

Tax Changes to Keep in Mind for 2009

Let's Talk Tax

By Brett Hersh, EA, MBA

The US Tax Code, more exactly, United States Internal Revenue Code, Title 26 of the U.S. Code (26 USC) contains more than 3.4 million words. Printed 60 lines per page, which requires a 10 point font, it would fill more than 7,500 letter-size pages. The tax code is not just big. It is also fluid: constantly reshaped and remolded by the whims and castling of congress. No legal document is poked and prodded more often, or rendered obsolete so quickly -- and 2009 was no exception. In today's article, we will highlight a few of the changes for the 2009 tax year. Keep this list handy. It may help save a few tax dollars on your 2009 return.

Haiti contributions in 2010 are deductible on 2009's return: Deductions made to Haitian relief organizations between January 12, 2010 and February 29, 2010 will be deductible on your 2009 income tax return. This includes donations made by credit card, check, and cell phone (donations were made via text message).

Property Tax Deduction: Up to \$500 (\$1,000 if married and filing jointly) in real estate taxes may be deductible on your tax return, even if you do not itemize deductions. The deduction is added to your standard deduction. The deduction amount is determined by completing Schedule L.

Sales Tax Deduction on New Vehicles: If you purchased a new car, light truck, motorcycle, or motor home (RV) between February 17, 2009 and December 31, 2009 you may be able to deduct its sales tax on your 2009 income tax return, even if you don't itemize on Schedule A. The deduction is limited to taxes paid on the first \$49,500 of vehicle cost. The deduction begins to phase out if your MAGI is more than \$250,000 (125,000 if single) and is claimed by completing Schedule L.

Education Changes – the American Opportunity Credit: For 2009 and 2010, the Hope Scholarship Credit (HSC) is called the American Opportunity Credit (AOC). The annual credit amount remains the same: 100% of the first \$2,000 and 25% of the second \$2,000 spent on qualifying education expenses (maxing out at \$2,500 per student). A major difference between the AOC and the HSC is that the HSC was only available for the first two years of post-secondary education. The AOC is available for the first four years. Another difference is that up to 40% of the AOC is refundable (the HOC is not). This means that a taxpayer can receive up to 40% of the credit (\$1000) as a refund for each eligible student, even if they owe no tax. Income limitations have also increased. Individual taxpayers with modified adjusted gross incomes of \$80,000 or less (\$160,000 if married and filing jointly) will qualify for the full amount of the credit. The credit begins to reduce once income exceeds this threshold.

Making Work Pay Credit: If you had a job or were self-employed during 2009 you may qualify for a \$400 refundable tax credit (\$800 if you are married and file jointly). The credit is equal to 6.2% of your earned income up to a maximum of \$400.

First Time Homebuyer Tax Credit: We have covered this topic extensively in recent months. Please visit www.hbsbusiness.com for more information.

Personal Energy Property Credit: If you made certain energy-saving improvements to your home in 2009 you may qualify for a tax credit equal to 30% of the improvement's cost up to a total credit of \$1,500. Qualifying improvements include certain windows, doors, insulation, heat pumps, etc. A manufacturer's certificate is required to claim the credit.

Residential Energy Efficient Property Credit: This credit is available for those who install certain energy efficient heating and electrical systems in residential property. It is nonrefundable and equals 30% of the cost of

purchasing and installing qualifying wind and solar energy systems as well as solar water and geothermal heating systems. A manufacturer's certificate is required to claim the credit.

In today's column we have reviewed a few tax-law changes that may help save a few tax-dollars on your 2009 return. We have only had time to cover the bare bones of these changes. Feel free to call our office or consult with your tax professional to flesh out the details.

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