

## 2009 - PARTIAL LIST OF TAX LAW CHANGES

Autos & other vehicles, Sales tax	<b>Sales tax</b> for <u>new</u> vehicles costing up to \$49,500 listed on Sched L as increase to standard deduction (includes motorcycles, pickups, and motor homes). <b>Sales tax</b> for <u>any</u> purchase (not just vehicles) alternatively may be deducted as itemized deduction.
Autos - tax credits	Tax credits are available for energy efficient autos, but credit is phased out by number of vehicle sold. Any "cash for clunkers" amounts are not taxable income.
Cancellation of Mortgage Debt	Mortgage indebtedness on principal residence can be forgiven, but not on any amounts taken as cash-out on refinance. Cancelled debt can also be forgiven if insolvent.
Cobra (health insurance)	Laid off employees may qualify to pay only 35% of their health insurance.
Disclosure of Tax Information	Stringent new IRS regulations require signed form before any tax information can be released to a specified third party.
Education Expenses	<b>Hope Credit</b> renamed <b>American Opportunity Credit</b> & enhanced. Now available for first 4 years of college, must be at least a half-time student. Max credit is \$2500. Income phaseouts increased, course materials are allowed, <b>40% is now refundable</b> . <b>Lifetime Learning Credit</b> basically unchanged, can be used for any accredited post secondary course, max credit is \$2000. Income phaseouts lower than Amer. Opportunity. <b>Tuition and Fees Deduction</b> is less important due to the increased income phaseouts above. <b>IL</b> allows up to \$500 credit for tuition and fees paid for grades K - 12. Can also deduct <b>IL College Savings</b> contributions up to 20K (MFJ) on <b>IL</b> return.
Earned Income Credit	Income limits on <b>Earned Income Credit</b> have been extended, three children now qualify.
Energy Credits	For insulation, exterior windows, doors, furnace, central air, some other items. Up to \$1500 credit per house (prior energy credits taken disregarded), no new construction, no appliances (but IL rebate may be available on Energy Star). Not all expenses qualify.
Homebuyer	<b>First-time buyer</b> (hasn't owned home for 3 years) gets up to \$8000 credit. <b>Long-time owner</b> (same principal residence for 5 consecutive years of last 8) gets up to \$6500. Both must have contract signed by April 30, 2010 and close by June 30, 2010. Must be principal residence, income phaseouts apply. <b>Can't be purchased from close relative</b> . Those that took the earlier \$7500 credit must begin repayment in 2010 at \$500 per year.
IRA Retirement Distributions	Direct contributions to charity were allowed from your IRA in 2009 if over 70 1/2. <b>No Required Minimum Distributions</b> were necessary in 09, must take RMD in 2010.
Making work pay	\$400 per person credit given as decreased withholding on W-2, use Sched M.
Ponzi Schemes	Favorable tax treatment to anyone affected by Ponzi-type schemes.
Real Estate Tax - IRS	Non-itemizers are allowed to increase their standard deduction by up to \$1000 married, and \$500 single, for <b>Real Estate Tax</b> on their <b>principal residence</b> . Use Sched L.
Real Estate Tax - IL	For 2009 the State of Illinois is requiring that your Real Estate parcel number be entered on the tax return. <b>Please include a copy of your Property Tax bill</b> .
Sales tax deduction	Available on Sched A, itemized deductions. Please record sales tax on large purchases.
Schedule L and Schedule M	New forms this year, Sched L to calculate additional standard deduction for RE taxes, motor vehicle sales tax, some casualty losses. Making Work Pay credit on Sched M.
Unemployment	1st \$2400 of unemployment compensation not taxable, per person.