

## Frequently Asked Questions: 2012 Tax Returns

1. ***How can people contact their local tax center to make an appointment?***

Please call your local tax center or contact them via their website, if applicable. Locations and phone numbers for all U.S. Army in Europe tax centers can be found [here](#).
  
2. ***What paperwork do I have to bring to the tax center?***
  - a. Bring your DoD-issued ID card and official documentation of your Social Security number
  - b. All W-2 Forms received from employers
  - c. A voided check or bank account number that shows the bank routing number
  - d. In addition, bring appropriate documentation for relevant individual tax issues:
    - Form 1099 INT, DIV (interest statements)
    - Original powers of attorney, if filing for a spouse
    - Documentation of child care expenses paid last year
    - Documentation of Individual Retirement Accounts (IRAs)
    - Documentation supporting charitable contributions
    - Statements of interest expenses (mortgage, student loans)
    - Alimony information (copy of divorce or separation agreement)
    - Other relevant financial information from the tax year (e.g., investment statements, rental reports, medical expenses, charitable contributions, or others)
    - Any documentation of any other income (U.S. or foreign)

*Internal Revenue Service forms and more information can be found [here](#).*
  
3. ***What services are available at the community tax centers?***
  - a. Community tax centers will electronically file (e-file) taxes for eligible community members. The tax centers are also a resource for people who prepare their own taxes. E-filers and legal assistance attorneys can provide personal income tax advice, publications and other reference materials, and review prepared returns.
  - b. Community tax centers are staffed by personnel trained and certified under the IRS Volunteer Income Tax Assistance program. These personnel are supervised by a legal assistance attorney and paralegal.
  
4. ***What resources are available people who want to prepare their own tax returns?***
  - a. The IRS offers taxpayers free help on federal tax questions and with filing a return. Assistance is available at any time on the IRS website at [www.irs.gov](http://www.irs.gov). Help is also available by telephone and in person.
  - b. A few publications that are especially useful for USAREUR community members:
    - Publication 17: "Your Federal Income Tax"
    - Publication 3: "Armed Forces' Guide"

-- Publication 54: "Tax Guide for U.S. Citizens and Resident Aliens Abroad"

Eligible taxpayers who prepare their own taxes and need additional assistance can contact their community tax center. In addition to assisting with filing taxes, community tax centers can provide tax advice and help understanding the tax code. A full list of tax centers across U.S. Army Europe is available [here](#).

5. ***What are the major tax law changes for 2012?***

A few of the changes:

a. **The start of tax filing season is delayed until January 30.**

-- Due to late passage of the American Taxpayer Relief Act of 2012 (better known as the "fiscal cliff deal"), the IRS has delayed the start of the filing season. This means that the publication of forms may be delayed and the IRS will not accept returns from taxpayers or preparers until the end of January.

-- Some taxpayers -- namely those taking green energy credits, general business credits, or depreciating rental properties -- will not be able to file until later in the season. The IRS estimates it will be ready for returns from these taxpayers between late February and early March.

b. **The standard filing deadline is April 15** - Last year the deadline was April 17 because April 15 was a Sunday and April 16 was the Emancipation Day holiday in the District of Columbia. This year April 15 is on a Monday, so the end of the tax calendar reverts to its normal deadline. Overseas filers receive an automatic filing extension until June 15, though the extension to file is not an extension to pay. Soldiers deployed during tax season receive additional time.

c. **Home Buyer Tax Credit for military members and veterans** – The deadline for purchasing a home under the extension for this credit elapsed in 2011, so the credit is not available on 2012 tax returns.

d. **Adoption credit is no longer refundable** – For 2010 and 2011 the Adoption Expense Credit was refundable. This is no longer the case. However, any portion of the credit that exceeds the taxpayer's total tax liability may be carried forward to 2013.

6. ***What's the difference between a tax deduction and a tax credit?***

A tax deduction is an amount which reduces the income used to compute tax. A tax deduction only saves you the percentage of the deduction equal to the tax rate. For example, if you are taxed at a rate of 30 percent and you have a deduction of \$100 then you save \$30. While deductions reduce tax liability, they are not directly refundable. A tax credit reduces tax liability after it has already been computed. One dollar of tax credit actually saves you one dollar. Nonrefundable tax credits can only reduce your tax liability to zero. Refundable tax credits can result in payment to the taxpayer from the federal government.

