

Planning Opportunities in the Government's Response to the Economic Downturn

Making-Work-Pay Credit

- Available 2009 & 2010
- Lesser of \$400 (\$800 joint) or 6.2% of earned income
- AGI phase out at 4% above \$75,000 (\$150,000 joint) up to \$85,000 (\$170,000 joint)

Benefits to Retirees

- Available 2009
- One time payment of \$250
- Available to government employees not eligible to receive social security, disabled individuals and supplemental security income recipients

Worker, Retiree, and Employment Recovery Act of 2008

- Suspends the RMDs from retirement accounts for 2009
- Available to individuals over 70 ½ with IRAs and defined contribution plans (401k, 403b, 457b)
- Available to individuals who are taking five year distributions from inherited accounts, but will increase the five-year payout rule by one year

Businesses

- Available 2009
- May expense up to \$250,000 of new or used tangible personal property used in business and claim additional (bonus) first-year depreciation equal to 50% of the adjusted basis of new property with a recovery period of 20 years or less
- Includes off-the-shelf computer software and qualified leasehold improvement property
- May increase the first-year depreciation limit for "luxury autos" by \$8,000
- Net operating loss carry back increased to any whole number of yrs more than 2 and less than 6. Applies to businesses with avg gross receipts of \$15m or less in the 3yrs prior to the NOL year.
- Individuals who received at least 50% of their gross income from a business that employed less than 500 persons during the year can make estimated tax payments equal to the lesser of 90% of their 2008 or 2009 tax liability versus the previous 100% and 110% required estimates.

First-Time Homebuyer Credit Enhanced

- Increased credit to \$8,000
- Extended date for purchases from July 1, 2009 to December 1, 2009
- Eliminated the 15-yr recapture
- Available to any individual (if married the individuals spouse) who has not owned any principal residence during the 3yr period ending on the date of purchase of the new residence

- AGI phase out between \$75,000 and \$95,000 (\$150,000-\$170,000 joint) in the year of purchase

529 Plans

- May change investment options twice in 2009 versus one time in previous years

Computers

- Available for 2009 & 2010
- Computer technology or equipment and Internet access are allowed as qualified education purchases if purchases are used by the beneficiary or the beneficiary's families during the years the beneficiary is enrolled in college
- Distributions from the qualified plan to purchase these items are not includable in the beneficiary's gross income

American Opportunity Tax Credit

- Available 2009 & 2010
- Increases Hope Credit to \$2,500 from \$1,800
- Available for the first 4yrs of post-secondary education
- Qualifying expenses: tuition and related expenses including books
- AGI phase out \$80,000-\$90,000 (\$160,000-\$180,000 joint)
- May be claimed against AMT in 2009 & 2010
- 40% of credit is refundable

AMT Relief

- Available 2009
- Increases AMT exemption amounts:
 - \$46,700 (up from \$46,200 in 2008) for unmarried individuals
 - \$70,950 (up from \$69,950 in 2008) for joint and surviving spouses
 - \$35,475 (up from \$34,975 in 2008) for married filing separate
- The personal nonrefundable credits: child and dependant care credit, education credits and the elderly and disabled credit may offset AMT and regular tax for
- Tax-exempt interest on private activity bonds is not a tax preference item for 2009 & 2010

Vehicle Sales Tax Deduction

- Available for purchases after February 16, 2009 and before January 1, 2010
- Allows a deduction for sales and excise tax on the first \$49,500 purchase price
- Available for a new motor homes or a new vehicle that has a gross vehicle weight rating of not more than 8,500 lbs including passenger automobiles, light trucks or motorcycles
- Available to itemizers who deduct state and local income taxes and non-itemizers claiming the standard deduction
- Deduction offsets AMT
- AGI phase outs \$125,000-\$135,000 (\$250,000-260,000 joint)

Residential Energy Conservation Property Credit

- Eligible if you make energy-efficient improvements or install energy-efficient property to your home
- Qualified improvements must be made to existing home (primary residence only), satisfy certain conservation codes, and be expected to be in use for at least five years
- Improvements include: installing insulation specifically designed to reduce heat loss or gain; outside windows (including skylights); outside doors; metal roofs having pigmented coatings specifically designed to reduce heat gain
- Energy improvements include: advanced main air circulating fans; natural gas, propane or oil furnace/hot water boilers and water heaters; central air conditioners; geothermal heat pumps; electric air source heat pumps and water heaters
- 30% credit of qualified improvements and 100% of the cost of energy property, without regard to previous \$50/\$100/\$150 dollar limitation
- Tax basis of your home is reduced by the amount of the credit
- Eligible until Dec 31, 2010
- Cap of \$1,500 for property placed in service after Dec 31, 2008 and prior to Jan 1, 2011

Residential Energy-Efficient Property Credit

- Eligible if you install: a solar hot water system; electricity-generating solar system; or fuel cell property in your home
- 30% credit
- Property must be installed after Dec 31, 2005 and before Jan 1, 2017
- Maximum credit for any tax year for solar hot water equipments or photovoltaic equipment is \$2,000 (cap is lifted for solar hot water equip placed in service on or after Jan 1, 2009). Max for fuel cell property is \$500 per .5 kilowatt of capacity.
- Labor costs may be included for onsite assembly, preparation, and original installation
- Solar hot water systems used to heat swimming pools or hot tubs does not qualify
- Tax basis of home is reduced by the amount of the credit