

## 2009 TAX TIPS

**Unemployment Compensation** – For 2009, taxpayers can exclude from gross income up to \$2,400 of unemployment compensation received in 2009. Unemployment compensation over \$2,400 is subject to federal income tax.

**First-time Homebuyer Credit** – Taxpayers can qualify for a refundable credit of 10% of the purchase price up to \$8,000 (\$4,000 if Married Filing Separately). Generally the credit is for qualifying home purchases after December 1, 2008, and before April 30, 2010. The credit does not have to be repaid, as long as the home remains the taxpayer's main home for 36 months after the purchase date.

**Making Work Pay Tax Credit** – This is a refundable tax credit of up to \$400 for working individuals (\$800 for Married Filing jointly). This credit is calculated at a rate of 6.2% of earned income. It is phased out for taxpayers with modified adjusted gross income (AGI) in excess of \$75,000 (\$150,000) for MFJ. To be eligible for the credit, taxpayers must have a valid social security number. For Married Filing Jointly taxpayers, at least one taxpayer must have a valid SSN.

**Residential Energy Credit** – The new law reinstates and increases the tax credit for homeowners who make energy efficient improvements to their existing homes. The law increases the credit rate to 30% of the cost of all qualifying improvements and raises the maximum credit limit to \$1,500 for improvements placed in service in 2009 and 2010. The credit applies to improvements such as adding insulation, energy efficient exterior windows and doors, energy-efficient heating and air conditioning systems, and certain roofs. The credit has been expanded to include certain asphalt roofs and stoves that burn biomass fuel.

**New Vehicle Sales Tax Deduction** – The American Recovery and Reinvestment Act of 2009 may give you a deduction for state, local and excise taxes or other fees you pay when you buy a new car, light truck, motor home or motorcycle. To qualify for the deduction, the vehicle must be purchased after February 16, 2009 and before January 1, 2010. The deduction is limited to the taxes paid on the first \$49,500 of the purchase price of each vehicle. There is no limit on the number of cars for which the taxpayer can claim the deduction. The amount of the deduction starts phasing out if you make more than \$125,000, or \$250,000 for Married filing jointly.

**Earned Income Credit (EIC)** – If you have children under the age of 19, or under the age of 24 that are full time students for at least 5 months of the calendar year, or any age if they are permanently and totally disabled, you may be eligible for the EIC. The maximum earned income and adjusted gross income for 2009 must be less than \$48,279 and the maximum credit is \$5,657.

**Advance Earned Income Tax Credit** – If you work for someone and expect to qualify for the Earned Income Credit, you can choose to get part of the credit in advance. Give your employer a Form W-5, and your employer will include part of the credit in your pay. The advance credit is only available if you have at least one qualifying child.

**Child Tax Credit / Additional Child Tax Credit** – The Child Tax Credit (CTC) is a nonrefundable credit and may be as much as \$1,000 per qualifying child under the age of 17. The CTC reduces the taxes you may owe. The Additional Child Tax Credit is a refundable credit and may give you a refund if you have earned income of at least \$3,000.

**Child and Dependent Care Credit** – You may be able to claim this credit if you pay someone to care for your child under the age of 13 so you can work or look for work. The maximum amount of expenses that can be used for this credit is \$3,000 for one child and \$6,000 for two or more children.

**Personal and Dependent Exemptions** – The amount you can deduct for personal and dependent exemption on your 2009 federal tax return has been increased from \$3,500 to \$3,650.

**Standard Deductions** – The standard deduction that can be claimed on 2009 tax returns has been increase. The new standard deduction for Single and Married Filing Separately is \$5,700, Married Filing Jointly or Qualifying Widow(er) is \$11,400 and Head of Household is \$8,350. If you or your spouse are 65 or older or blind, or you can be claimed as a dependent on another persons return, the above deductions do not apply.

**Adoption Credit** – You may be able to take a tax credit for qualifying expenses paid to adopt an eligible child. The credit may be more if the expenses are for the adoption of a child with special needs.

