

The following is a recap of the most recent tax updates and changes that we put together specifically for you our client. If you have any specific questions, please contact our office to schedule an appointment.

2009 Individual Provisions Extended

- **Deduction for State and Local Sales Taxes**-Individuals can itemize deductions (Schedule A) for state and local general sales taxes instead of state income taxes and can be used for the purchase of large items such as motor vehicles, boats, or airplanes.
- **Qualified Tuition and Expenses Deductions**-Deductions allowed for higher education expenses from \$2,000 up to \$4,000.
- **Teacher Expense Deduction**-Teachers, grades K through 12, are allowed a deduction for up to \$250 for unreimbursed material expenses accrued during 2009.
- **Standard Deduction for Non-Itemizer's Real Estate Taxes**-Property owners have the option to deduct up to \$1,000 for real estate taxes when they do not itemize.
- **IRA Charitable Distributions**-Taxpayers over age 70 ½ are allowed to make tax-free contributions to qualified charities up to \$100,000. This has to be a direct transfer from your IRA.

Worker, Retiree, and Employer Recovery Act of 2008

- **Required Minimum Distributions**-The required minimum distribution normally required by retirees has been waived for the year 2009 only and applies to plan participants including any beneficiaries.
 - **How is the Required Minimum Distribution Calculated**-The required distribution amount is calculated by taking the prior year's account balance as of December 31 and divided by the taxpayer's life expectancy.

New for 2009

- **Making Work Pay Credit**-Most taxpayers with earned income, within certain income limits, are eligible for the making work pay credit which is a refundable credit of either 6.2% of earned income or \$400 (\$800 for married couples filing jointly), whichever is less. This credit applies to eligible taxpayers for years 2009 and 2010. This credit was an adjustment for withholding in late winter of 2009. We will calculate your benefit on your 2009 return.
- **Economic Recovery Payments**-Individuals receiving social security, supplemental security income, railroad retirement,

veterans' benefits, or pension benefits may qualify to receive a one-time \$250 economic recovery payment.

American Opportunity Credit for 2009 and 2010

- **Educational Credits**-There are three different educational credits: American Opportunity Credit (AOC), Hope Credit and the lifetime learning credit. The following are changes that have been made for 2009 and 2010 only:
 - AOC has increased to a maximum of \$2,500 per eligible student for the first **four** years of post-secondary education..
 - **Qualified course materials** are now qualifying expenses including tuition and fees.

First-Time Homebuyer Credit-Changes for 2009 (3 Sets of Rules for 2009)

- Credit has been extended to April 30, 2010.
- The credit has been increased to the lesser of \$8,000 or 10% of the purchase price for home purchases on or after January 1, 2009 and before May 1, 2010.
- Certain income limitations apply for the first-time homebuyer credit.
- Minimum of 36 months as primary residence applies.
- New law provides a credit of \$6,500 as the "long-time resident" credit for homeowners who do not qualify as "first-time homebuyers".
- For additional information, please contact our office.

Exclusion for Unemployment Compensation

- Individuals receiving unemployment compensation only in 2009 may exclude up to \$2,400 from their total gross income.
- For married couples receiving unemployment compensation, the exclusion applies for each spouse.

Additional Standard Deduction for Motor Vehicle Sales Tax

- For qualified purchases for new motor vehicles between February 17, 2009 and December 31, 2009, state and local sales tax may be eligible as a deduction for both standard deduction and itemized deductions.

- Deduction applies to the first \$49,500 of a qualified vehicle purchased.

IRC §179 Expensing Election

- Election was originally in 2008 and has been extended to tax years beginning in 2009 for equipment purchased for business use.
- Enables small businesses to a maximum deduction of \$250,000 for the cost of machinery, equipment, vehicles, furniture and other qualifying property placed in service in 2009.
- This expensing is phased out for purchases over \$800,000.

50% Bonus Depreciation

- This bonus depreciation is for qualifying property and equipment, transportation property and has been extended to December 31, 2009.

Non-business Energy Property Credit

- Credit available to individual **homeowners** for eligible home energy improvements. This includes certain windows, insulation, fans, etc.
- Credit is limited to 30% of purchases up to \$1,500 for 2009 and 2010.
- You must have the manufacturer's certificate of energy efficiency for us to take credit.

Residential Energy Efficient Property Credit Limitations

- Taxpayers are eligible for a nonrefundable personal tax credit up to 30% for qualified home energy efficient expenses.
- The credit applies for expenses made during 2009 on solar water heating, geothermal heat pump, and small wind energy properties.
- You must have the manufacturer's certificate of energy efficiency.

IRS Announces 2010 Standard Mileage Rates

- **Effective January 1, 2010, the standard mileage rates for the use of a car (also vans, pickups or panel trucks) will be:**
 - 50 cents per mile for business miles driven
 - 16.5 cents per mile for medical or moving purposes
 - 14 cents per mile driven in service of charitable organizations

Business Extenders for 2009 and 2010

- **MACRS Recovery Period for Qualified Leasehold Improvements**-Taxpayers can shorten the depreciation for certain leasehold improvements from 39 to 15 years.
- **MACRS Recovery Period for Restaurant Improvements and Buildings**-Taxpayers can shorten the depreciation for certain restaurant improvements made in 2009 from 39 to 15 years.
- **MACRS Recovery Period for Qualified Retail Improvement Property**-Retail business taxpayers can opt for a 15 year depreciation schedule for interior improvements made in 2009.

If you have any concerns with these new updates or with your tax returns, please call our office for an appointment and have your personal documentation ready during your visit.

New Office Hours

Effective May 1, 2010, AGC-Alfermann Gray & Co., CPA's, LLC will have new office hours. The new hours will be as follows:

Monday through Thursday 8 p.m. – 5 p.m.
Appointments 9 a.m. – 4 p.m.

Friday 8 a.m. – 12 p.m. noon
No appointments..

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