FINANCIAL HEALTH CENTER

Delaware CRA News

A Quarterly Publication of the Delaware Community Reinvestment Action Council, Inc.

Get Ready for Tax Season!

Our Mission is to ensure equitable treatment and equal access to credit and capital for the underserved populations and communities throughout Delaware through Advocacy, Education, Legislation, and Outreach.

FOUNDED IN 1987

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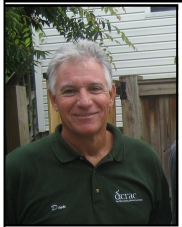

National Challenges, Local Solutions: Rebuilding Homes, Lives and Communities

Washington DC
April 13-16

Early bird registration

$99 for NCRC members

if before February 4th!

www.ncrc.org

DCRAC Clinics

Credit Clinic
Diana Bernal
302-654-5024 x 101

Tax Clinic
Rony Peralta
302-654-5024 x 102

Housing Clinic
Carlos Herrera
302-654-5024 x 103

LETTER FROM DOM

Dear friend:

On behalf of the board of directors, staff, and volunteers of DCRAC, I wish you a very happy and prosperous New Year. 2011 is already proving to be a grand year for us. On January 2, 2011, we invited board, staff, friends, and volunteers to watch Inside Job with us at Theater N. If you have not seen this movie, we strongly encourage that you do. The movie goes to the reason for our existence.

We are pleased to report that if all goes as planned, we should have our Stepping Stones Federal Community Credit Union charter sometime in April and we should be taking our first deposit by early August.

We are delighted to announce a few new additions to the DCRAC family. Joining our board is Andrew McKnight of the Challenge Program. As we excitedly prepare for the credit union, we are outgrowing our existing space. As a result, we are planning to expand and renovate 601 North Church Street. The Challenge Program will be a key partner in this endeavor. We project the entire Capital Campaign to cost us $85,000.00. While we will explore foundation funding opportunities, I sincerely hope that you will consider making a donation toward our capital campaign. Greg Wilson joins us as our Communications Director and we are excited at the possibilities. With an MPA from John F. Kennedy School of Government at Harvard University and a BA from University of Delaware, this Delawarean is back in Delaware! With an extensive background in strategic communications, politics, and media consultancy, expect to see and hear more of us in 2011. Welcome to Jaclyn Lantieri, a Widener University, School of Law student who will volunteer in our Tax Clinic.

While this newsletter is all about our Tax Clinic, we also serve our constituency through our Housing Clinic and Credit Clinic ably led by Carlos Herrera and Diana Bernal respectively. Please contact Carlos at x 103 with foreclosure concerns and Diana at x 101 with credit concerns.

We are proud to announce that our executive director, Rashmi Rangan, has been appointed to the Federal Reserve Board's Consumer Advisory Council. The Council advises the Board on the exercise of its responsibilities under the Consumer Credit Protection Act ad on other matters in the area of consumer financial services. The Consumer Advisory Council will be dissolved once certain consumer protection functions are transferred to the new Bureau of Consumer Financial Protection.

I look forward to a great year with you as our partner.

Dom

Terri Hasson of Citi receives the James Stevenson Angus Award for volunteerism at DCRAC from Dom Pedante and Jim Angus.

STANDARDS FOR EXCELLENCE

Combine Federal Campaign: 23609
State Employees Campaign: 70099

NATIONAL COMMUNITY REINVESTMENT COALITION NCRC

YOU SHOULD FILE IF

Federal Income Tax was withheld from your pay, made estimated tax payments, or had a prior year overpayment applied to this year's tax and you expect a refund.

Making Work Pay Credit if you earned income from work (maximum for a married couple filing a joint return is $800; $400 for others).

Earned Income Tax Credit if you worked, but did not earn a lot of money.

Additional Child Tax Credit if you have at least one qualifying child and you did not get the full amount of the Credit.

American Opportunity Credit—the maximum credit per student is $2,500 and the first four years of postsecondary education qualify.

First-Time Homebuyer Credit. The credit is a maximum of $8,000 or $4,000 if married filing separately. You must have bought a principal residence located in the United States on or before April 30, 2010. If you entered into a binding contract by April 30, 2010, you must have closed on the home on or before September 30, 2010. Even if you already owned a home. In which case, the maximum credit is $6,500, or $3,250 if married filing separately.

