



Tax Tips for 2009



The Obama Administration and Congress passed several more Tax Changes. See how you can benefit !!!

Description	Form	Additional Information
2009 Tax Changes (some could save you a significant amount of money):		
First Time Home Buyer Tax Credit	5405	If you purchased your first home during 2009 (and before May 1, 2010) you may qualify for a \$8,000 refundable tax credit. As long as you haven't owned a home for the past three years and paid at least \$80,000 for your primary home, you can receive the \$8,000 when you file your tax return. You will need to complete Form 5405 and attach your house closing statement to your tax return.
Home Buyer Tax Credit	5405	If you purchased a new main home after November 6, 2009 (and before May 1, 2010), you may qualify for a \$6,500 refundable tax credit. This new home must be your primary residence for at least three years and you must have lived in your old home for at least five years. To claim the credit, fill out Form 5405 and attach your house closing statement to your tax return.
Extra Standard Deduction (Sales Tax)	Sch L	If you purchased a new vehicle after February 16, 2009, you can increase your standard deduction by the amount of sales tax you paid. You don't have to "itemize" your deductions to get this deduction. Simply fill out Schedule L that calculates your new standard deduction. The deduction is limited to a vehicle that costs \$49,500 or less. This is in addition to the property tax deduction that was introduced last year for non-itemizers.
Unemployment Compensation	N/A	You don't have to pay income tax on the first \$2,400 of benefits received during 2009. This \$2,400 exclusion is for both spouses. The amounts over \$2,400 are still taxable by the IRS. California continues to NOT tax unemployment benefits. There are no additional forms to fill out, simply exclude the \$2,400 from income on page one of your Form 1040.
American Opportunity Education Credit	8863	This new tax break takes one of the college tuition tax credits from past years (Hope Credit) and makes it much better. The American Opportunity Education credit is a per student \$2,500 tax credit (up from \$2,000) and is calculated by taking 100% of the first \$2,000 and 25% of the next \$2,000 of qualified education expenses on the first four years of postsecondary education. Income limitations are also increased.
Extra Standard Deduction (property taxes)	Work Sheet	If you don't normally itemize your deductions, you can now deduct up to \$1,000 in property taxes you pay. To help you calculate your extra standard deduction, there is a worksheet in the instruction booklet (also available at our office). This extra deduction appears to be for folks that have paid off their home and have no mortgage interest to deduct. Don't forget to take advantage of this easy deduction.
Non Business Energy Tax Credit	5695	A tax credit for purchasing energy efficient improvements to your home is back for 2009 and is even better than before. The credit is now \$1,500 on qualified items (insulation, exterior windows and doors, certain water heaters, central heating/air conditioning units, etc.). There is also a 30% tax credit (with no limit) on solar and wind generating equipment.
Mortgage Forgiveness Debt Relief Act	982	If your home was foreclosed on (or you did a short sale), you may be able to exclude forgiveness of debt income from your tax return. This is a relatively complicated act that will require careful calculations. The amount of income you can exclude depends on the type of loan you had and what you spent any refinance money on. If you can exclude any debt forgiveness income, fill out Form 982.
Standard Mileage Rate Increases	Various	The standard mileage rate for business driving is 55 cents per mile for 2009. Please note this rate goes down to 50 cents per mile for 2010. If you use your vehicle for your business or your job, it may pay to keep track of those miles for a tax deduction. Good records are a must for this deduction. Mileage rates for medical, charitable, and moving are significantly lower.

For more information and great financial tools, please visit our web site at www.stewtax.com

Our prices start at just \$65 for the short form and \$110 for the simple itemized return (that includes FREE e-filing)

We offer FREE Electronic Filing (when we do your taxes) and FREE In-Home Service

Stewart's Business and Tax Service 255-4848