

## 2009/2010 TAX CHANGE/UPDATE(S)

**The following information is provided for your use and information for your tax appointment or general knowledge. If any item may affect your return please let us know if we do not already have knowledge of the item. The year the change is effective for tax years 2009 – if ('10) is shown it is for that year also subject to modification or revision.**

### **FEDERAL TAX FILINGS**

- Personal and Dependent Exemption \$ 3,650 ( 09&10)
- Standard Deduction now includes amounts for property tax, disaster loss and new motor vehicle sales tax deduction ( requires Schedule L ) Basic standard deduction is \$ 11,400 (MFJ), \$ 8,350 (Head/Household), \$ 5,700 (Single/MFS)
- AMT exemption increased (09) \$ 70,950 MFJ, \$ 46,700 SINGLE
- Nonrefundable credits still in place:
  - Dependent Care Credit – Form 2441
  - Education Credits – Form 8863 (Expanded) Now \$ 2,500 maximum per student (American Opportunities Credit) also \$ 2,000 Lifetime Credit
  - Child Tax Credit (nonrefundable portion) – Form 8901 if required
  - Foreign Tax Credit – Form 1116)
  - **Residential Energy Credit** – Form 5695 (**reinstated from 07**)
  - Mortgage Interest Credit – Form 8396 – certain new purchases
  - Savers Credit – Form 8880 – subject to income levels
  - Adoption Credit – Form 8839 ( if finalized)
- Itemized deduction phase-out increased
- Tax Brackets beneficially expanded ( 1-4%) based on filing status
- Mileage Rates .50 cents per mile
- Depreciation Limits Max Sec 179 increased \$ 250,000 (09) Note: Decreases 2010 - \$ 134,000
- Per Diem for Meals and Incidental – General Rule \$ 45-58 per day
- Lodging \$ 113-198 p/day Employers only – not individuals ( use actual)
- Day Care Rates for Food – Bkf \$ 1.17 – Lunch/Supper \$ 2.18 – Snack - \$ .65
- Educator Expense \$ 250
- Alternative Motor Vehicle Energy and Hybrid Credit (certain vehicles)
- Kiddie Tax – Unearned Income - Under age 19 – Form 8615/8814
- IRA's - \$ 5,000 contribution allowed ( \$ 6,000 over age 50) For explanation of other plans – consult required
- Social Security Earnings Limit – under age 66 - \$ 14,160 (09)
- Adjustments to Income ( Above the Line Deductions) still in place and include such things as SEP plans, s/e health insurance, HSA's, Educator expenses, alimony, tuition and fees deduction (Form 8917), and moving expenses.

### **Other Certain Items of Note**

- Certain Cancelled debt excluded from income on Mortgages
- Deduction for Mortgage Insurance Premiums deductible
- Home gain on sale allowed for spouses of deceased taxpayers for two years
- Volunteer Fire and EMT benefits excluded from income
- No stimulus payments this year
- **First Time Homebuyer Credit 9Form 5405)**
- \$ 2,400 Unemployment Compensation **exclusion**
- 0% Rate on Capital Gains replaced the old 5% rate ( depending on tax bracket)
- Special Regulations for Children of Divorced Parents – Form 8332 **required**
- Qualified Joint Venture Rules for Husband-Wife businesses ( Sch C/E)
- Like-Kind Exchange Rules modified for business-use-of-home-and vacation homes
- “Qualifying Child” definitions revised ( check with tax advisor)
- Form 8332 – Release of Dependent Exemption now **required**
- EITC credit expanded and now includes up to 3 children

### **New York State Issues/Reminders**

In general, NYS conforms to most IRS modifications to income and deductions however several adjustments are generally required to recalculate taxable income and tax along with certain credits. The following reminders are provided:

- 414h pension exclusion addbacks
- Non-NY Bond Interest addbacks
- 529 Distribution addbacks
- NY Tax refund subtraction
- Government pension exclusions
- \$ 20,000 maximum individual pension exclusion
- Social Security Subtraction
- 529 contribution subtraction
- Government bond interest subtraction
- Itemized deduction adjustments
- Non-refundable credits ( See IT201-ATT)
- Refundable Credits including child care, Empire State Child Tax Credit, EIC, Tuition Credit etc.
- Internet sales tax calculation
- Voluntary Contributions

**The above information is not all-inclusive. Changes to tax rules are voluminous. If you have specific questions please contact us.**