Health Coverage Tax Credit. Those who are receiving Trade Adjustment Assistance, Reemployment Trade Adjustment Assistance, or pension benefit payments from the Pension Benefit Guaranty Corporation, may be eligible for a Health Coverage Tax Credit worth 80 percent of monthly health insurance premiums for your 2010 tax return.

Use 1040EZ if: • Taxable income is below $100,000 • Filing status is Single or Married Filing Jointly • Under age 65 and not blind • No dependents • Interest income is $1,500 or less

Use the 1040A if: • Taxable income is below $100,000 • Capital gain distributions • Claim certain tax credits• Claim adjustments to income for IRA contributions and student loan interest.

Use the 1040 if: • Taxable income is $100,000 or more • Itemized deductions • Reporting self-employment income • Income from sale of property.

TAX CLINIC X 102

Outreach Clinic reaches out to low-income, limited English proficiency and ESL taxpayers in Delaware with information about matters like:

- Free tax preparation sites
- Scams to avoid
- The importance of filing/paying taxes
- What is taxable
- Consequences of over withholding
- How our tax system works
- Collection alternatives

Controversy Clinic helps Delaware taxpayers reach a workable solution with the IRS. Our taxpayers encounter issues such as:

- Negotiating and appealing installment agreements or offers in compromise
- Collections result in wage attachments or levy on SSDI or bank accounts
- Identity theft results in withheld refunds
- Trust fund recovery results in audits, levies, and liens
- Inaccurate audits that must be appealed
- Earned Income Tax Credit audits and certifications
- Representation in tax court

***Pro Bono* Panel** of volunteer experts from legal, accounting, and credit backgrounds help us serve your needs more effectively and efficiently. Special thanks to Jim Angus, esq., our volunteer tax attorney! and Jaclyn Lantieri, a Widener University School of Law student

Although we receive partial funding from the IRS, we are NOT affiliated with the IRS. We do not prepare tax returns. Your rights before the IRS are unaffected whether you work with our clinic or not.

"I am proud to be paying taxes in the United States.

The only thing is – I could be just as proud for half the money."

Arthur Godfrey

WHAT IS NEW?

Deadline: Federal Tax return deadline is Monday, April 18, 2011 for calendar year 2010. If you request extension, your new filing deadline is October 17. Interest will accrue on taxes that were due on April 18.

PTINs: Tax professionals preparing returns for a fee must have a Preparer Tax Identification Number (PTIN). Register immediately using the new PTIN sign-up system available through www.IRS.gov/taxpros.

Who Must Wait to File?
Some people need to wait until mid- to late February to file their tax returns —those who itemize deductions on Form 1040 Schedule A; those who claim Higher Education Tuition and Fees Deduction on Form 8917, and those who claim the Educator Expense Deduction on Form 1040, Line 23 and Form 1040A, Line 16. We recommend you e-file.

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act also extended those deductions for 2011 and a number of other tax deductions and credits for 2011 and 2012 such as the American Opportunity Tax Credit and the modified Child Tax Credit, which help families pay for college and other child-related expenses. The Act also provides various job creation and investment incentives including 100 percent expensing and a two-percent payroll tax reduction for 2011. You should see a slight increase in your paycheck in 2011. Those changes have no effect on the 2011 filing season for 2010 taxes.

Except for those facing a delay, the IRS will begin accepting e-file and Free File returns on Jan. 14.

There are 314 Delaware taxpayers who can claim their share of undelivered refund checks totaling $496,000. These undelivered refund checks were returned to the IRS by the U.S. Postal Service. The IRS can reissue the checks, (average $1,580) after taxpayers correct or update their addresses with the IRS.

PREPARER ID NUMBER

Who needs a Preparer Tax Identification Number (PTIN)?
All tax return preparers who are compensated for preparing, or assisting in the preparation of, all or substantially all of a U.S. federal tax return or claim for refund must obtain a PTIN.

I already have a PTIN. Do I need to take any action this year?
Yes. All federal tax return preparers, even those who already have a PTIN, will need to register in the new system now available. All preparers will need to be registered on the new system and have a PTIN prior to filing any return after Dec. 31, 2010.

