



Accounting and Tax Professionals, Inc.

## **2009 Tax Law Change Recap (BRIEF)**

### **CHARITABLE CASH DONATION CHANGES**

Any deduction over \$250 must now have a receipt. Receipt must say that no goods or services have been provided. Any donation under \$250 must now have a bank record (debit/check), or written documentation, or payroll deduction.

### **EXCLUSION FOR UNEMPLOYMENT COMPENSATION**

There is a one-year exclusion (2009 only) for unemployment benefits. For benefits received in 2009, recipients may exclude up to \$2,400 of unemployment benefits.

### **SALES TAX DEDUCTION FOR NEW CAR PURCHASES**

Vehicles purchased after 2/17/2009 through 12/31/2009 a taxpayer can deduct, as an itemized deduction OR as an addition to the standard deduction, the sales taxes on the purchase of a qualifying new vehicle. **QUALIFYING VEHICLE:** Not weighing more than 8,500 lbs, not a motor home, deduction limited to \$49,500 car cost. Can be a "used" vehicle.

### **FIRST TIME HOME CREDIT EXTENDED AND ENHANCED**

The first time homebuyer credit has been extended until April 30, 2010. Homes must be in contract by April 30, 2010 and must close escrow by June 30, 2010 to qualify for federal \$8,000 credit.

There is also a \$6,500 Long Time Resident credit is available to those that do not qualify as a first time homebuyer. If you think you are eligible we will go over this individually.

### **CANCELATION OF DEBT – FORECLOSURES**

If a lender discharges any part of a debt, then the taxpayer must recognize the amount discharged as ordinary income. However, certain discharges of indebtedness are not included. This is a complex area and will need to be discussed with each client individually. There is an insolvency worksheet on our website. Also, federal and state laws differ.

### **MAKING WORK PAY**

In 2009 the Making Work Pay refundable credit was announced. Eligible employees are allowed a credit equal too 6.2% of their gross earnings or \$400 (\$800 married) (whichever is least). **WARNING:** The government has prepaid this credit by adjusting withholding during the year. However, the withholding adjustments will create an underpayment for certain taxpayers.

### **BUSINESS MILEAGE**

2009 Business non-commute rate is .55 cents a mile. 2010 will be .50 cents per mile.

### **NEW USE TAX REQUIREMENTS FOR BUSINESSES**

Any business with \$100,000 or more in gross sales that does not currently hold a sellers permit must register with the Board of Equalization. The return is due April 15, 2010 and is calculated based on 2009 purchases. What you report: Your purchases that you were not charged sales tax on. Store examples, Ebay, Amazon, Craigslist, etc. Please visit [www.BOE.CA.GOV](http://www.BOE.CA.GOV) for more information. Call us to assist in filing forms.

This is a brief recap of the Federal and State changes.  
This represent about 5% of the tax law changes in 2009.

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