7. ***Which tax credits might I be eligible for?***

a. **Earned Income Credit** – a refundable credit for taxpayers below an adjusted gross income threshold. For 2012, earned income and AGI must be less than:

- \$45,060 (\$50,270 married filing jointly) with 3 or more qualifying children
  - \$41,952 (\$47,162 married filing jointly) with 2 qualifying children
  - \$36,920 (\$42,130 married filing jointly) with 1 qualifying child
  - \$13,980 (\$19,190 married filing jointly) with no qualifying children
- b. **Child Tax Credit** – Up to \$1,000 per child but may not be applicable to all taxpayers. For those filing jointly, the tax credit begins to phase out at \$110,000 (AGI) and at \$75,000 for taxpayers completing a single tax return.
  - c. **Additional Child Tax Credit** – refundable tax credit for individuals unable to utilize the full benefit of their nonrefundable child tax credit.
  - d. **Child and Dependent Care Credit** – nonrefundable tax credit which reduces tax liability by a portion of child and dependent care expenses.
  - e. **Lifetime Learning Tax Credit** – nonrefundable tax credit up to \$2,000 per tax return for 20 percent of the first \$10,000 of eligible education expenses paid for the taxpayer, spouse or dependent.
  - f. **Government Retiree Credit** – refundable credit of \$250 per taxpayer (\$500 if both taxpayer and spouse are eligible government retirees) for certain federal, state, and local government retirees who receive a government pension or annuity from work not covered by Social Security.
  - g. **Retirement Savings Contributions Credit** – nonrefundable credit for taxpayers with modified AGI below certain thresholds (depending on filing status) who make a contribution to a qualified retirement plan.

8. ***Should I itemize my deductions?***

- a. The standard deduction rates were raised for all filing statuses this year. To reap the benefits of itemizing deductions, the taxpayer must have significant expenses in the categories eligible for itemized deductions. Generally speaking, without significant out-of-pocket medical expenses, interest payments on an eligible home mortgage or very large contributions to eligible charities, taxpayers are better off taking the standard deduction. Consult your community tax assistance center if you have questions about whether it is to your advantage to itemize.
- b. The 2012 standard deduction are:
  - \$5,950 for unmarried taxpayers or married taxpayers filing separately
  - \$11,900 for married taxpayers filing jointly
  - \$8,700 for taxpayers filing as head of household
- c. The additional standard deduction allowed for blind taxpayers and taxpayers age 65 or older at the end of the tax year will be \$1,150 if married filing jointly and \$1,450 if single.

9. ***Does the Foreign Earned Income Exclusion apply to servicemembers and employees of the U.S. government stationed in Europe?***

No, that exclusion does not apply to U.S. servicemembers and other employees of the U.S. government. They must pay U.S. income tax, even if stationed overseas.

10. ***Do I need to pay state income tax if I live in Europe?***

States can require their residents and/or domiciliaries to pay income tax. A state has the authority to tax domiciliaries of that state, even if the domiciliary does not currently live in that state any longer due to military assignment. Each state's law is different, so to be sure you are complying with applicable state law, stop by your community tax center and check the rules for your state of domicile.

**11. *My spouse works on the local economy and pays taxes to the host nation. Do I need to report my spouse's income on our return?***

- a. If your spouse is a U.S. citizen or resident and you are filing a joint return, you must report your spouse's income on your tax return. If you are filing separately, the spouse will only need to file if earned income is more than \$3,800. If the spouse must file, you then may be able to exclude up to \$95,100 of that income from your taxable income under the Foreign Earned Income Exclusion.
- b. Spouses who are not U.S. citizens or residents do not need to report their income. It maybe to your advantage, however, to elect to treat your spouse as a U.S. resident so you can file a joint return. Consult your tax center for an individual discussion of these issues.

**12. *Do I need to report any money I have in my foreign bank account?***

Maybe. Any United States person who has a financial interest in, or signature or other authority over any financial account in a foreign country, if the aggregate value of these accounts exceeds \$10,000 at any time during the calendar year must report it. This report is called an FBAR, and stands for a Report of Foreign Bank and Financial Accounts. The form number is [TD F 90-22.1](#). If you had more than \$10,000 in any foreign bank account during 2012 you **must** report this to the IRS.

**13. *Why do I need to fill out the same paperwork (tax preparation info sheet, taxpayer info sheet, intake/quality review sheet) at my tax center every year if my info has not changed?***

Your community tax center needs the intake sheet filled out each year to ensure the accuracy of your tax return. Tax law changes every year, and you may not be aware of all the changes. The forms help determine the tax you owe and the refund you may receive.

**14. *What do I do if my spouse is not available to sign the tax return?***

If you are married and filing a joint return but your spouse is unavailable to sign the return, you need to get a power of attorney which explicitly grants authority for tax filing. IRS Form 2848 can be found at <http://www.irs.gov/pub/irs-pdf/f2848.pdf>. This power of attorney must have the notarized signature of your spouse. If your spouse is deployed, the IRS grants an extension of 180 days from the spouse's return from deployment to file taxes. For more information regarding deployed spouses and extensions on filing deadlines, consult your community tax center.