As long as the IRS can validate the ownership of the existing PTIN, the same number will be reassigned once the appropriate information is provided and the user fee is paid.

If I don't obtain (or renew) a PTIN by January 1, 2011, can I still prepare returns?
Yes, but only after you sign up through the new online registration system, pay the fee, and obtain (or renew) a PTIN.

Can multiple individuals or one office share one PTIN?
No, a PTIN is an individual preparer's number. Each preparer must obtain his or her own PTIN.

Can one individual obtain multiple PTINS?
No, an individual may only obtain one PTIN.

Is there an age requirement for obtaining a PTIN?
Yes, applicants must be 18 years of age.

www.irs.gov/taxpros

"Like mothers, taxes are often misunderstood, but seldom forgotten."

Lord Bramwell

FREE TAX PREP

The IRS Volunteer Income Tax Assistance Program (VITA) and the Tax Counseling for the Elderly (TCE) Programs offer free tax help for taxpayers who qualify.

Trained community volunteers help with special credits, such as Earned Income Tax Credit, Child Tax Credit, and Credit for the Elderly or the Disabled.

Most sites also offer free electronic filing (e-filing)—receive refunds in half the time compared to returns filed on paper – even faster when tax refund is deposited directly into a bank account.

The **VITA Program** offers free tax help to low- to moderate-income (generally, $49,000 and below) people who cannot prepare their own tax returns. Certified volunteers sponsored by various organizations receive training to help prepare basic tax returns in communities across the country. VITA sites are generally located at community and neighborhood centers, libraries, schools, shopping malls, and other convenient locations. Most locations also offer free electronic filing. **To locate the nearest VITA site, call 1-800-906-9887** or check this partial VITA site list online at www.irs.gov.

The **TCE Program** provides free tax help to people aged 60 and older. Trained volunteers provide free tax counseling and basic income tax return preparation for senior citizens. Volunteers who provide tax counseling are often retired individuals associated with non-profit organizations that receive grants from the IRS. As part of the IRS-sponsored TCE Program, AARP offers the Tax-Aide counseling program at more than 7,000 sites nationwide during the filing season. **For more information on TCE, call 1-800-829-1040.** To locate the nearest AARP Tax-Aide site, call 1-888-227-7669.

Taxpayers:
You are legally responsible for what is on your tax return
Even if someone else prepared your return

CHOOSE WISELY

Check the preparer's qualifications: Ask if the preparer is affiliated with a professional organization that provides its members with continuing education and resources and holds them to a code of ethics. All paid tax return preparers need a Preparer Tax Identification Number (PTIN) before preparing any federal tax returns in 2011.

Check the preparer's history: Check with the Better Business Bureau, the state boards of accountancy for certified public accountants; the state bar associations for attorneys; and the IRS Office of Professional Responsibility for enrolled agents.

Find out about service fees: Check on fees prior to hiring a tax return preparer. Avoid preparers who base their fee on a percentage of a refund or those who claim they can obtain a larger refund than other preparers.

Make sure the tax preparer is accessible after the return has been filed, even after the April 18 due date, in case questions arise.

Provide all records and receipts needed to prepare your tax return: Reputable preparers request records and receipts and will ask questions to determine total income and qualifications for expenses, deductions, etc.

Never sign a blank return.

Review the entire return before signing it: Review the information and ask questions before signing.

Make sure the preparer signs the form and includes PTIN: A paid preparer must sign the return and include the PTIN as required by law. The preparer must also provide you a copy of the return. Remember, you are responsible for your return.

"The best measure of a man's honesty isn't his income tax return.

It's the zero adjust on his bathroom scale."

Arthur C. Clarke

KNOW YOUR RIGHTS

I. Protection of Your Rights IRS employees should explain and protect your rights.

II. Privacy and Confidentiality IRS will not disclose the information you give them, except as authorized by law. You have the right to know why they are asking you for information, how they will use it, and what happens if you do not provide requested information.

III. Professional and Courteous Service If you are not treated in a professional, fair, and courteous manner, you have the right to complain.

IV. Representation You may represent yourself or, with proper authorization, have someone else represent you. Your representative must be a person allowed to practice before the IRS (attorney, certified public accountant, or enrolled agent). If you are in an interview and ask to consult such a person, then IRS must stop and reschedule the interview. You can have someone accompany you at an interview.

