

## News from TravelTax

### What the New Stimulus means to you and other tax items

The long awaited Stimulus Bill has been passed. Most of the provisions will not affect your 2008 return, but have some important items that may affect your plans for 2009-2010.

\*\*\* New Stimulus provisions that may affect you \*\*\*\*

#### 1) Making Work Pay Tax Credit

This is a 400\$ credit for single filers that make between 6500\$ and 75,000\$ (150K for joint and phase outs begin after these limits). This will be claimed on the 2009 tax return BUT if you earn employment wages, the withholding tables will be adjusted this spring to accommodate the credit. That means that while you may claim the credit, the actual benefit will come from less withholding during 2009.

2) New car purchases. You can now deduct sales tax paid on a new car (less than 8500 lbs) as an above the line deduction instead of itemizing.

3) The First Time Home Buyers Credit is now 8000\$ with NO payback. You must buy the home before December 1. If you sell the home or move the first 3 years of occupancy, you may be required to pay back the credit. A first time homebuyer is one that has not owned a principal residence in the last 3 years. If you have owned a rental or a 2<sup>nd</sup> home, you still qualify. Incomes of greater than 75000\$ for singles and 150000\$ for joint filers will have the credit phased out.

4) The Hope Education Credit replaced and expanded by the "American Opportunity Credit". 100% of the first 2000\$ and 25% of the next 2000\$ spent for tuition, books (yes, books) will qualify for a tax credit. 40% of the credit is refundable in some cases. "Refundable" means that the credit will be considered a payment if no tax is due. There are phase outs for higher income individuals

5) Energy Efficient purchase credit restored for 2009-10. In 2008, these popular credits expired, but they are renewed for 2009 and 2010. Generally up to 30% of the price is eligible up to 1500\$. New solar, wind and geothermal systems are eligible through 2016. 30% of the purchase price is eligible with no limits.

4) Credit for Electric "plug in" vehicles

If you buy a vehicle like this between now and 2011, you can receive up to 10% of the purchase price as a tax credit. There are specific vehicles that will qualify so check before buying.

6) Unemployment benefits are taxable at the federal level but the new law exempts the first 2400\$. This is dependent on total income however

7) The AMT patch has been update

8) Retirees, disabled individuals and Social Security beneficiaries will receive a onetime payment of 250\$. However, this reduces any credit received under the "Making Work Pay" credit listed in #1

9) Computers are added to the list of qualifying expenses for 529 Tuition plans

10) Small business capital stock gains now have special treatment

\*\*\* Items for 2008 \*\*\*

Reporting by brokerages late this year

The bailout programs passed in late 2008 allowed brokerage firms till Feb 15 to issue 1099's You may still receive a few of these by the date of this newsletter.

\*\*\* Sara Palin Repays Per Diems \*\*\*

No matter what your political preference, the new administration is having a hard time finding politicians who are honest taxpayers. Former VP candidate Sara Palin repaid lodging and meal allowances to the state of AK that she did not qualify for. Travelers are no different

\*\*\* Harvest Losses in Battered ROTH 529 Plans and other after tax investment accounts \*\*\*\*

If you have lost money in these accounts you can claim the loss when you liquidate.

We will send another newsletter in the next two weeks with other interesting changes.