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Hang On Tight for 2010!



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Homebuyers

- **\$8000 1st TIME HOMEBUYERS CREDIT**
 - New homebuyers (defined as those who haven't owned a home in the last 3 years)
 - \$8,000 credit
 - Purchase home between 1/1/09 and 4/30/10
- **\$6500 REPEAT HOMEBUYERS CREDIT – NEW**
 - Homebuyers who have lived in the same residence for five of the last eight years
 - \$6,500 credit
 - Purchase home between 11/6/09 & 4/30/10



Source:
<http://www.irs.gov/newsroom/article/0,,id=215791,00.html>

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Shoppers

- **NEW CAR SALES TAX DEDUCTION**
 - Deduction for sales tax paid on a vehicle
 - Up to the first \$49,500 of the vehicle purchase price
 - Taken on Form 1040 without being required to itemize
- **ENERGY EFFICIENT IMPROVEMENT CREDIT**
 - Available in 2006 and 2007, disappeared in 2008
 - Back for 2009 and 2010
 - Credit equals 30% of the cost up to \$5,000 (\$1,500 max)
 - Certain qualified Windows, Doors, Insulation, Roofs, HVAC, Water Heaters, and Biomass Stoves
 - Credit remains for qualified solar, geothermal and wind systems equal to 30% of the cost

Source: <http://www.irs.gov/irs/article/0,,id=214016,00.html?portlet=7>

Source: <http://www.irs.gov/newsroom/article/0,,id=206875,00.html>



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Parents & Students

- **AMERICAN OPPORTUNITY TAX CREDIT**
 - Extends the existing HOPE Credit for higher education costs
 - Credit up to \$2,500 (of first \$4,000) for 1st 4 years
 - Expenses expanded to include “course materials” - books, supplies, and equipment needed for a course of study
 - 40% of credit (\$1,000) is refundable
 - Phased out from incomes above \$160K (MFJ) and \$80K (single)
- **LIFETIME LEARNING CREDIT**
 - Remains at 20% of first \$10,000 of tuition
 - Half-time enrollment not required
 - Phased out with incomes above \$120K (MFJ) and \$60K (single)



Source: <http://www.irs.gov/newsroom/article/0,,id=211309,00.html>

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Workers

- **MAKING WORK PAY CREDIT**
 - Working individuals received a tax credit of \$400 per year
 - Credit doled out to American's as a payroll increase in April 2009
 - By year end, \$400 less taxes were withheld from paychecks
 - Workers will receive a credit of \$400 on their 2010 returns
- **THE TROUBLE BEGINS**
 - Multiple jobs
 - Couples who earn more than \$150,000 jointly, but one earner makes less than \$75,000
 - College students
 - Those claimed on someone else's return
 - Pensioners who's pension companies withheld less per paycheck when they should not have

Source: <http://www.irs.gov/newsroom/article/0,,id=204447,00.html>

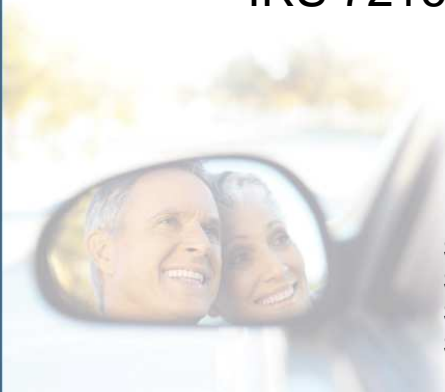


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Everyone

- **REFUND METHODS**
 - Direct deposit, Paper check - 2 – 6 weeks
 - U.S. Series I savings bonds – 3 weeks
 - Grow in value for up to 30 years (currently 3.06%)
 - \$50 increments, up to \$5,000
- **TAX PREPARER STANDARDS**
 - Preparers required to register and prove competency
 - IRS 7216 - Birthday cards are back!



Source: http://www.irs.gov/pub/irs-tege/ibond_questions_answers.pdf

Source: <http://www.irs.gov/pub/irs-pdf/p4830.pdf>

Source: http://media-newswire.com/release_1109606.html

Source: <http://www.irs.gov/efile/article/0,,id=188398,00.html>

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Expiring Tax Provisions

- **50 TAX PROVISIONS LAPSED ON 12/31/09**
 - Standard deduction for property taxes
 - State and local sales tax deduction
 - Tuition and expense deduction
 - Tax-free distributions from IRA's to charities
 - \$250 deduction for educators

- **CURRENT STATUS**
 - Likely to be made retroactive



SOURCE: Journal of Accountancy, Numerous Tax Provisions
Expired at End of 2009, December 31, 2009

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New on the Horizon

- **OBAMA'S 2010 BUDGET PROPOSAL**
 - Reinstates 36% and 39.6 % rates for incomes over \$250K (married) and \$200K (single)
 - Reinstates the personal exemption phase out and limitation on itemized deductions for incomes over \$250K (married) and \$200K (single)
 - Imposes 20% rate on capital gains and dividends for those earning over \$250K (married) and \$200K (single)
- **HAPPY ACT**
 - Humanity and Pets Partnered Through the Years (HAPPY) Act
 - \$3,500 tax deduction for pet care expenses
 - Introduced by MI Rep. Thaddeus McCotter, not yet passed!



Source: <http://www.opencongress.org/bill/111-h3501/show>
Source: http://www.whitehouse.gov/omb/assets/fy2010_new_era/A_New_Era_of_Responsibility2.pdf

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What's New with Estate Tax?

- ESTATE TAX IS A MESS
 - 2009: \$3.5 million exemption, 45% tax rate
 - 2010: No Estate Tax!
 - 2011: \$1 million exemption, 50% tax rate
- CURRENT PROPOSALS
 - Obama & Supporting Democrats propose \$3.5 million/45%
 - Moderate Democrats & Republicans propose \$5 million/35%



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Numbers to Know

Numbers You Need to Know	2009	2010
Social Security Wage Limit	\$106,800	\$106,800
Mileage—Business	55 cents/mile	50 cents/mile
Mileage—Medical & Moving	24 cents/mile	16.5 cents/mile
Mileage—Charitable Purpose	14 cents/mile	14 cents/mile
Contribution limits for 401(k) , SEP plans and 403(b) annuities	\$16,500	\$16,500
Workers aged 50+ catch-up provision for 401(k), SEP & 403(b)	\$5,500	\$5,500
IRA Contribution Limits	\$5,000	\$5,000
Aged 50+ catch-up for IRA's	\$1,000	\$1,000
1099-MISC Reporting Limit	\$600	\$600
Annual Gift Exclusion	\$13,000	\$13,000

Source: www.irs.gov

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