V. Pay Only the Correct Tax You are responsible for paying only the correct amount of tax due under the law—no more, no less.

VI. Help with Tax Problems The Taxpayer Advocate Service can help you if you have tried unsuccessfully to resolve with the IRS.

VII. Appeals and Judicial Review If you disagree about the tax liability or collection actions, you have the right to ask the Appeals Office/ Tax Court to review the case.

VIII. Relief from Penalties/Interest If you show you acted reasonably and in good faith or relied on an incorrect advice of an IRS employee. Interest that is the result of certain errors or delays caused by an IRS employee can be waived.

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BE PREPARED

Start gathering your records: receipts, canceled checks and other documents that support income or deductions you're claiming.

Be on the lookout for tax-related documents: W-2s and 1099s will be coming soon. Unemployment, early IRA withdrawal, gambling wins, stocks, debt forgiven, contractor income, interest income, etc., generate 1099s.

Use Free File: If you made $58,000 or less.

Try IRS e-file: After 21 years, IRS e-file has become the safe, easy and most common way to file a return.

Consider other filing options: You can prepare it yourself or go to a tax preparer. You may be eligible for free face-to-face help at an IRS office or volunteer site.

Consider Direct Deposit: If you elect to have your refund directly deposited into your bank account, you'll receive it faster.

Visit the IRS website: On www.irs.gov you can find everything you will need to file your tax return: forms, publications, tips, answers to frequently asked questions and updates on tax law changes.

Check out IRS Publication 17: It is a comprehensive collection of information for taxpayers highlighting everything you'll need to know when filing your return.

Review! Don't rush. Mistakes will slow down the processing of your return. Be sure to double-check all the Social Security Numbers and math calculations on your return as these are the most common errors made by taxpayers.

Don't panic! If you run into a problem, remember the IRS is available to help.

www.irs.gov or 800-829-1040.

"Next to being shot at and missed,

nothing is really quite as satisfying as an income tax refund."

F. J. Raymond

WHAT IF?

I can't pay my taxes?
File your return by the deadline and pay as much as you can to avoid penalties and interest. Contact the IRS to discuss payment options at **1-800-829-1040**. Available relief could be in form of short-term extension to pay, an installment agreement or an offer in compromise. Interest continues to accrue on unpaid tax.

I lose my job?
The loss of a job may create tax issues. **Severance pay and unemployment compensation are taxable.** Payments for any accumulated vacation or sick time also are taxable. You should ensure that enough taxes are withheld from these payments or make estimated tax payments to avoid a big bill at tax time. The IRS has updated a helpful publication which lists a number of job-loss related tax issues. For more information, see **Publication 4128**.

I close my business?
You are still responsible for filing all required tax returns for your business by the due dates. If you had employees, you must file all required employment tax returns, including Forms 940, 941, 943 or 944. Pay business and employment taxes when due. But, if you are not able to pay in full, contact the IRS to discuss your options.

I can't resolve my tax problem?
Contact the Taxpayer Advocate Service (TAS). TAS is an independent organization within the IRS whose employees assist taxpayers who are experiencing economic harm. Contact TAS by calling the TAS case intake line at **1-877-777-4778** or **TTY/TDD 1-800-829-4059**. You can always call Rony Peralta at **302-654-5024 x 102.**

IRS Telephone Assistance
Tax Information and Notice Inquiries for Individuals: 1-800-829-1040
Tax Transcripts: 1-800-908-9946
Refund Hotline: 1-800-829-1954
TDD Equipment: 1-800-829-4059

MORE Q & A

What if I can't pay my Installment Agreement?
If your ability to pay has changed and you are unable to make payments on your installment agreement or your offer in compromise agreement with the IRS, call the IRS at **1-800-829-1040**. You can ask to reduce the monthly payment or even defer the payment depending on your current financial condition. Be prepared to prove the changes in your financial situation.

The wage levy is causing a hardship. What do I do?
Contact the IRS at the telephone number on the levy notice or correspondence. Explain your financial situation. If the levy (taking from your wage of SSDI or pension or other assets and income) is creating an immediate economic hardship, you may be able to persuade IRS to release it. A levy release does not mean that your debt goes away. The IRS will work with you to establish re-payment plans or take other steps to help.

