credits that reduce your federal income tax dollar-for-dollar, unlike a deduction, which reduces your taxable income. For more information see IRS Publication 970, Tax Benefits for Education.

**Student loan Interest:** You may be able to deduct interest you pay on a qualified student loan. The deduction is claimed as an adjustment to income so you do not need to itemize your deductions. For more information see IRS Publication 970.

**Self-employed health insurance deduction:** If you were self-employed and paid for health insurance, you may be able to deduct any premiums you paid for coverage after March 29, 2010, for any child of yours who was under age 27 at the end of 2010, even if the child was not your dependent. For more information see the IRS website. The forms and publications on these topics can be found at [www.IRS.gov](http://www.IRS.gov) or by calling 800-TAX-FORM (800-829-3676).

## **PTINS NOW MANDATORY FOR PAID PREPARERS**

The IRS is reminding all tax preparers that effective Jan. 1, 2011, they must have a Preparer Tax Identification Number (PTIN) before preparing returns. If you have a PTIN that was issued before Sept. 28, 2010, you must renew it. You can sign up for or renew your PTIN online or by paper application. It costs \$64.25 per year.

A PTIN must be included in the paid preparer section of all returns prepared by a paid preparer. Social security numbers or other identification numbers are not acceptable. Exception: Certain individuals who have made a good faith effort to timely obtain a PTIN but experienced processing issues are being advised they may prepare returns during the interim period while their applications are pending using their prior PTIN or SSN. Refer to Notice 2011-11 for additional information.

## **THEIRSTAX-EXEMPTANDGOVERNMENTENTITIESDIVISIONEXEMPTORGANIZATIONS PRESENTS AN IRS WEBINAR:**

### ***STARTING OFF RIGHT – WHAT NEW NON-501(C)(3) ORGANIZATIONS NEED TO KNOW***

#### **THIS FREE WEBINAR IS FOR:**

- Newly formed 501(c)(4),(c)(5), (c)(6) Organizations
- Newly formed 501(c)(7), (c)(8), (c)(10) Organizations
- Tax professionals

#### **LEARN ABOUT:**

- Doing what you said you would-- How to ensure that your organization meets the “operational test”
- Five ways to avoid jeopardizing your tax-exempt status
- Annual filing requirements for exempt organizations
- Tools you can use to maintain tax compliance as your organization grows

#### **DATE & TIME:**

- **February 24, 2011**
  - 2:00 pm (Eastern Time)
  - 1:00 pm (Central Time)
  - Noon (Mountain Time)
  - 11:00 am (Pacific Time)

## **REGISTER NOW:**

Click on this link or cut and paste it into your browser:

<http://www.visualwebcaster.com/IRS/75182/reg.asp?id=75182>

#### **FOR INFORMATION OTHER IRS WEBINARS:**

Visit [www.IRS.gov](http://www.IRS.gov) and search Webinars for information on other programs available in the future. If you experience difficulty viewing the event, please use the email option or call 866-956-4770.

**If you wish to be unsubscribed to this E-Newsletter, please [CLICK HERE](#)**