SENIOR Lifestyles

Tax changes for those age 55 plus

For older Americans, some legislative changes may affect their tax planning, and some tax benefits are still available. Here's the scoop.

New law has replaced the once-in-a-lifetime tax break when people age 55 or older sell their personal residence. Under the old law, they could qualify for an exclusion of up to $125,000 of gain on a home sale.

The Taxpayer Relief Act, signed into law on August 5, 1997, allows people regardless of age to exclude up to $250,000 of gain ($500,000 on a joint return) from the sale of a personal residence after May 6, 1997. Unlike the one-time exclusion, this one is allowed once every two years, but only if the person used the home as a principal residence for at least two out of the five years before the sale.

The Act also makes available a new individual retirement arrangement (IRA) starting in 1998. This new "Roth IRA" features nondeductible contributions, with tax-free distributions if they begin at least five years after the initial contribution and the taxpayer is at least age 59 1/2, or disabled, or a beneficiary, or the proceeds are used for a first-time home purchase. People can contribute after they reach age 70 1/2, and they don't have to make mandatory withdrawals.

One benefit that is still around for older people is Tax Counseling for the Elderly (TCE). It's available to people age 60 or older who need help with their tax returns. Through TCE, volunteers from many organizations provide free tax information and guidance. Local IRS offices have information on locations.

Seniors age 65 or older may not have to file a tax return if their income is less than a certain amount. For 1997, that amount for single seniors was $7,800. The limit for a married couple filing a joint return was $13,000 if only one spouse is 65, and $13,800 if both are 65 or older. For a qualifying widow(er) with a dependent child, the amount was $10,350. And for a senior head of household, it was $9,700.

Those who don't itemize deductions get a higher standard deduction when they reach 65. And those who are blind get an extra added amount.

Seniors or people with disabilities may qualify for the credit for the elderly or the disabled. This credit is based on age, income and filing status, and can reduce the amount of taxes owed. Those under 65 could be eligible if they retire with total and permanent disability and have income from their employer because of that disability.

The IRS considers persons to be age 65 on the day before their 65th birthday. So to the IRS, those born on January 1, 1934, are age 65 on December 31, 1998, and can claim tax benefits related to that age on their 1997 returns.

For more information, get Publication 554, *Older Americans' Tax Guide*, and Publication 910, *Guide to Free Tax Services*. Call 1-800-829-3676.