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Top 5 Tax Questions Answered

Corrections and clarifications: A previous version of this story incorrectly referred to the significance of investment income on the Earned Income Tax Credit. Investment income does not count as earned income and if someone is eligible for the credit but has investment income above $3,350, they no longer qualify for the Earned Income Tax Credit.

Some issues come up every tax season, such as the details behind the earned income tax credit or which education credits to claim. Other issues come up so infrequently that they raise even more questions when people run into them, like whether a foreclosed home is counted as income because the debt was canceled.

With less than a month to go before the deadline to file your 2014 tax return, these are the top questions tax pros say they are still getting from filers, and their answers.

Does cancellation of debt count as income?

If you owe money to somebody, whether in the form of credit card debt, a loan on your home or student loans, and the debt is canceled — such as having your house foreclosed — the amount written off is counted as income to you, says Lindsey Buchholz, principal tax research analyst for H&R Block, which says this is one of the top questions it's getting from customers this year. But you report the debt as income in the year it was actually canceled. If your home was foreclosed in the fall of 2014, for example, but the bank didn't cancel the debt until January 2015, you wouldn't report the amount on your 2014 tax return. There are exceptions: the Mortgage Debt Relief Act, which was extended through 2014, allows taxpayers to exclude canceled debt from their reported income if it was related to foreclosure on a principle residence, as long as both the foreclosure and canceled debt happened in 2014.

What constitutes earned income for the earned income tax credit?

Buchholz says people often don't know what counts as "earned income" and that people also often move in and out of eligibility for the earned income tax credit, which is why it comes up year after year as a source of confusion for tax filers. The earned income tax credit provides money back to low-income individuals and families whose incomes fall below certain thresholds. Earned income is wages, tips, salaries, self-employment earnings and some long-term disability benefits. Investment income does not count as earned income, and if you otherwise qualify for the earned income tax credit, but have investment income above $3,350, you're no longer eligible, Buchholz says.

Interest, dividends, retirement income, Social Security, unemployment benefits, alimony and child support do not count as income toward the EITC.

Who counts as a dependent?

This is a common question, particularly from unmarried couples wondering if they can claim a boyfriend or girlfriend as a dependent, says Lisa Greene-Lewis, Certified Public Accountant and tax expert for TurboTax, who monitors the questions TurboTax gets on its blog and through social media. And people are often surprised to learn that in some circumstances, they can.

"There are some qualifications," she says. "If you're not a relative, the person you're trying to claim has to live with you the entire year ... you have to provide over half of their support, and they can't make over $3,950."

Grandparents can also claim grandchildren as dependents if they've provided more than half of the kids' support, but the kids don't necessarily have to live with a grandparent to be able to be claimed.

If I freelance, how often do I have to do my taxes?

Freelancers often don't realize they have to submit their taxes four times a year, says Sara Horowitz, founder and executive director of Freelancers Union and author of an e-book called *The Freelancers Union Guide to Taxes*.

"The federal government wants you to pay taxes on your money as you earn it," Horowitz says. "They don't want you to hold on to it interest-free until the end of the year." Freelancers have to submit estimated taxes on Jan. 15, April 15, June 15 and Sept. 15 each year.

I'm an independent contractor. Can I deduct ...?

"Every year around this time, I get calls about whether various things can be deducted, like meals, travel, marketing," says Scott Bishop, director of financial planning at STA Wealth Management in Houston. When it comes to being self-employed, the more documentation and notes you have about your business expenses, the better, Bishop says.

Typically, you can deduct any expenses directly related to doing business, whether it's the Wi-Fi in your home office or camera equipment you have to buy if you're a wedding photographer. You can't deduct expenses that would be considered optional for the job or are also for personal use, such as clothes for an event or a spouse's airfare if they come along on a business trip.

"Deduct what you think you can deduct, but document it very very well," Bishop says. "If you go for a business meal you want to write on that receipt who you saw and what you talked about."