

2009 Pietrasiuk, Kelley & Kelley, P.C. Update

Important Federal Law Updates

- ❑ **Alternative Minimum Tax (AMT)** - As part of the *American Recovery and Reinvestment Act of 2009* (the 2009 economic stimulus act), a provision was enacted to extend partial relief to individual taxpayers by increasing AMT exemption amounts to reduce the likelihood of individuals being subject to the Alternative Minimum Tax. These increased exemption amounts simply account for inflationary factors and are not meant to minimize the AMT effect. Although these changes are positive, we must emphasize that each individual return is uniquely affected by AMT. If you have been subject to the AMT tax in the past or were on the edge, then it is possible you will be affected in 2009.
- ❑ **ROTH Conversion Opportunities for High Income Taxpayers** - Beginning in 2010 and beyond, the \$100,000 income limitation has been eliminated and traditional IRAs may be converted to ROTH IRAs. Although under current law this can be done in years after 2010, there is a unique opportunity for 2010 conversions. Generally, when you convert an IRA, you pay the full tax in the year of conversion which increases your overall income and potentially subjects you to other phase-out limitations. For 2010, you may pay the tax during 2011 and 2012, however, there are many other factors which need to be considered to determine if a conversion is right for your individual tax situation, so please consult our office with specific questions prior to converting your IRAs.
- ❑ **Making Work Pay Tax Credit** - The *American Recovery and Reinvestment Act of 2009* authorized a tax credit for 2009 and 2010 of up to \$400 per year for individuals (\$800 if married). In lieu of distributing a lump sum payment as was done with the prior stimulus package, the government elected to reduce federal withholding in smaller increments with the hopes that individuals would spend the credit and help boost the economy. While we are all grateful for the stimulus package, we would like to advise you that recent analysis has determined millions of taxpayers will either owe money or receive a smaller refund as a result of this withholding change. We will not know how this will impact you until we prepare the actual tax return. We encourage you to provide us your tax information as soon as you receive it to allow you adequate time to prepare for the unexpected, and, if necessary, change your 2010 withholding to minimize the impact for the current year. (Most Social Security and government retiree recipients should have received a one-time payment of \$250 since there were no wages to reduce withholding.)
- ❑ **First-Time Homebuyer Credit** - The credit has increased to as much as \$8,000 (\$4,000 if married filing separately) for homes bought in 2009 and before July 1, 2010 (you must have entered into a written binding contract before May 1, 2010). You are considered a first-time home buyer if you (or your spouse) have not owned any other home during a 3-year period prior to the purchase.
 - **Special Rule for Long-Time Residents of Same Main Home** - Even if you are not a first-time homebuyer, you may be able to claim a credit up to \$6,500 (\$3,250 if married filing separately) if:
 - You purchase a main home (one that you live in most of the time) after November 6, 2009, and before July 1, 2010 (if you have entered into a written binding contract before May 1, 2010).
 - You (and your spouse, if married) owned and used the same home as your main home for any period of 5 consecutive years during the 8-year period ending on the date of purchase of the new home.

In addition, you can choose to claim either credit on your 2009 return for a home you purchased in 2010 by amending or extending your tax return.

- ❑ **Energy Improvements to Your Home** - Many of you remember back in 2006 and 2007 an energy credit was made available to you if you replaced old appliances and fixtures with high energy efficient replacements such as furnaces, new windows and doors, roofing and insulation. As part of the *American Recovery and Reinvestment Act of 2009* this credit has been reinstated with generally positive changes for qualified improvements made during 2009 and 2010. Please call our office for more details if you made improvements during 2009 or if you plan on making some routine improvements during 2010. You can get more information at Energystar.gov
- ❑ **Hope Credit Expanded** - The *American Recovery and Reinvestment Act of 2009* has expanded the HOPE credit and renamed it the American Opportunity Tax Credit (AOTC) for tax years 2009 and 2010. The overall credit has increased to \$2,500 and is now available for the first four years of undergraduate education. This new credit also considers the cost of textbooks in allowing you to calculate the maximum credit and reclassifies 40% of the credit as "refundable" which means that you could receive a refund for the education costs even if you did not have a tax liability. There are still income phase-out thresholds (which have increased for 2009) but this is very positive for those individuals working hard to afford their children an undergraduate college education. When we prepare your tax return, we will analyze all available credits and provide you with either the credit or one of the other educational deduction options, whichever results in the best tax resolution.

