

Q&A: Most common tax questions

Monday, April 7th 2008, 5:57 PM

Eight days and counting...

With the deadline looming, we get answers to readers' most common tax questions:

Q: Can I use a credit card to pay my taxes?

A: Yes, you can. The U.S. Treasury does not charge for this service - but companies that process your payment do, calling it a "convenience fee." (You can't get frequent flier miles that easily!) The companies are Official Payments Corp., (800) 272-9829, officialpayments.com; and Link2Gov, (888) 729-1040, Link2Gov.com.

-*John Lieberman, certified public accountant, Manhattan*

Q: I had my taxes done last year by a major preparer. The IRS says I owe \$7,000 on \$28,000 they did not report. What should I do?

A: Contact the preparer. The preparer should be aware of the notice and any tax strategies related to the matter.

-*Ginger Broderick, certified public accountant, Manhattan*

Q: Are long-term care premiums deductible?

A: That depends. Individuals can deduct them only if they exceed 7.5% of adjusted gross income. But for self-employed taxpayers, they are 100% deductible. For employers, they are deductible as a business expense.

-*Alan Kahn, certified public accountant, Syosset, L.I.*

Q: I'm retired with a yearly pension of \$18,000. I paid \$28,000 for my co-op apartment 12 years ago and I'm now trying to sell it. I'd estimate the sales price at \$125,000. I file my taxes as head of household with one dependent. What would the tax ramifications be of selling?

A: None, since the expected price is less than \$250,000.

-*Patrick Colabella, certified public accountant, Brooklyn*

Q: I paid \$1,700 for an SAT prep class through Kaplan. Can I deduct the cost?

A: A deduction or credit is usually available for expenses paid for higher education. An SAT class would not qualify, so you cannot deduct the cost.

-*Barry Picker, certified public accountant, certified financial planner, Picker Weinberg & Auerbach, Brooklyn*

Q: My aunt died in 2007 and I am the executor of her estate. Should I file her 2007 tax return and divide the stimulus payment according to the terms of her will?

A: The stimulus payment will be made in the name of your aunt. Thus, it must go into the estate account and be divided according to terms of the will.

-*Alan Straus, certified public accountant, Manhattan*

Q: Does the tax rebate have to be declared on 2008 returns as income? My accountant said if I receive a rebate the amount would be deducted from any 2008 refund. Is this correct?

A: The rebate should not be recorded as income on your 2008 return. In addition, unlike a few years ago when the IRS reduced refunds, this won't be the case in 2008. The rebate will be regarded as additional money the government has given to taxpayers.

-*Patrick Daly, certified public accountant, Citrin Cooperman, Manhattan*

Q: I owe the IRS money from 2004 and 2005 on taxes I filed jointly with my ex-wife. Our divorce became final in 2007, and I filed this year as single. The IRS withheld my refund to cover the amount owed. They also sent a letter saying I may be able to recover some or all of the money under the injured spouse relief provision. How does that work? Will I just get the refund from this year or money from payments already made? What are my chances of getting any money?

A: The injured spouse is the person who wasn't obligated to pay back the debts, such as back taxes. You can get a portion of the refund check that belongs to you based on the amount of income you reported on your 2004 and 2005 returns. You will have to file Form 8379 — Injured Spouse Allocation. You should receive a refund check.

-*Vincent Consenza, certified public accountant, Wohl Fried Roth & Kirchenberg, Manhattan*

Got a money question? Write to us at yourmoney@nydailynews.com and we'll ask the New York State Society of Certified Public Accountants to help get an answer.

Q&A: Last minute tax questions

Monday, April 14th 2008, 4:00 AM

In time to meet the tax deadline, we get answers to readers' last-minute questions:

Q: I did my taxes via e-file (although I have not sent them yet) and while I will receive a small refund from the state, I owe federal taxes. I know I'm eligible to receive an economic stimulus check this year; if I don't have the money to pay my federal taxes by tomorrow, can I ask to have the tax due deducted from my rebate check?

A: The balance due must be paid by Tuesday or penalties and interest will be added. If that total still isn't paid by the time the rebate is sent out, it will be deducted from the stimulus payment.

