

2009 Tax Updates (summary)

Earned Income Credit Changes (S32, ARRA 2009)

Eligible low-income workers are able to claim a refundable earned income credit. The amount depends on the taxpayers income and whether the tax payer has one, more than one, or no qualifying children. The earned income credit is not available to married individuals that file separate returns.

NEW: Three or more qualifying children. ARRA 2009 increases the Earned Income Credit percentage for families with three or more children (old law was two children). This law is for 2009 and 2010.

How It May Effect You: If you have more than two qualified children and are within the income range you may be eligible for additional credits.

Required Minimum Distributions (for over 70 ½)

NEW: Required Minimum Distributions are Eliminated For 2009.

The Worker, Retiree, and Employer Recovery Act of 2008, signed into law, places a one year moratorium for 2009 required minimum distributions (RMD) from IRA's and defined contribution plans. The relief applies to both life time distributions and distributions to beneficiaries.

Unemployment Insurance (S85(c)) ARRA 2009

NEW: Unemployment Insurance Benefits Partially Tax Free (S85(c)) ARRA 2009

Up to \$2400 of unemployment insurance compensation benefits received in 2009 are excluded from gross income by the recipient. For a married couple, the exclusion applies to each person, separately.

(Tax Professional Corner: There could still be tax consequences on the rest and you should elect to have federal withholding withheld for year end tax calculations. If you are unsure how to do this please call for a consultation).

First Time Home Buyer Credit - Purchases in 2009 (ARRA 2009; IR-2009-14)

NEW: A first time homebuyer is allowed a refundable credit for the purchase of a new principal residence. The ARRA 2009 act increased the maximum credit to \$8,000 (\$4,000 for married filing separate).

The new ARRA 2009 act waives the recapture of credit for principal purchase made between December 31, 2008 and December 1, 2009 (NOT December 31, 2009). If the taxpayer disposes of the home, or the home ceases to be the principal residence of the

taxpayer, within 36 months from the date of purchase, the 2008 law rules for recapture for the credit apply (payment of \$500 per year until \$8,000 is paid in full).

Definition of first time homebuyer: A taxpayer is considered a first time homebuyer if such individual had no ownership interest in a principal residence in the United States during the three year period prior to the purchase of the home to which the credit applies.

This is just a summary of some new laws that have affected my clients. If you have any questions regarding these laws they should be discussed with a tax professional. If you need assistance please call for a FREE one hour consultation.

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This is a summary to provide you with information to discussed with your tax preparer and in no way to be construed as tax advice.