

Individual Tax Incentives

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By Michael Burzynski and Carly Bruskievicz

There were many individual tax incentives either passed or enhanced in 2009, including higher income limits for many credits that will make millions of Americans eligible to receive incentives. The three most significant credits that apply to many taxpayers are the

- Energy property credit – 30% of cost up to \$1,500,
- Higher education credits – up to \$4,000 per student per year, and the
- First-time homebuyer credit – 10% of purchase price up to \$8,000.

With expanded eligibility and significant dollars available, it pays to find out if you may be eligible.

Expanded energy efficient home improvement credit (“*Nonbusiness Energy Property Credit*”)

- Qualifying purchases include insulation, doors, windows, skylights, central A/C, and water heaters that meet specific efficiency ratings..
- Credit of 30% of the purchase and installation cost, up to \$1,500.
- Go to http://www.energystar.gov/index.cfm?c=tax_credits.tx_index for more detailed information.
- The credit is subject to alternative minimum tax (AMT) limitations starting in 2010 so it pays for many to act quickly.

Expanded higher education tax credits

- **Hope Credit** is now **American Opportunity Credit**
 - ½ time student pursuing degree
 - 100% of first \$2,000 and 25% of next \$2,000
 - Changed from first 2 years to cover all undergraduate years
 - Higher income limits starting at \$80,000 single/\$160,000 married
- **Lifetime Learning Credit**
 - 20% of first \$10,000 of tuition and fees
 - No minimum credit hours
 - Undergrad, advanced degree, or individual coursework
- **“Midwest Disaster Area”**
 - Attending school on June 5, 2008 in defined Midwest Disaster Area, including 30 Wisconsin counties
 - Increases American Opportunity Credit from \$2,500 to \$3,600 and Lifetime Learning Credit from \$2,000 to \$4,000
 - Includes 2008 **and 2009**

Please see <http://www.komisarbrady.com/resources/higher-edu.htm> for more detailed information

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Expanded First-Time Homebuyer Credit: This credit was introduced in 2008, with a credit of up to \$7,500 that first-time homebuyers could receive in the year of purchase, but had to pay it back to the government over 15 years. The law was changed in February 2009 to remove the repayment provision, and the credit was *expanded* in November 2009 to include “long-time homeowners” who wanted to upgrade their home.

With higher income limits for eligibility and a significant benefit of up to \$8,000, it pays for renters to consider buying a home before the credit expires and long-time homeowners to think about upgrading.

- Credit of 10% of purchase price for “First-time homebuyers”
- Up to \$8,000 credit if no home ownership in three years prior to home purchase.
- Eligible for \$6,500 credit if you lived in same residence for five consecutive years in 8 year period prior to purchase of new home.
- Must have a binding contract to purchase a house by May 1, 2010 to be eligible for 2010 credit
- Must close on home prior to July 1, 2010.

Attribute	2008 Credit	2009 Credit-Stimulus Package	2009-2010 Homebuyer Credit
Applicable dates	4/9/08-12/31/08	1/1/09-11/5/09	11/6/09-7/1/2010 (written prior to 5/1/2010)
Maximum credit	10% of purchase price, up to \$7,500	10% of purchase price, up to \$8,000	10% of purchase price, up to \$8,000 (\$6,500 if coming from existing home ownership)
Income phaseout begins	\$75,000 Single \$150,000 Married	\$75,000 Single \$150,000 Married	\$125,000 Single \$225,000 Married
Credit repayment	Repaid to gov't over 15 years	Only if dispose within 36 months	Only if dispose within 36 months
Amend prior year?	Not available	Can amend 2008 form 1040	Can amend 2008 or 2009 tax return to receive refund
Definition of eligible homebuyer	No ownership 3 years prior to purchase	No ownership 3 years prior to purchase	No ownership 3 years prior to purchase for \$8,000 credit; new \$6,500 credit if same residence for 5 consecutive years in 8 years prior to purchase

<http://www.irs.gov/newsroom/article/0,,id=204671,00.html> – for more information on First-Time Homebuyer Credit

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Making Work Pay Credit

- Up to \$400 single and \$800 married filing jointly.
- Applies to most low and middle income wage earners. Phases out between \$75,000-\$95,000 single and \$150,000 -\$190,000 for married filing jointly.
- Employee payroll checks should have increased some around March 2009 to provide advance payment of the **Making Work Pay Credit**.

Economic Recovery Payment

- \$250 to most retired individuals, disabled veterans, and railroad retirement beneficiaries.
- Should have been automatically paid in March-June 2009
- Eligible individuals must contact their respective agency (SSA, Etc.) for more information and to receive payment.
- Reduces any **Making Work Pay Credit**.

Tax deduction for sales tax on new cars

- Tax deduction only applies to purchase of **new** cars.
- Applies to anyone who files a tax return.
- Expires 12/31/2009
- Also includes motor homes and motorcycles.

Health insurance subsidy

- Employees terminated after 9/1/2008
- Government pays 65% of cost and employee pays 35% for nine months
- Proposed legislation in November 2009 to extend and expand subsidy
 - Benefit eligibility from 9 to 15 months
 - Extends to termination through June 30, 2010
 - Extends COBRA from 18 to 24 months
 - <http://www.govtrack.us/congress/billtext.xpd?bill=h111-3930>

Wisconsin Unclaimed Property: While it is not a tax credit, many individuals are pleasantly surprised when they discover that the State of Wisconsin is holding “Unclaimed Property” with their name on it. The Office of the State Treasurer holds any unclaimed property including uncashed checks, dividends, stocks, customer deposits/overpayments, security deposits, refunds, child support payments, and many other items of property that may be available for retrieval. The process is very simple to find out if your name is on the list. Just click <http://www.statetreasury.wisconsin.gov/ucpweb/ucpsearch.aspx> to begin your search and <http://www.statetreasury.wisconsin.gov/section.asp?linkid=1381&locid=155> to get more information on unclaimed property.

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