

COBRA SUBSIDY

Workers who were involuntarily terminated in May 2010 and who began receiving COBRA coverage in June 2010 are no longer eligible to receive the subsidy after August 31, 2011.

However, the new Department of Labor Frequently Asked Questions point out that some individuals will still be eligible to receive the subsidy after August 31, 2011, if:

1. They are not eligible for another group health plan or Medicare; and
2. Their COBRA coverage did not start until a later date due to the terms of a severance arrangement, use of banked hours, or some other similar provision that delayed the start of their COBRA coverage.

The COBRA subsidy is tax-free, but may have to be recaptured/repaid at tax time if the recipient's modified adjusted gross income for the year of receipt exceeds \$125,000 (\$250,000 in the case of a joint return). Thus, there may be recapture on a recipient's 2011 (as well as 2012) income tax return.

PK TAX: OUR NEW OFFICE

This fall PK Tax Services moved into a new office. Hopefully you were able to stop by for our open house, but if not I welcome you to come by the new office. The service you've come to expect will remain the same but we've expanded our space and staff to make sure we are able to service all of your tax needs.

Please update your records with our new address, phone and fax.

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UP *to-the*
MINUTE
TIMELY TAX TIPS

FALL 2011

SEVEN TIPS FOR JOB SEEKERS

With the employment market still bleak in the U.S., the IRS has come out with a list of tax benefits for job seekers. Here are seven rules on the deduction of job search expenses.

1. To qualify for a deduction, the expenses must be spent on a job search in a taxpayer's current occupation. Taxpayers may not deduct expenses for finding a different type of job.
2. Taxpayers can deduct employment and outplacement agency fees paid while looking for a job in their present occupation. If an employer later reimburses these fees, the taxpayer must take them into income up to the amount of the deduction previously taken.
3. Taxpayers can deduct amounts spent for preparing and mailing copies of their résumés to prospective employers.
4. If a taxpayer travels to an area to look for a new job, the travel expenses will be deductible. The trip must be

primarily to look for a new job and not for other personal purposes.

5. Taxpayers cannot deduct job search expenses if there was a substantial break between the end of their last job and the time they begin looking for a new one.
6. Taxpayers cannot deduct job search expenses if they are looking for a job for the first time.
7. The amount of job search expenses that a taxpayer can claim is subject to the 2% floor on miscellaneous itemized deductions, figured on Schedule A.

Postage Rate Increase Effective January 22, 2012

First-class stamp prices will rise by one cent to 45¢ and postcards will increase by three cents to 32¢.

2010 ESTATE TAX OPT-OUT PROCEDURES EXPLAINED BY IRS

The IRS has issued guidance for opting out of the estate tax for estates of decedents who died in 2010. Executors who are making the choice to opt out of the estate tax and have the carryover basis rules apply will need to file Form 8939, the basis allocation form. The form is due November 15, 2011.

Form 8939, Allocation of Increase in Basis for Property Acquired from a Decedent, must be filed to have the new carryover basis rules apply. The IRS expects to issue Form 8939 and instructions early this fall.

IRS IDENTIFIES NEW SCAMS

It seems like each week the IRS is issuing a new warning about scams being perpetrated upon taxpayers. The IRS has noted an increase in tax-return-related scams, frequently involving unsuspecting taxpayers who normally do not have a filing requirement in the first place. Many of these recent scams have targeted the South and the Midwest.

- Unfamiliar for-profit tax services teaming up with local churches.
- Homemade flyers and brochures implying credits or refunds are available without proof of eligibility.
- Promises of refunds for "Low Income — No Documents Tax Returns."
- Claims for the expired Economic Recovery Credit Program or Recovery Rebate Credit.

The IRS warned that scam promoters are targeting church congregations, exploiting their good intentions and credibility or are preying upon low-income individuals and the elderly.

The latest scams identified:

- Fictitious claims for refunds or rebates based on excess or withheld Social Security benefits.