

Carr Talks

TAXLOGIC



WEEKLY SUMMARY

For the first time it seems this year, there are no major new disasters dominating the headlines this week. Does that mean things are getting better, or just not getting worse? The UK suffered increasing violence over looming deep cuts in social spending, Portugal (one of the PIGS), faced the brink of sovereign default after renegeing on broad austerity measures. The global economy is still going through major upheaval as the financial decoupling from an era of loose / easy credit to economies having to live within their means works its way through country budgets and tax policies.

In the US the near future will be focused on the budget and whether the politicians will be able to restructure priorities and redistribute the tax take along lines that are palatable to both parties. We will see.

Japan's crisis does not seem to have a clear outcome at this point, with recent radiation levels showing significantly more damage than originally assumed. The disaster seems under control, but the effects could be long term and lasting in many ways.

The global economy seems to be healing, with the stock markets looking ahead to increasing business activity and improving profitability. The message seems to be *"the worst is behind us..."*

Finance and Taxes

Injured Spouse Relief

If you file a joint return and all or part of your refund is applied against your spouses' past-due federal tax, state income tax, child or spousal support or federal nontax debt, such as a student loan, you may be entitled to injured spouse relief.

Here are seven facts you need to know about claiming injured spouse relief:

1. To be considered an injured spouse, you must have made and reported tax payments, such as federal income tax withheld from wages or estimated tax payments, or claimed a refundable tax credit, such as the earned income credit or additional child tax credit on the joint return, and not be legally obligated to pay the past-due amount.
2. If you live in a community property state, special rules apply.
3. If you filed a joint return and you're not responsible for the debt, but you are entitled to a portion of the refund you may request your portion of the refund by filing Form 8379, Injured Spouse Allocation.

4. You may file form 8379 along with your original tax return or you may file it by itself after you are notified of an offset.
5. You can file the Form 8379 electronically. If you file a paper tax return you can include Form 8379 with your return, write "INJURED SPOUSE" at the top left corner of the Form 1040, 1040A, or 1040EZ. IRS will process your allocation request before an offset occurs.
6. If you are filing Form 8379 by itself, it must show both spouses' social security numbers in the same order as they appeared on your income tax return. You, the "injured" spouse, must sign the form.
7. Do not use Form 8379 if you are claiming innocent spouse relief. Instead, file Form 8857, Request for Innocent Spouse Relief. This relief from a joint liability applies only in certain limited circumstances. IRS Publication 971, Innocent Spouse Relief, explains who may qualify, and how to request this relief.

Real Estate Professionals

Real estate professionals may have lost one significant tax benefit based on a recent Tax Court decision.

Real estate professionals who work more than 750 hours a year, or more than 50% of their time materially participating in real estate activities are exempt from the rule barring write-offs of passive losses.

The passive loss rules mean that real estate losses are limited based on income limits, real estate professionals meeting the time requirement have been exempt from these limits

But in the court ruling, time spent on properties with average rental periods of less than seven days (or less) is not counted when determining if the 750 hour test is satisfied.

It did not matter that the taxpayer materially participated in the activity and spent the time managing the property.

So, make sure that if this situation could apply to you, you should keep track of the average rental time of each of the properties as well as the time that you spend managing each property.

www.carr.co.nz/stats

	Last Week	End of Week	Next Week	12/31/2011
Gold	\$1,419.30	\$1,431.50	\$1,430.00	\$1,600.00
Oil	\$101.62	\$105.52	\$108.00	\$120.00
Dow Jones	11,858.52	12,220.59	12,300.00	12,250.00
Prime Rate	3.25 %	3.25 %	3.25 %	4.00 %
Unemployment	8.90 %	8.90 %	8.90 %	9.50 %