



## The 2011 Income Tax Filing Season

The 2011 income tax filing season is expected to be more challenging than usual. American taxpayers expecting a refund in 2011 can be reasonably certain that those refunds will be delayed. Congress has waited until so late in 2010 to address and patch the AMT (alternative minimum tax) to avoid including 20 to 27 million new taxpayers in this parallel tax system.

Remember in 2007 when Congress waited until just before the Christmas break to pass an AMT patch for that year? This resulted in delays for the IRS to begin reprogramming its computers (it needed about 11 weeks). Consequently, tax filings and subsequent refunds were delayed.



Congress has yet to reach any agreement on the extension of the low "Bush" brackets (35%, 33%, 28%, 25%, 15% and 10%). Withholding taxes in tax-year 2011 will shrink paychecks across the board if the Bush brackets expire, hitting hardest families in the \$40,000 range. Without Congressional action, the new brackets will be 39.6%, 36%, 31%, 28% and 15%.

The 111<sup>th</sup> Congress has elected to tackle food safety before they begin to address the AMT or any other action on taxes. There will be very little time to address taxes and those members of Congress who are retiring or lost their seats are likely to be packing up rather than pushing any legislative agenda. There is speculation that tax legislation will start in the Senate where they are sitting on five unrelated tax measures from the House. Any of those measures could be amended with the AMT patch and/or Bush tax-cut language and then passed by the Senate and sent to the House for a concurring vote. With between 20 and 27 million middle-income people who could be entangled by the higher tax this year, there is no doubt Congress must enact an AMT patch.



However, once an AMT patch is passed, the IRS will need to delay the roll-out of the 2010 tax software. It takes weeks to implement the law changes into the IRS software, the tax preparation software, payroll software, forms and instructions, etc.



Taxpayers subject to the AMT will have to delay filing their returns and this in turn delays access to any refunds that might be due. Everything waits on actual enactment of a law in order to re-program the computers.

**PAYROLL WITHHOLDING TABLES** - Payroll departments are also waiting for the withholding tables from the United States Treasury on the exact amount of taxes they will be required to withhold from employee paychecks in 2011. Generally, the tables were released in mid-November; however this year they are held up as a result of the unresolved issue of the Bush tax cuts.



At some point, the Treasury will have to assume that the Bush tax cuts have expired and issue the new tables. Most payroll departments require somewhere between two to three weeks to program the new data in their computers.

**FORM-1099 REPORTING** - On November 29<sup>th</sup> the Senate rejected two proposals to repeal Form 1099 reporting requirements for small businesses (enacted in the Patient Protection and Affordable Care Act known as PPACA). Both proposals were offered as amendments to food safety legislation and required 60 votes to waive budget rules.



The current Form 1099 reporting requirements mandate that all businesses (including nonprofits) file a return for payments to vendors in excess of \$600 beginning in 2012. Estimates were that the measure would raise approximately \$19 billion over 10 years to help offset the cost of healthcare reform. There is strong opposition to the provision because of the excessively burdensome paperwork.

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Thus are the challenges to the upcoming tax compliance period.

Meanwhile, we urge you to enjoy the many benefits of our current Colorado season.