What are the tax consequences of IRA withdrawal?
Generally, early withdrawal (prior to age 59½) from an IRA means that the withdrawn amount is reflected as income on your 1040. Your taxes go up. This is in addition to the 10 percent penalty. There are exceptions to the 10 percent penalty. See **Publication 590** for more information.

I lost my home in foreclosure. Are there tax consequences?
Generally, debt that is forgiven is considered income on your 1040. Under the Mortgage Forgiveness Debt Relief Act of 2007, taxpayers generally can exclude income from the discharge of debt on their principal residence (not your second or vacation home). Be sure to attach Form 982. For more information see Publication **4681.**

"Few of us ever test our powers of deduction,
except when filling out an income tax form."
Laurence J. Peter

ITINS

¿Qué es un ITIN?

Un ITIN es un número emitido por el Servicio de Impuestos Internos, que se utiliza para procesar las formas de impuestos de ciertos extranjeros residentes o no residentes, sus cónyuges y dependientes. Es un número de 9 dígitos que comienza con el número “9”, contiene un “70” u “80” en la cuarta y quinta posición de la serie de dígitos y tiene un formato muy similar al de un número de seguro social SSN: (9XX-7X-XXXX).

El ITIN es sólo para personas que deben tener un número de identificación del contribuyente para propósitos del impuesto pero no lo tienen, y no son elegibles para obtener un SSN. Únicamente las personas que están obligados a presentar una declaración de impuestos o están presentando una declaración para recibir un reembolso (devolución) de los impuestos retenidos en exceso son elegibles para obtener un ITIN.

DOCUMENTOS PARA VERIFICAR SU IDENTIDAD:

- Pasaporte
- Identificación con foto de los Servicios de Ciudadanía e Inmigración de los Estados Unidos (USCIS) .
- Visa emitida por el Departamento de Estado de los Estados Unidos.
- Licencia de conducir de los Estados Unidos.
- Tarjeta de Identidad Militar de los Estados Unidos.
- Licencia de conducir en el extranjero.
- Tarjeta de Identidad Militar Extranjera.
- Tarjeta de Identidad Nacional (deberá estar al día (vigente) y contener su nombre, fotografía, dirección, fecha de nacimiento y fecha de vencimiento).
- Tarjeta de Identidad Estatal de los Estados Unidos
- Tarjeta de registro para votar en el extranjero.
- Acta de nacimiento civil.
- Registros medicos.*
- Registros académicos.*

*Para dependientes menores de 14 años (18 años si es estudiante).

La Clínica de Impuestos
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NUEVOS RESIDENTES

¿Recién llegado a los Estados Unidos?

Si usted está recién llegado a los Estados Unidos, deberá informarse sobre cuáles son sus responsabilidades tributarias. En esta página usted encontrará respuestas sobre quién tiene la obligación de presentar una declaración de impuesto federal en los Estados Unidos.

Vea la Publicación 4346 B para obtener respuesta a las siguientes preguntas:

- ¿Cómo sé si tengo la obligación de presentar una declaración de impuesto federal en los Estados Unidos?
- ¿Determina mi estatus migratorio si debo o no pagar impuestos?
- ¿Qué beneficios obtendré al presentar una declaración de impuestos?
- ¿Existen multas por no presentar declaración?

Toda persona que resida en los Estados Unidos, reciba ingresos y cumpla con ciertos requisitos tiene la obligación de presentar una declaración de impuesto federal. La obligación no depende de su condición migratoria, sino más bien del nivel de sus ingresos. Presentar la declaración es la ley, y el no cumplir con ella le expone a sanciones, tanto civiles como penales.

La ley requiere un número de identificación a cada persona que aparezca en la declaración de impuesto federal. Por lo general, el Número de Seguro Social, expedido por la Administración del Seguro Social, es el número que aparece en la declaración de impuestos.

Si el contribuyente tiene la obligación de presentar una declaración de impuestos pero no cumple con los requisitos necesarios para obtener un Número de Seguro Social, el contribuyente, si reúne los requisistos, puede solicitar y obtener un Número de Identificación Personal del Contribuyente (ITIN).

“En este mundo,

ninguna cosa es cierta salvo la muerte y los impuestos.”

Benjamin Franklin