-David Sands, Partner, Buchbinder Tunick, Manhattan

Q: My husband passed away last July 1. I am filing jointly and am expecting an economic stimulus payment. Since my husband paid taxes for half of 2007, will I receive a stimulus payment for him, as well?

A: The economic stimulus payment is based on your 2007 filing status, adjusted gross income and tax liability. Stimulus payments for joint returns will equal the amount of your 2007 tax liability, up to \$1,200. Other factors, such as whether you have children who qualify, also affect the amount of the payment.

-Sheila Brandenberg, certified public accountant, Loeb Block, Manhattan

Q: My daughter is a junior at a Catholic high school, where tuition is about \$9,000 a year. Does this qualify as a deductible education expense?

A: No. The tuition deduction, Hope Credit or Lifetime Learning Credit all apply to college and other higher learning education.

-Ginger Broderick, certified public accountant, Manhattan

Q: My child, who is my dependent and is 16, earned \$711.42 in 2007. Do I have to report this as income?

A: It depends on how it was paid to her. If the money was reported through a 1099 form, it is subject to self-employment tax and she's required to file a return and pay self-employment tax. If the earnings were reported on a W-2, then they are lower than the standard deduction, and she's not required to file a return or pay tax on that income. But if taxes were withheld, she'd want to file to get back the taxes paid.

-Vincent Cervone, certified public accountant, Metis Group, Manhattan

Q: Regarding 529 education plans, where should I list tuition and qualified expenses like textbooks on my return?

A: On Line 21 under miscellaneous income. Say, for example, you withdrew \$5,000 for school, of which \$4,500 was your original contribution and \$500 was earnings on that money. If you spent \$5,000 on tuition, books, etc., you would write, "Earnings on 529 Plan = \$500 Less Amount Spent on School = \$500, Taxable Amount = 0."

-Alan Straus, certified public accountant, Manhattan

Q: My wife and I filed a joint return listing adjusted gross income of \$51,528. I contributed \$2,000 to an individual retirement account. My wife, who had no earned income, contributed \$2,000 to a Roth IRA. However, my tax preparer did not enter her contribution on our forms. The preparer said it would be wrong to include it on the return because it's a Roth IRA and there was no need to report it. Is this true? What should I do if the preparer made a mistake?

A: The preparer is correct. There is no requirement or even method to report the Roth contribution on your tax return.

-Michael Goodman, certified public accountant, certified financial planner, Wealthstream Advisors, Manhattan

Q: Is the cost of dental implants deductible under medical and dental expenses?

A: They are deductible if the implants were medically necessary. However, if the implants are solely for cosmetic reasons, then they would not be deductible. This rule holds for any type of implant or cosmetic procedure.

-John Lieberman, certified public accountant, Manhattan

Money question & answer

Saturday, July 12th 2008, 4:00 AM

Got a money question? We'll ask the New York State Society of Certified Public Accountants to help get an answer. Write to us at yourmoney@nydailynews.com.

I have a certificate from Kmart dated June 1987 for 19 shares of common stock. My wife, who died in 2005, had worked at Kmart. The certificate has my wife's name and my name. How can I figure out the value of the certificate?

Since Kmart and Sears merged three years ago, your certificate likely means you now have shares in Sears. Contact the Sears investment relations department for guidance on the amount and value. You could also contact the business librarian at the city's Science, Industry and Business Library at 34th St. and Madison Ave. in Manhattan for assistance.

John Lieberman, CPA, Manhattan

If I donate a U.S. Savings Bond to a religious organization or a nonprofit as an annuity, meaning in exchange for a lifetime of income, what are the tax implications? How will that income affect eligibility for Medicare or Medicaid? Separately, can a matured Savings Bond be rolled over into another bond tax free?

You can transfer the bonds to charity, but when you do you have to declare the interest income in full for tax purposes, increasing your adjusted gross income. You'd also get a deduction.

It should have no bearing on Medicare, but for Medicaid, the amount is included in gross income.

Finally, the provision allowing a tax-free transfer of Series E bonds to Series H bonds ended in 2004.

*Warren Bergstein, CPA, accredited estate planner,
Adelman Katz & Mond, Manhattan*