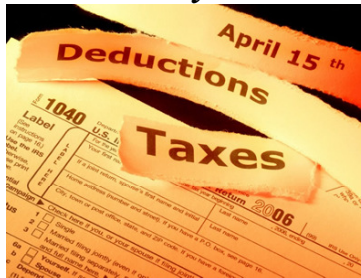


THE PILLERI ROMANO REPORT 2009

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Deductions and Credits are Everywhere.



Some 2009 Tax Law Changes That Could Affect You:

In an effort to stimulate the economy, the federal government is offering more deductions and credits to individuals. In theory it all sounds good, but do you qualify to get them???

Here are some credits that could put more cash in your pocket, again, if you qualify:

First-Time Homebuyer Tax Credit: "First-time" does not mean first-time. It means you have not owned a residence in the United States for three years prior to making your new home purchase. If you qualify under that definition, let's see if you qualify under the income limits.

Until November 6, 2009, eligibility for the credit is for joint filers making under \$150,000, with phase-outs of the credit to incomes up to \$170,000 and single filers making under \$75,000, with phase-outs of the credit to incomes up to \$95,000.

After November 6, 2009, eligibility for the credit is for joint filers making under \$225,000, with phase-outs of the credit to incomes up to \$245,000 and single filers making under \$125,000, with phase-outs of the credit to incomes up to \$145,000.

If you are still on board, in order to actually get the credit, you need to have your new home under contract by April 30, 2010 and the closing must be done by June 30, 2010. Also, to qualify, the home price limit is \$800,000 and the credit limit is the lower of 10% of the purchase price or \$8,000. Oh, and if you sell your new home within 3 years of purchasing it, you will need to pay back the credit. If you do not qualify, please do not get creative by letting your child under age 18 "buy" the house for you to live in and sell back to you after 3 years. That loophole has been closed.

Not a first-time homebuyer, but you were at one point? Not all is lost. If you owned your home over the past 8 years and made it your principal residence at least 5 consecutive years out of those past 8 years, you may qualify for a \$6,500 tax credit if you purchase a principal residence after November 6, 2009 and before May 1, 2010 (or purchase by June 30, 2010 with a binding sales contract signed by April 30, 2010.) Homes valued over \$800,000 are not eligible for the credit and income limits apply.

Sales Tax Deduction for New Vehicles: If you purchased a motor vehicle after February 16, 2009 and before January 1, 2010, you may qualify to deduct sales taxes on that purchase, even if you take a standard deduction instead of itemizing.

But before you get too excited about this new deduction, let's see if you qualify.

If you file jointly, your total incomes cannot exceed \$250,000, with phase-outs up to incomes of \$260,000. Single filers qualify if their

incomes do not exceed \$125,000, with phase-outs up to incomes of \$135,000.

Tax Credit for College Tuition: Starting in 2009 and continuing through 2010, there is a credit of up to \$2,500 for each of the four college years. The parents who claim this credit may not make more than \$160,000 (a parent filing as single may not make more than \$80,000). But wait, there's more. One special feature of this credit is that if this credit exceeds your total tax liability, you may still get 40% of it as a refund.

Payroll Tax Credits: For years 2009 and 2010, most people will get up to \$400 more in their paychecks. Married filing joint filers will get \$800.

You probably guessed by now that there are qualifying income restrictions here as well. Joint filers get this credit if they make under \$150,000, with phase-outs of this credit to incomes of \$190,000. Single filers get this credit if they make under \$75,000, with phase-outs of this credit to incomes of \$95,000.

This credit is automatically calculated in your paychecks through the lowering of the payroll taxes. This credit will be reconciled to the exact amounts at the time your tax return is prepared.

Although people who are self-employed also qualify for this credit and may reduce their quarterly estimated taxes accordingly, we would recommend letting us calculate your exact credit directly on your tax return when we prepare it for you.

Not working, but you did at one point? Not to worry, you get something too. Most retired individuals will have received a one-time \$250 check from Uncle Sam in 2009.

Not a Deduction or Credit, but worth noting:

Tax-Free Parking: Beginning in 2009, your employer may pay up to \$230 per month for your parking and not include it as part of your taxable income. This same \$230 per month limit applies for transit passes as well. Ask your employer for this benefit. You save on income taxes and your employer saves on payroll taxes. It's a win-win!

Annual Gifting Limits: For 2009, the maximum annual gift you may give to any individual is \$13,000 before needing to file a gift tax return.

Unemployment Benefit Exclusion: For 2009, the first \$2,400 of unemployment benefits received is tax free.

There are many more credits and deductions that may apply to you. Thank you for letting us maximize all those deductions and credits for you --- at least the ones for which you qualify!

Enjoy the Fall and Winter Holidays!