

Tax bill has something for almost everyone

Obama extension touches payroll taxes, mortgage insurance, IRAs

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During holiday gatherings, it's usually wise to refrain from discussing certain incendiary topics. Sex. Religion. The BCS. And unless you enjoy hand-to-hand combat with family members, the sweeping tax compromise President Obama signed Friday should be off-limits, too.

But no matter how you feel about the deal to extend the Bush tax cuts for two more years, this much is clear: There's something in the law for just about everyone.

Here's a look at how some of the provisions could affect you:

■ **Payroll tax cut.** For 2011, Social Security taxes will drop to 4.2 percent from 6.2 percent. If you have a job — and aren't paid under the table — this provision will increase your take-home pay.

■ **IRA charitable rollover.** The bill extends through 2011 a provision that allows seniors age 70½ and older to contribute up to \$100,000 directly from their IRAs to charity. The charitable withdrawal isn't deductible, but it won't be included in taxable income for the year.

The gift counts toward the IRA owner's required minimum distribution.

■ **Deduction for private mortgage insurance.** The tax agreement extends through 2011 a provision that allows homeowners to deduct mortgage insurance premiums. Most home buyers who put less than 20 percent down on a home loan have to pay mortgage insurance, which is designed to protect lenders from default.

■ **Educational assistance exclusion.** If your employer pays for you to go to school, you'll be happy to learn that the benefit will continue to be tax-free.

Through 2012, employees can exclude up to \$5,250 a year in tuition assistance from income and employment taxes.

■ **Tax credits for energy-efficient home improvements.** The compromise extends these credits, but they won't be as generous as they are now. Homeowners can get a tax credit worth 30 percent of the cost of the improvements, up to a maximum of \$1,500, this year.

You'll still be able to claim a credit in 2011, but the amount will shrink to a lifetime maximum of \$500.