

# New & amended tax provisions for 2009-2010

## First-Time Homebuyer Credit

I.R.C. §36, as extended by The Worker, Homeowner, and Business Assistance Act of 2009 (Nov 6, 2009)

Effective for purchases on or after December 31, 2008 and before May 1, 2010 (or before July 1, 2010, if the taxpayer entered into a written binding contract before May 1, 2010, to close before July 1, 2010, and closes before July 1, 2010. (continued on back)



### Explanation of Changes

A first-time homebuyer anywhere in the United States is allowed a refundable tax credit equal to the lesser of \$8,000 (\$4,000 for a married individual filing separately) or 10% of the purchase price of a principal residence. A *first-time homebuyer* is an individual who had no ownership interest in a principal residence in the United States during the 3-year period prior to the date the qualifying home is purchased.

The credit is not allowed if the taxpayer's financing is from tax-exempt mortgage revenue bonds, if the taxpayer is a nonresident alien, if the home is acquired from a related party or inherited, or if the taxpayer disposes of the residence (or it ceases to be a principal residence) before the close of the tax year for which the credit would otherwise be allowable. (If the home is disposed of or ceases to be used as the principal residence within 36 months of purchase the credit is recaptured.)

The credit phases out for individual taxpayers with modified adjusted gross income (MAGI) between \$75,000 and \$95,000 (\$150,000 to \$170,000 for joint filers) on homes purchased from January 1, 2009 through November 6, 2009. The phase-threshold is increased to \$125,000 (\$225,000 for joint filers) for homes purchased after November 6, 2009.

Non-first-time homebuyers can now qualify for a maximum credit of \$6,500 if they purchase a home after November 6, 2009, and before May 1, 2010 and if they occupied the same principal residence for five consecutive years during the eight-year period ending on the purchase date.



## Increased standard deduction for some filers

New Schedule L is used to figure your increased standard deduction if you have any of the following items on your 2009 tax return:

1. State or local real estate taxes paid (personal portion) limited to \$500 (\$1,000 for joint filers)
2. A net disaster loss from Form 4684
3. State or local sales or excise taxes paid after February 16, 2009, for the purchase of any new motor vehicle - a new motor vehicle includes a car or truck with Gross Vehicle Weight Rating (GVWR) of 8,600 pounds or less, a motorcycle with a GVWR of 8,500 pounds or less, and a motor home. The deduction is limited to tax on the first \$49,500 of the purchase price of each new motor vehicle.



## Unemployment compensation

Up to \$2,400 of unemployment compensation benefits received per recipient in 2009 are excludable from gross income.

## Qualified higher Education Expenses for Section 529 Plan withdrawals

For 2009 and 2010, the definition of qualified higher education expenses for Section 529 plan withdrawals is expanded to include expenses for certain computer technology and equipment to be used by the designated beneficiary while enrolled at an eligible educational institution.

## Making Work Pay Credit

For 2009 & 2010 some individuals can claim a refundable Making Work Pay Credit of up to \$400 (\$800 on joint returns). The credit is the lesser of 6.2% of the taxpayer's earned income or \$400 (\$800 married filing joint). The credit is reduced by the amount of the taxpayer's economic recovery payment or government retiree credit. The credit is reduced by 2% of the taxpayer's modified adjusted gross income in excess of \$75,000 (\$150,000 on joint returns). Use new Schedule M to claim the credit.

## Government Retiree Credit

A new refundable credit of \$250 is allowed for 2009, for individuals receiving a government pension or annuity from work who are not eligible for an economic recovery payment during the year. Any Making Work Pay Credit reduces the Government Retiree Credit.

## American Opportunity Tax Credit

For 2009 and 2010, this credit modifies the Hope Scholarship Credit by increasing the credit to the sum of 100% of the first \$2,000 of qualified tuition and related expenses and 25% of the next \$2,000 for a maximum credit of \$2,500 per eligible student. The credit is also expanded to include the first four years of a student's post secondary education. Also, eligible expenses now include the cost of books and required course materials.

