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Bush-era Tax Cuts Extended Delaying Filing Process

There have been a huge number of new laws passed by the Obama administration last year and one of the latest to be passed by congress was the Tax Relief, Unemployment Insurance Authorization and Job Creation Act 2010 which came into effect December 17. This is actually an extension of the law during the Bush presidency. The good thing about the law is that it offers benefits to taxpayers but the bad thing is the timing of its passing. Had it been passed earlier, the whole process of filing your tax returns would not be affected.

As it turned out, with the passing of this law the tax forms used for filing your tax returns had to be changed to reflect the law. Designing tax forms is no easy task for it needs to do two things – its provisions must reflect the laws that are in effect and its instructions must be user-friendly enough for people to understand and use.

Designing tax forms is just the first step. After the forms have been finalized, they have to be printed. There are approximately 150 million individual tax returns to be filed this year. Although there has been an

increasing proportion of taxpayers who file their returns electronically (about 70% at present), there is still a fair percentage who use paper filing for their tax returns. This represents a good 50 million taxpayers.

In order for the IRS to print at least 50 million tax forms and have them ready for tax season, the forms must be finalized and sent to print by September. But with laws being passed as late as December, there is no way the IRS can finalize and print the tax forms in time to be sent out at the beginning of tax season.

It came as no surprise that on December 23, the IRS made the announcement that certain tax forms will be delayed. This means that certain taxpayers affected by the changes in law will likely not be able to file their returns until mid to late February at the earliest. With the passing of the law that extends the Bush-era tax cuts, taxpayers affected are those who itemize their deductions and claim for higher education expenses, among other things.

Briefly, the optional deduction for state and local sales tax was reinstated. This is reported by those who itemize their deductions on Schedule A. Congress also reinstated the deduction for higher education expenses of up to \$4,000. You need to claim this using Form 8917, and then transfer to Form 1040. Finally, the deduction of up to \$250 for out-of-pocket expenses incurred by educators in kindergarten through grade 12 was reinstated. This expense is deducted directly on Form 1040.