Important State of Michigan Law Updates

- ❑ **Michigan Energy Efficient Qualified Home Improvement Credit** – Michigan has implemented a credit similar to the federal energy efficient home improvement credit available for the tax years 2009 through 2011, subject to income limitation phase-outs. We will review your possible eligibility for the Michigan credit in coordination with the possible federal energy improvement credit during the preparation of your tax return.
- ❑ **Michigan Cost Recovery Surcharge for Residential Electric Usage** – Michigan is providing a credit for residential customers who pay a “cost recovery” surcharge on their monthly electric bills. This credit applies to the electric portion of the bill only. The maximum annual credit is \$9.00, if \$36.00 or more in eligible surcharges are paid during 2009. This credit is not mandatory and, as such, you may choose not to review your monthly electric bills if this information is not readily available. Single individuals with incomes greater than \$65,000 (\$130,000 if married) will not be eligible for this credit. This credit is authorized for tax years 2009 through 2011.



Want to send your support to Any Soldier in harm's way,
but have no idea of what to send, who to send it to, or how to send it?

AnySoldier.com provides Soldier contacts who are in harm's way and they list what they need and want. We even have a search capability so you can easily identify what units need. You read through the names and the stories they write and select the ones you wish to support.

AnySoldier.com Soldiers are volunteers for this effort, they see the “ATTN: Any Soldier” line under their name on the mail you send to them and they put your letters and packages into the hands of Soldiers who don't get much or any mail.

AnySoldier.com also has “What to Send” and “How to Send” pages to help you properly send letters and packages, and much more. This effort is 110% voluntary. You send your support, and maybe some stuff, directly to whatever unit or units you want.

AnySoldier.com started August 17, 2003, as a simple family effort to help the soldiers in one Army unit, thus the name. Due to overwhelming requests, on January 1, 2004, AnySoldier.com was expanded to include any members (both active duty and reservists), of any of the Armed Services, stationed in any areas in harm's way. In June 2004, Any Soldier, Inc. was formed as a non-profit charitable organization in Maryland and granted 501C(3) status by the IRS in August 2004. In August 2005, Any Soldier, Inc. opened the following web sites:

AnyMarine.com AnySailor.com AnyAirman.com and AnyCoastGuardman.com

Pietrasiuk, Kelley & Kelley is proud to inform you of this charity. When you visit our office, please consider bringing a non-cash donation. We will have a box waiting for your generosity in our lobby or you may donate online. Upon receipt, PKK will research which soldier or unit has requested such item(s) and ensure they receive it. Suggestions for what to donate:

- Breakfast-type foods and drinks are the most needed. Soldiers only get an MRE for this meal!
- Personal Hygiene Items – small and easy to carry, disposable and anti-bacterial.
- Entertainment – magazines, paperbacks, Game Boys, DVDs, CDs, baseballs, footballs, frisbees.
- Miscellaneous – batteries, pens, paper, envelopes, phone cards, all weather blankets & pillows.

Remember this is about SUPPORT not just STUFF! A letter from you, your children, the kids at church or school, is the best thing to send. A show of personal support is far better than spending a bunch of money that you don't have. But, if you want to help by sending something, go to AnySoldier.com and read the posts of the Soldiers on the “Where to Send” page; jot down a few names and what they want. You can also purchase a “care package”, designed by troops for troops or contact MichelleS@pkkcpa.com for additional ideas on what to shop for.