

2011 The Essential 1040®

Addendum

Page 10

On the bottom of the page, there is a note indicating the IRS is considering whether they will keep the high-low substantiation method. The IRS decided to keep the high-low substantiation method. The 2011-2012 rates are \$242 (\$65 is the meals portion) for travel to any high-cost locality and \$163 (\$52 is the meals portion) for any other locality (Notice 2011-81, 9/30/2011).

Page 50

The following information from the instructions to Form 5695 should be an additional bullet point under the rules for both credits. This additional information pertaining to qualified fuel cell property will help to understand the example on page 50.

The maximum qualifying costs that can be taken into account by all occupants for qualified fuel cell property costs is \$1,667 for each one-half kilowatt of capacity of the property. The amount allocable to each occupant for qualified fuel cell property costs is the lesser of the amount paid or the maximum qualifying cost of the property multiplied by a fraction (the numerator is the amount the occupant paid and the denominator is the total amount paid by all occupants).

Page 207-208

The information on pages 207-208 discuss the rules for obtaining provisional PTINs. The IRS had announced in Notice 2011-6 that they would not issue provisional PTINs once the exam was available. The IRS has extended the deadline for obtaining a provisional PTIN until at least 4/18/12. The IRS will announce in a news release when the extended deadline is over. Individuals who still need to obtain a provisional PTIN will have up to 30 days after a news release has been issued to obtain one (Notice 2011-80, 9/21/2011).

Page 223 and 225

As part of the United States and Korea trade agreement (H.R. 3080) signed into law on October 21, by President Obama, the preparer due diligence penalty for earned income credit has increased to \$500 for returns filed after December 31, 2011. Prior to this the penalty under §6695(g) had only been \$100 for each failure.

Page 225-226

The IRS issued proposed regulations that will require Form 8867, *Paid Preparer's Earned Income Credit Checklist*, to be attached to the return. Furthermore, the three year record retention period will change to the later of three years from when the return was due (without regard to any extensions) or three years from when the return was filed. Prop. Reg. §1.6695-2 is effective for tax returns and claims for refund filed after the date the regulation is published as a final regulation in the Federal Register, and applies to tax returns and claims for refund for tax years ending on or after December 31, 2011.