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Tax Update - 2009

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Energy Tax Credit for Homeowners—New Rules 2009

There is a new energy credit for improvements on your **principal residence** (not vacation home). The old \$500 lifetime cap and rules are eliminated. The new credit is 30% of qualified expenses for a maximum credit of \$1,500. The \$1,500 is max for 2009 and 2010 together, not annually, and not reduced by any previous credit in 2006 or 2007. There are no AGI phase-outs and these credits are a reduction of tax liability and are not refundable nor carried forward.

The following is a list of qualified expenses. These tax credits are available for a number of products at the highest efficiency levels. For additional information, please visit www.energystar.gov/taxcredits or www.gagecpa.com.

Existing Homes:

Insulation - insulation with a primary purpose to insulate (not insulated siding).

Exterior windows, skylights, and doors - must have a U factor equal to or below 0.30 and a solar heat gain coefficient (SCGC) of 0.30. Not all Energy Star labeled windows, skylights, and doors will qualify.

Natural gas, propane, or oil water heaters - must have either an energy factor of at least 0.82 or a thermal efficiency of at least 90%. All Energy Star gas tankless water heaters will qualify. There are currently no Energy Star qualified gas storage tank or gas condensing water heaters that qualify.

Electric heat pump water heaters - must have an energy factor greater than or equal to 2.0. All Energy Star electric heat pump water heaters qualify for the tax credit.

Central air conditioners - A SEER greater than or equal to 16 and EER greater than or equal to 13 for split systems or a SEER greater than or equal to 14 and EER greater than or equal to 12 for packaged systems. Not all Energy Star products will qualify.

Air source heat pumps - A seasonal energy efficiency ratio (SEER) greater than or equal to 15, energy efficiency ratio (EER) greater than or equal to 12.5, and heating seasonal performance factor (HSPF) greater than or equal to 8.5 for split heat pumps or a SEER greater than or equal to 14, EER greater than or equal to 12, and HSPF greater than or equal to 8.0 for packaged heat pumps.

Furnaces and boilers - A “qualified natural gas or propane furnace” that achieves an annual fuel utilization efficiency (AFUE) rate of not less than 95. A “qualified oil furnace” that achieves an AFUE rate of not less than 90. A “qualified natural gas, propane, or oil hot water boiler” that achieves an AFUE rate of not less than 90.

Metal and asphalt roofs - all Energy Star qualified metal and reflective asphalt shingles qualify.

Biomass stoves - thermal efficiency rate of at least 75%.

The above expenses are for materials only. However labor can be included for furnaces, central air, and water heaters.

Please note that in order to obtain this credit, equipment must be placed in service between January 1, 2009 and December 31, 2010, you must have a manufacturer certification statement, and for record keeping, you should save your receipts.

There are also credits available for new or existing homes for geo-thermal heat pumps, solar energy systems, small wind energy systems, and fuel cells. Please visit the Energy Star website for specifications.



2009 Standard Mileage Rates

Business	.55
Medical and Moving	.24
Charity	.14

Hybrid Vehicle Credit

Credits are available for certain hybrid vehicles. Credits range from \$250 up to \$3,400 subject to phase outs.

Reminder – RMDs

Required Minimum Distributions (RMD) have been suspended for 2009 therefore, you do not need to withdraw any monies in 2009.

Farm and Business Depreciation

The 50% bonus depreciation has been extended thru 2009. The 50% bonus is available on 3, 5, 7, 10, 15 or 20 year property for any business. Remember machine

sheds used for active farming are 20 year property and therefore, are eligible for the 50% bonus depreciation. Also, Section 179 (fast depreciation) remains the same as

the 2008 level - \$250,000 phased out over \$800,000 in eligible purchases.

Tidbits

MAKING WORK PAY:

For 2009 and 2010 there is a new tax credit equaling \$400 for single individuals and \$800 for married individuals. This credit is available for those who receive wages and is intended to offset your reduced federal withholding from your paychecks.

NEW VEHICLE SALES TAX DEDUCTION:

This deduction is available whether you itemize or use the standard deduction for sales tax paid on a **brand new** vehicle. The deduction is for the first \$49,500 of the purchase price. A qualified vehicle for this deduction is a **brand new** vehicle weighing less than 8,500 pounds (this includes motor homes). The purchase date must be between **February 17, 2009** to December 31, 2009 with phase outs at \$125,000 to \$135,000 modified AGI for single taxpayers and \$250,000 to \$260,000 for married joint filers.

UNEMPLOYMENT:

The first \$2,400 of unemployment compensation in 2009 is excluded from taxable income.

AMERICAN OPPORTUNITY TAX CREDIT (expanded Hope Credit):

For 2009 and 2010, the college tuition credit known as the HOPE credit has a new name and qualifications which are very beneficial. The American Opportunity Tax Credit is for the first four years of college, not two as in the past. The qualifying expenses have also been expanded to not only include tuition, but also books. The credit max has increased to \$2,500 per student calculated as follows: 100% of the first \$2,000 of qualified expenses plus, 25% of qualified expenses for the next \$2,000. One of the largest changes is that now 40% of the credit, which exceeds your income tax, can be refunded. Previously, it only offset income tax and if you had more credit than tax you lost the extra amount (use it or lose it each year).

The credit is phased out ratably for taxpayers with modified AGI between \$80,000 and \$90,000 (\$160,000 - \$180,000 for joint filers). So in 2009 and 2010 be sure to get your students 1098T **and** cost of books which currently is not included on that form for your 2009 tax return. Those of you with students at colleges in the

declared Midwest Disaster Areas will still need to bring in room and board expenses for 2009.

VERY IMPORTANT - FIRST-TIME HOMEBUYER CREDIT:

This credit is a BIG change. A first-time homebuyer is someone who has not owned a home in the last three years, not just people who have never owned a home. If you are a first-time homebuyer who purchases or builds a house in the USA between January 1, 2009 and November 30, 2009 (not December 31, 2009) you may be eligible for a credit of up to \$8,000. The credit is for 10% of the house cost with phase outs for AGI'S greater than \$95,000 (\$170,000 married joint filers). The credit is refundable and can be taken on your 2009 tax return or used to amend your 2008 return. A qualifying home includes a house, houseboat, house trailer, cooperative apartment, condominium or any other type of residence where you live most of the time. Houses that don't qualify include ones you acquired by gift, inheritance, or acquired from a related party. A related party is a spouse, ancestor, lineal descendant or partnership or corporation that you directly or indirectly owned 50% or more.

Work Opportunity Tax Credit Update

The recent Small Business Act has expanded the Jobs Tax Credit in a very significant manner that may have an impact on your business. For many years, the tax law has incented employers to hire disadvantaged workers by providing tax credits. The tax credit can be as much as \$2,400 for each person hired. (40% x 1st \$6,000 of wages paid in first year of employment, assuming 400 hours worked) (25% x 1st \$6,000 of wages for 120 to 400 hours).

The new category of eligible workers includes an individual who has attained age 18 but not age 40 on the

date of hire, and who resides in a county that lost population through the 1990s. The unrelated employee must not have previously worked for the employer. The IRS has just identified those counties. In our area, examples of these counties are Emmet, Hancock, Humboldt, Kossuth, and Palo Alto.

Employers have only 28 days after the date of hire to submit a certification request to their state workforce agency.

This is effective through August of 2011.