**Name Change** - Did you get married or divorced during 2009? If you changed your last name you must report the name change to the Social Security Administration, so your name and social security number will match when you file your next tax return. This will avoid a delay in processing your return.

**Can You Deduct the Cost of Refinancing Your Home** - Taxpayers who refinanced their homes may be eligible to deduct some costs associated with their loans. The term "points" is used to describe certain charges paid to obtain a home mortgage. Here are some things to remember when deducting points:

- Generally, for taxpayers who itemize, the points paid to obtain a home mortgage to purchase a home may be deductible as mortgage interest.

- Depending on circumstances, points can be fully deductible in the year paid.
- Points paid solely to refinance a home mortgage usually must be deducted over the life of the loan.

**Tips are Subject to Taxes** - Do you work at a hair salon, barber shop, casino, golf course, hotel, and restaurant or drive a taxicab? The tip income you receive as an employee from those services is taxable income.

**Gambling Winnings and Losses** - Gambling winnings are fully taxable and must be reported on your tax return. If your luck isn't always so good, you may deduct gambling losses. Losses may be deducted only if you itemize deductions and only if you also have gambling winnings. Claim your gambling losses as a miscellaneous deduction on Form 1040, Schedule A. But remember, the losses you deduct may not be more than the gambling income you report on your return.

**Student Loan Interest** - Are you paying Student Loan interest? You may be able to deduct up to \$2,500 from your income per tax return. Student Loan interest may be deducted even while your student is in school if you are paying the interest immediately rather than deferring the payments.

**Help Offset Education Costs with Tax Credits and Deductions** - The Hope Credit, Lifetime Learning Credit or the Tuition and Fees Deduction may help offset the cost of higher education for you, your spouse and your dependents.

- The Hope Credit Expanded (American Opportunity Credit) is up to \$2,500 per student per year, is available for the first four years of post secondary. Forty percent (.40) of the credit is refundable (Up to \$1,000 even if no taxes are owed). Students must be pursuing an undergraduate degree and be enrolled at least half time.
- The Lifetime Learning Credit, which is up to a \$2,000 tax credit per tax return, applies to undergraduate, graduate and professional degree courses and there is no limit to the number of years you can take this credit.
- The Tuition and Fees Deduction, which is up to a \$4,000 deduction from your income, applies to undergraduate, graduate and professional degree courses. This deduction may be beneficial as the modified adjusted gross income limits are higher than the thresholds for the Lifetime Learning Credit.

**Deduction Available for Educators in Grades K – 12** - As an educator, you may be able to deduct up to \$250 for expenses paid for the purchase of books, computer equipment and classroom supplies. If you and your spouse are filing a joint return and both are eligible educators, the maximum deduction is \$500.

**2009 Standard Mileage Rates** – The 2009 standard mileage rates used to calculate the deductible costs of operating a car (including vans, pickups or panel trucks) are:

- 55 cents per mile for business miles driven;
- 24 cents per mile driven for medical or moving purposes; and
- 14 cents per mile driven in service to a charitable organization.

**New Guidelines for Monetary Donations to a Qualified Charity** - To deduct any charitable donation of money, a taxpayer must have a bank record or a written communication from the charity showing the name of the charity and the date and amount of the contribution. A bank record includes canceled checks, bank or credit union statements and credit card statements. Bank or credit union statements should show the name of the charity and the date and amount paid. Credit card statements should show the name of the charity and the transaction posting date. For payroll deductions, the taxpayer should retain a pay stub, Form W-2 wage statement or other document furnished by the employer showing the total amount withheld for charity, along with the pledge card showing the name of the charity.

**Rules for Donating Clothing and Household Items to a Qualified Charity** - To be deductible, clothing and household items donated to charity must be in good used condition or better. However, a taxpayer may claim a deduction of more than \$500 for any single item, regardless of its condition, if the taxpayer includes a qualified appraisal of the item with the return. Household items include furniture, furnishings, electronics, appliances, and linens.