



# NEWS YOU CAN USE!

## The SCLS Low Income Taxpayer Clinic Newsletter

January 8, 2009. Full links active! A MSWord version is available. This excerpt just in from the IRS. The complete IR is available at <http://www.irs.gov/newsroom/article/0,,id=202244,00.html>.

### IRS Begins Tax Season 2009 with Steps to Help Financially Distressed Taxpayers; Promotes Credits, e-File Options

IR-2009-2, Jan. 6, 2009

“WASHINGTON — The Internal Revenue Service today kicked off the 2009 tax filing season by announcing a number of new steps to help financially distressed taxpayers maximize their refunds and speed payments while providing additional help to people struggling to meet their tax obligations.”

“Among the areas where the IRS can provide assistance:

- **Postponement of Collection Actions:** IRS employees will have greater authority to suspend collection actions in certain hardship cases where taxpayers are unable to pay. This includes instances when the taxpayer has recently lost a job, is relying solely on Social Security or welfare income or is facing devastating illness or significant medical bills. If an individual has recently encountered this type of financial problem, IRS assistants may be able to suspend collection without documentation to minimize burden on the taxpayer.
- **Added Flexibility for Missed Payments:** The IRS is allowing more flexibility for previously compliant individuals in existing Installment Agreements who have difficulty making payments because of a job loss or other financial hardship. The IRS may allow a skipped payment or a reduced monthly payment amount without automatically suspending the Installment Agreement. Taxpayers in a difficult financial situation should contact the IRS.
- **Additional Review for Offers in Compromise on Home Values:** An Offer in Compromise (OIC), an agreement between a taxpayer and the IRS that settles the taxpayer’s tax debt for less than the full amount owed, may be a viable option for taxpayers experiencing economic difficulties. However, the equity taxpayers have in real property can be a barrier to an OIC being accepted. With the uncertainty in the housing market, the IRS recognizes that the real-estate valuations used to assess ability to pay may not be accurate. So in instances where the accuracy of local real-estate valuations is in question or other unusual hardships exist, the IRS is creating a new second review of the information to determine if accepting an offer is appropriate.”
- **“Prevention of Offer in Compromise Defaults:** Taxpayers who are unable to meet the periodic

payment terms of an accepted OIC will be able to contact the IRS office handling the offer for available options to help them avoid default.

- **Expedited Levy Releases:** The IRS will speed the delivery of levy releases by easing requirements on taxpayers who request expedited levy releases for hardship reasons. Taxpayers seeking expedited releases for levies to an employer or bank should contact the IRS number shown on the notice of levy to discuss available options. When calling, taxpayers requesting a levy release due to hardship should be prepared to provide the IRS with the fax number of the bank or employer processing the levy.”

“Taxpayers with financial problems who discover they can’t pay when they file their 2008 tax returns also have options available. IRS.gov has a list of [What If?](#) scenarios that deal with payment and other financial problems. These scenarios, in question-and-answer format, provide information on specific actions taxpayers can take. Taxpayers unable to pay in full can likewise contact the IRS to discuss additional options to pay.

“Among the Tax Breaks available is the “**Mortgage Workouts and Foreclosures**”: For most homeowners, these are now tax-free. Eligible homeowners can exclude debt forgiven on their principal residence if the balance of the loan was less than \$2 million. The limit is \$1 million for a married person filing a separate return. See [Form 982](#) and its instructions for details.”

***Especially important for Low-Income Taxpayers are these Tax Credits:***

### Earned Income Tax Credit (EITC)

"The [Earned Income Tax Credit](#) (EITC) helps people who work but do not earn a lot. Working families with incomes below \$41,646 and childless workers with incomes under \$15,880 often qualify. Generally, you must have earned income as an employee, independent contractor, farmer or business owner to qualify. Taxpayers under the minimum retirement age who receive disability payments from an employer plan may also be eligible. The EITC Assistant, available in mid-January, can help you see if you qualify.

### Child Tax Credit

"A taxpayer who has a dependent child under age 17 probably qualifies for the child tax credit. This credit, which can be as much as \$1,000 per eligible child, is in addition to the regular \$3,500 exemption claimed for each dependent. A change in the way the credit is figured means that more low- and moderate-income families will qualify for the full credit on their 2008 returns. The child tax credit is not the same as the child care credit. Details on figuring and claiming the child tax credit can be found in IRS [Publication 972](#) (PDF format).

### Credit for Child and Dependent Care Expenses

"An individual who pays for someone to care for a child so he or she can work or look for work probably qualifies for the child and dependent care credit. Normally, the child must be the taxpayer's dependent and under age 13. Though often referred to as the child care credit, this credit is also available to those who pay someone to care for a spouse or dependent, regardless of age, who is unable to care for him- or herself. In most cases, the care provider's Social Security Number or **taxpayer identification number must be obtained and entered on the return.**

**Form 1040 filers claim** the credit for child and dependent care expenses on Form 2441. Form 1040A filers claim it on Schedule 2. IRS [Publication 503](#) (PDF version) has more information."

As of this printing, the IRS **EITC Assistant**, a self-guided tool to calculate approximate benefit from the EITC and to check eligibility is not current. The IRS will update this Assistant soon. Check back at [www.IRS.gov](http://www.IRS.gov) regularly. Mid January is the goal.



*The Low Income Taxpayer Clinic cares about our Taxpayer clients and works to provide education. You can help by putting this Newsletter on display in your office!*

### Tax CLE

Want some assistance in preparing for 2008 Tax Season? Follow this link to the IRS Tax Talk video program: <http://www.taxtalktoday.tv> !!! If you need CLE Credits, these hour-long programs offer certificates!

## Estimating your Tax Liabilities and Tax Planning

**AARP** provides a nifty and simple calculator to help you estimate your tax burden for 2008. We recommend this or some similar tool to look ahead and calculate your burden for 2009 and then we recommend some "tax planning." See: [http://www.aarp.org/money/toolkit/articles/1040\\_tax\\_calculator.html](http://www.aarp.org/money/toolkit/articles/1040_tax_calculator.html) . The key is to have withheld from your earned income as close as possible the amount you "expect" to owe the IRS at the end of 2009. NEVER treat the IRS as a "Christmas Club Account." Streetwise Taxpayers have learned that it is sometimes difficult to get the IRS to refund your dollars (held at no interest benefit to you).

### Self-Employed? Have a Hobby Business?

Remember, if you have a side business where withholding is not taken from your earnings, you are responsible to pay at least quarterly to the IRS your own taxes, Social Security and Medicare tax. You will use IRS Form 1040 Schedule C to calculate your income from your self-employed business. Be careful that your "Hobby Business" does not create a problem. If you have questions, call the LITC Coordinator at 864-679-3242. If you are Self-Employed, even with a Hobby Business or 2<sup>nd</sup> Job, go here for loads of excellent stuff:

<http://www.irs.gov/businesses/small/article/0,,id=115045,00.html>

### FREE TAX PREPARATION

As soon as the VITA and AARP tax preparation sites are announced, we will send you this information to pass along to your clients. VITA (Volunteer Income Tax Assistance) volunteers will prepare Tax Returns for those whose income usually does not exceed \$42,000. VITA site locations are also available by calling 1-800-829-1040. Locate AARP tax preparation sites by calling 1-888-227-7669.

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