



Tax Tips

2009-2010 Newsletter

Jan – April 2010 Business Hours

Monday – Friday 9am to 6pm

Monday & Thursday Evenings (By Appointment)

Saturdays (Starting Feb 6 – By Appointment)

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→ Note ←

Lonnie Genix will not be preparing taxes this year at Hawkins Accounting. He is on a medical leave and hopefully will be back with us next year.

Just A Reminder

Please bring your property tax statements to your tax preparer. If you do not receive them in the mail, please contact your township or city office to get a copy of both winter and summer taxes. You as the taxpayer can get a free copy but most township offices charge us a fee.

First Time Home Buyers and Existing Home Buyers

First Time Home Buyers

The \$8,000 credit is extended for purchases made before May 1, 2010. For this purpose, a first-time homebuyer is a taxpayer (and, if married, the spouse of the taxpayer) who has not owned a principal residence at any time during the previous three years.

For qualifying taxpayers, the credit also applies to purchases before July 1, 2010, provided the taxpayer has entered into a written binding contract to close on the purchase before May 1, 2010. Effectively, this provision allows taxpayers an additional two months to close.

The first-time home homebuyer credit phases out for taxpayers with a modified adjusted gross income between \$125,000 and \$145,000 (\$225,000 and \$245,000 for joint filers) for the year of purchase.

Existing Home Buyers

A taxpayer is eligible for a credit up to \$6,500 (\$3,250 if separate returns are filed) provided the taxpayer (and if married, the taxpayer's spouse) has owned the same principal residence for any five consecutive years during the eight-year period ending on the date of purchase. Effective for purchases after November 6, 2009.



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Please check out our updated website. We have added new information about tax credits and updates on old ones. Do you want to receive our newsletter via email, just click on the newsletter link. To be sure that you receive all of our emails, please add us to your safe senders (office@hawkinsaccounting.com)

Capital Gains

The 0% rate replaces the five percent rate for tax years beginning in 2008, 2009, and 2010. Long Term capital gains, including qualified dividends, will be taxed as follows:

Tax Bracket	2007	2008	2009	2010	2011
10/15%	5%	0%	0%	0%	8/10%
Other (25% & higher)	15%	15%	15%	15%	18/20%

Residential Energy Credits

- The maximum amount of credit that is allowed is \$1500.
(Prior limits do not count)
- The credit is 30% of the sum of:
 - Amount paid by the taxpayer during the tax year for **qualified energy efficiency improvements;**
 - Amount of **residential energy property expenditures.**

See Website for Qualified expenditures

All of the qualifying items have their own energy efficiency ratio and need documentation from the seller to claim the credit.

Daycare Meals	2009	2010
Breakfast	1.17	1.19
Lunch/Dinner	2.18	2.21
Snack	.65	.66

Deduction for Sales Tax on New Motor Vehicles

There is a new deduction for state or local sales tax imposed on new motor vehicles purchased **after** February 17, 2009, and **before** 2010.

You can either:

- claim a standard deduction that is in addition to the basic standard deduction, so you can claim a deduction even if you don't itemize.
- or
- an itemized deduction for sales tax on new vehicles in addition to the state income tax deduction.

You may deduct the sales tax attributable to the *first* \$49,500 of the purchase price of a qualified vehicle. Qualified vehicles include cars, light trucks, motor homes, and motorcycles. The deduction is gradually reduced when your modified adjusted gross income is between \$125,000 and \$135,000 (\$250,000 and \$260,000 if married filing jointly).

Quik Tips

1. TAX—FREE CHARITABLE IRA DISTRIBUTION

If you are at least 70½ years old, you can still make tax-free charitable distributions of up to \$100,000 from your IRA through December 31, 2009. The distribution must be made directly by the trustee of your IRA to the charitable organization.

2. RENTING OF PERSONAL RESIDENCE

You can rent out your principal residence for a couple years before selling it and still exclude up to \$250,000 of gain (\$500,000 if married filing jointly) if you owned and used it as your principal residence for at least two out of five years ending on the date of sale. However, any gain due to depreciation and periods of nonqualified use must be recognized.

Standard mileage rates	2009
Business	55
Medical & Moving	24
Charitable	14
2010 rates not released yet	

Qualifying Child

If you want to claim someone as a dependent, the individual must be a qualifying child or a qualifying relative. In 2009, the definition of a qualifying child was revised. Now:

- Your qualifying child must be **younger** than you;
- A child cannot be your qualifying child if he or she files a joint return, unless the return was only filed to claim a refund; and
- If the parents can claim the child as a qualifying child but no parent so claims the child, no one else can claim the child unless that person's AGI is higher than the highest AGI of either parent.

Grandparents and siblings cannot claim a child as a qualifying child if the parents can claim the child and either of the parent's AGI is higher than the sibling's or the grandparent's. If you are affected by these provisions, you may need to adjust your withholding.

American Education Credit

(formally HOPE Credit)

- **Maximum Credit \$2,500.**
- **Can be claimed for 4 years.**
- **Up to 40% of credit can be refundable.**
- **Qualified tuition and related materials now include books.**
- **Phase out**
 - **Single AGI 80,000 -90,000**
 - **MFJ AGI 160,000 – 190,000**

Computation

- **100% of first \$2,000 of qualified expenses.**
- **25% of next \$2,000 of qualified expenses.**