

Be aware of changes in the tax law for 2009

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Earlier this year, Congress passed and President Barack Obama signed the American Recovery and Reinvestment Act of 2009. Included in this law were a number of provisions that affect income taxes for the year 2009, some of which might affect you or your family.

One provision that has been somewhat publicized is the first-time homebuyer credit. If you qualify, this results in a credit of up to \$8,000 for first-time homebuyers for use in buying a principal residence. The home must be purchased between April 8 and Dec. 1, 2009. This is a credit, not a deduction, which reduces your taxes on a dollar to dollar basis, and is fully refundable. This means that the amount of the credit will be paid out to eligible taxpayers, even if they owe no tax or the credit is more than the tax owed.

Another provision that you may have read about is the sales tax deduction for the purchase of new cars, light trucks, motor homes and motorcycles through 2009. This deduction is available regardless of whether a taxpayer itemizes on Schedule A. Only the tax up to \$49,500 of the purchase price is deductible and this deduction phases out at adjusted gross income of about \$250,000 (married filing jointly) or \$125,000 (other taxpayers).

To encourage individuals to invest in energy-efficient products, there are provisions that provide credits for homeowners who make energy-efficient improvements to their existing homes. The new law increases the credit to 30 percent of the cost of all qualifying improvements and raises the maximum credit allowed to \$1,500 for improvements placed in service in 2009 and 2010. The improvements that qualify are insulation, energy-efficient exterior windows and energy-efficient heating and air conditioning systems.

There is another credit called the residential energy efficient property credit, which is designed to help individual taxpayers pay for qualified residential alternative-energy equipment, such as solar hot water heaters, geothermal heat pumps and wind turbines.

There is a credit for qualified plug-in electric drive vehicles purchased after Dec. 31, 2009. To qualify, the vehicle must be newly purchased, have four or more wheels, have a gross vehicle weight rating of less than 14,000 pounds and a certain draw of electricity. This credit is a minimum of \$2,500 and tops off at \$7,500. This credit is somewhat dependent on how many vehicles have been sold by the manufacturer. There is another credit for a plug-in electric conversion kit for a vehicle. There is still another credit for a plug-in electric vehicle for certain low-speed electric vehicles and two- and three-wheel vehicles.

There was a provision in this law that provided a one-time payment of \$250 in 2009, which was payable to retirees who receive benefits from social security and disabled veterans.

To help out some unemployed, this law lists the first \$2,400 of employment benefits that an individual receives in 2009 as tax free. Normally, these benefits are subject to tax. Another provision for those who have lost their job is a subsidy for a portion of the COBRA continuation premiums for up to nine months. The worker must have been



*Denice Gierach, owner,
The Gierach Law Firm*

involuntarily separated between Sept. 1, 2008, and Dec. 31, 2009. There is a phase out of the credit based on certain income limits.

For students, there is the American Opportunity Credit. Under this section of the law, more parents and students will qualify during the next two years for a tax credit to pay for college expenses. This new credit modifies the Hope Credit for the tax years 2009 and 2010, making the Hope Credit available to a broader range of taxpayers, including many with higher incomes and those who owe no tax. The taxpayer may claim expenses for four post-secondary education years, instead of two. The maximum credit annually is about \$2,500 per student.

These are but a few of the credits available to individual taxpayers. Perhaps some of these provisions will assist you or your family to pay for college, buy a home, buy a car or make your home energy efficient.

Denice Gierach is a lawyer and owner of The Gierach Law Firm in Naperville. She is a certified public accountant and has a master's degree in management. She may be reached at deniceg@gierachlawfirm.com or 630-756-1160.