

THE TAX PICTURE

Jobless During 2010? Strategies For Your Tax Return

(NAPSA)—The national unemployment rate remained above 9 percent from mid-2009 through 2010, breaking the previous record set in the early 1980s. The tax legislation passed late last year extended unemployment benefits an additional 13 months, but did not extend the previous year's deduction of up to \$2,400 in unemployment benefits. While 100 percent of unemployment benefits are taxable again, taxpayers who were jobless at some point during 2010 may qualify for several breaks on their federal returns due by April 18.

“Whether or not you found work, many job search expenses are deductible if you itemize,” explains Jessi Dolmage, spokesperson for TaxACT. “That includes costs for transportation and travel; résumé printing, postage and supplies; employment agency fees; and even moving costs if the new job is at least 50 miles away from your home. You must have been searching for a job in the same line of work; those looking for their first jobs, who have not worked for a long period of time, or who are seeking a job in a different line of work do not qualify.”

If you don't itemize, the standard deduction is higher for some. It's increased by \$250 to \$5,700 for single filers and heads of household get \$50 more, \$8,400. The deduction for joint filers is the same at \$11,400.

Workers and self-employed may also be eligible for the Making Work Pay and Earned Income Tax Credits.

The Making Work Pay Credit is a refundable credit of 6.2 percent of your earned income, up to \$400 (\$800 for joint filers). It phases out when modified adjusted gross income exceeds \$75,000, or \$150,000 for joint filers. You may have already received some or all of the credit in your 2010 paychecks through reduced federal withholding. If you didn't receive the full amount, file a return—even if you're not required to—in order to receive the refundable balance.

Also refundable, the Earned Income Tax Credit is for workers earning \$48,362 or less in 2010. The credit amount is based on income amount and number of



Tax breaks are available for those unemployed last year.

qualifying children. While the average amount last year was about \$2,100, the credit is worth up to \$5,666.

Dolmage provided additional tax information and tips:

- Unemployment benefits, pay for accumulated vacation or sick time, supplemental unemployment benefits from a company-financed fund, and withdrawals from IRAs prior to age 59½ are taxable income. Early IRA withdrawals also incur a 10 percent penalty unless used to pay for medical insurance premiums after a job loss.

- Unemployment compensation will be reported on Form 1099-G, while severance pay, accumulated time and supplemental unemployment benefits are on Form W-2 from your employer.

- After gathering all W-2s, 1099s, receipts and other tax documents, use a free tax preparation solution. “You can do your federal taxes free with TaxACT Free Federal Edition. It walks you through all tax breaks related to unemployment as well as hundreds of other credits and deductions,” says Dolmage. “The Life Events section provides extra tax information for unemployment and you can get free tax help via e-mail.” Maximum refund and accuracy guarantees are included.

- If you can't pay your taxes, minimize penalties and interest by filing and paying as much as possible by April 18. If you file for an extension, you're still subject to interest. Contact the IRS to discuss installments.

For more information about tax implications of job loss, see IRS Publications 4128 and 4763 at www.irs.gov. Do your federal taxes free with TaxACT Free Federal Edition at www.taxact.com.