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The American Recovery and Reinvestment Act of 2009, the Emergency Economic Stabilization Act of 2008 and the Worker, Homeownership and Business Assistance Act of 2009 all provided significant tax benefits for individuals in response to the financial crisis.

Explanation of benefits:

Deduction: offsets taxable income. This tax benefit only partially reduces the tax due.

Credit: reduces the tax due dollar for dollar.

Thus, a credit provides a greater benefit than a deduction.

Exclusion: allows income to be omitted from tax return.

Do you qualify for new tax benefits?

The recent financial crisis prompted Congress to enact legislation to aid in the stabilization and recovery of the economy. As part of the legislation, numerous provisions were added which provide tax benefits to individuals. These tax benefits may apply if you engaged in any of the following transactions in 2009.



Did you: Purchase a new house?

If so: You may be entitled to a tax credit.

Details: A credit of up to \$8,000 is available for first time homebuyers that purchased a home between January 1, 2009 and April 30, 2010. A first time homebuyer is an individual that has not owned a principal residence during the 3 year period ending on the date of purchase. In addition, a credit of up to \$6,500 is available for repeat homebuyers who purchased a new home during the same period. A repeat homebuyer is an individual that owned and resided in the same home for at least 5 consecutive years during the 8 year period ending on the date of purchase.

Notes: Either of the home credits can be taken on the taxpayer's 2009 return even if the purchase is made in 2010. Limitations may apply based on the purchase price of the property and the income of the homebuyer.

Did you: Make improvements to your home?

If so: You may be entitled to a tax credit.

Details: The Nonbusiness Energy Property Credit is available to those homeowners that made energy

efficient improvements to their primary residence (think new windows, insulation, heating and cooling systems). The credit is equal to 30% of the purchase price of the property, with a maximum allowable credit of \$1,500. In addition, the Residential Energy Efficient Property Credit is available to those homeowners that purchased certain alternative energy equipment (think solar energy systems and geothermal heat pumps). This credit is also equal to 30% of the total



purchase price of the equipment, but with no limit.

Notes: Each energy credit is available for 2009 purchases, as well as purchases made in 2010. Certain efficiency standards apply, which limit the types of property and equipment eligible for these credits.

Did you: Receive forgiveness of your outstanding mortgage?

If so: You may be entitled to exclude such forgiveness from your income.

Details: The income exclusion is available for those homeowners who received a discharge of the

The following tax benefits are discussed in this article:

- American Opportunity Credit
- First Time Homebuyer Credit
- Repeat Homebuyer Credit
- Sales tax deduction on new car purchases
- Nonbusiness Energy Property Credit
- Residential Energy Efficient Property Credit
- Partial exclusion of unemployment compensation
- Exclusion of income from cancellation of personal residence debt
- Making Work Pay Credit

Note: many of the tax benefits discussed in this article are also available in 2010.

mortgage on their personal residence.

Notes: This benefit was available to taxpayers in 2008 and is available through 2012.

Did you: Buy a new car?

If so: You may be entitled to a new deduction.

Details: Individuals who purchased automobiles between February 16, 2009 and December 31, 2009 may be eligible to deduct state and local sales taxes paid on such purchases.

Notes: This deduction is available whether the individual takes the standard deduction or itemizes deductions. Limitations may apply based on the purchase price of the car and the income of the buyer.

Did you: Have earned income?

If so: You may be entitled to a credit.

Details: The Making Work Pay Credit is available for employees and self-employed individuals that have earned income from work. The credit is equal to 6.2% of your earned income, with a maximum credit of \$400 (\$800 if married filing jointly).

Notes: In most cases, this benefit has already been received by the individual through reduced withholdings by the employer,



however, it is important to include this credit on your return. Limitations may apply based on the income of the worker.

Did you: Receive unemployment compensation?

If so: You may be entitled to exclude a portion from income.

Details: For 2009, the first \$2,400 of unemployment benefits received is excluded from income.

Notes: There are no income limitations for this benefit.

Did you: Pay tuition for higher education?

If so: You may be entitled to a credit.

Details: The American Opportunity Credit is available for those individuals that paid tuition and fees for the first four years of college education. A credit of up to \$2,500 per student is available, and, unlike past educational credits, is partially refundable.

Notes: Limitations may apply based on the income of the individual and the course load of the student.



You should consult your tax advisor if you feel you are entitled to any of the above tax benefits.