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**Tax changes
you need to know
before preparing**

YOUR 2009 RETURN

Tax Tips



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2009 Tax Changes Summary

First-Time Homebuyer Credit Extended to April 30, 2010

A new law that went into effect Nov. 6 extends the deadline for qualifying home purchases from Nov. 30, 2009 to April 30, 2010. In addition, if a buyer enters into a binding contract by April 30, 2010, the buyer has until June 30, 2010, to settle on the purchase.

With a maximum credit amount of \$8,000 for those who have not owned a primary residence during the three years up to the date of purchase, the eligibility requirements for this credit were expanded also. The new law provides that even if you do not qualify as a "first-time resident", you can still qualify for a "long-time resident" credit of up to \$6,500. To qualify this way, a buyer must have owned and used the same home as a principal or primary residence for at least five consecutive years of the eight year period ending on the date of purchase of a new home as a primary residence.

For all qualifying purchases in 2010, taxpayers have an option of claiming the credit on either their 2009 or 2010 returns.

There are few restrictions and income limits that apply to this credit. Check with your tax preparer for more details.



Making Work Pay Credit

You may be able to take this credit if you have earned income from work. Even if your federal income tax withholding was reduced during 2009 because of the credit, you must complete Schedule M and claim the credit on your return to benefit from it. You cannot take the credit if your modified adjusted gross income (AGI) is \$95,000 (\$190,000 if married filed jointly) or more, you are a nonresident alien, or you can be claimed as a dependent on someone else's return.

The credit is 6.2% of your earned income but cannot be more than \$400 (\$800 if married filing jointly)

Economic Recovery Payment

Is not taxable for federal income tax purposes, but it reduces any making work pay credit or government retiree credit.

Deduction for motor vehicle taxes

If you bought a new car in 2009 after February 16, you may be able to deduct any state or local sales or excise taxes on the purchase

Schedule L will allow to increase standard deduction by real estate taxes paid, sales or excise taxes on new car purchases or a net disaster loss.

Home Mortgage Principal Reductions

Any Pay-for-Performance Success Payments that reduce the principal balance of your home mortgage under the Home Affordable Modification Program are not taxable.

Among other tax changes that might affect you are:

Standard mileage rates:

- for business use of a car is 55 cents a mile
- for medical reasons is 24 cents a mile
- for charitable services is 14 cents a mile



Earned Income Credit amounts have been increased

Alternative Minimum Tax Exemption (AMT) amount increased.

Retirement Savings Contributions credit—the AGI limit for claiming this credit is increased to \$27,750 (\$41,625 for head of household, \$55,500 if married filing jointly)

There are many other changes that vary from one taxpayer to another. Check with your tax professional before filing 2009 tax return if any situations might be applicable to you.

Also, remember to **keep well-organized records** that may have an impact on your federal tax return. A general rule is as follows: **3 years for**

- Bills
- Credit card and other receipts
- Invoices
- Mileage logs
- Canceled, imaged or substitute checks or other proof of payment
- Other records to support deductions or credits you claimed

Records **related to property** should be kept until **at least 3 years after you sell or** otherwise **dispose of the property.**

If you are a **small business owner**, you must keep all your employment tax records for at least **4 years** after the tax becomes due or is paid, whichever is later.