



ZHAI & WANG, LLP
Certified Public Accountants

2009 Individual Tax Seminar

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2009 Tax changes

- You can claim \$8,000 tax credit for first time home buyer or \$6,500 for existing home owner in 2009 only for primary house.
- Refundable credit for prior year AMT, abate AMT from ISO option, Some muni-bond interest, vehicle tax are exempted too.
- New American opportunity tax credit (AOC) increased the Hope credit to be \$2,500 for 2009, \$1,000 is given even no tax owed.
- Making Work pay tax credit is \$400 for Single in 2009 if AGI earning is less than \$75K, or \$800 for MJF if less than \$150K
- Health Saving Account allows \$5,950 MJF funding till April 15
- No capital gain tax for 15% tax bracket taxpayer for 2009, 5% on qualified dividend.
- Residential Energy Credit is back: 30% of the cost up to \$1,500
- Sales taxes is deductible on new car less than \$49,500.
- Kiddie tax for children with income over \$1,900, pay parent's rate.

2009 Stimulus Package: Credit & Deduction

Tax Credit/Deduction	Amount	Phase-out Limit	Good for Years
Making Work Pay Credit	\$400 Single/\$800 Couples	MAGI<\$75,000 Single/\$150,000 Couples	2009 and 2010
Economic Recovery Credit	One-time\$250 for taxpayer	Only for fixed Income earner	2009
AMT Patch (exemption increase)	\$46,700 Single/\$70,950 Couples	MAGI<\$75,000 Single/\$150 Couples	2009 and on
Education Hope Credit	\$2,500/Student	AGI<\$80,000 Single/\$160,000 Couples	2009 and 2010
Energy Credit	30% of the Cost	\$1500 Limit for Residential, not for Solar	2009 and on
Child Tax Credit	\$2,500/Student	AGI<\$80,000 Single/\$160,000 Couples	2009 and 2010
New Car Deduction	Equal to Sales/excise tax	Car value < \$49,500 or weight <8,500 lbs	2009

Individual Tax Tips

- Deduct state tax paid last year with the state return.
- Check if any carryover amount exist.
- Deduction to income items: HSA, IRA/SEP, student loans, higher education expenses, moving expenses, clean fuel vehicle, health insurance prem., alimony.
- Contribution, car expenses, meal & entertainment, gift, depreciation for business owner.
- Child tax credit, foreign tax credit, mortgage interest credit, adoption credit, retirement saving credit, Childcare credit, ATM credit, Health coverage credit.
- Maintain a good record-keeping system.

Expatriate Tax

- Qualified through Bona fide residency test or physical presence test (330 days).
- Foreign income exclusion, foreign housing exclusion, some allowance exclusion.
- To avoid double taxation, apply foreign tax credit, unused foreign tax credit can be carried over.
- Disclosure foreign bank and Investment account over \$10,000 , or, maximum 200% fraud penalty
- If you are qualified as expat, no need to hide your foreign income, you may not need to pay any additional tax. Proper disclosure gives you piece of mind to repatriate your foreign income back to US.

How much to convert from IRA to Roth

- One can contribute \$5,000 to Roth IRA if the modified AGI is between \$166K-\$176K for MJF or \$105K-\$120K for Single. Over 50, add \$1,000 more.
- For 2009 and later, income limitation of \$100,000 has been lifted, you convert any amount from IRA to Roth
- Any conversion will be taxed at the year of conversion, expect for 2010's conversion can be paid 50% each in 2011 and 2012
- All compounded earning from Roth is tax free, no Required Minimum Distribution (RMD) after 70½, no estate tax.
- Consider age, taxable income, assets value, retirement age and length to weigh the option of conversion
- Take advantage of lower tax bracket, lower stock value
- Generally, younger age and higher tax bracket later in life may justify for conversion.

Rental Income and Investment

- Take up to \$25,000 Rental Loss against your W-2.
- But your AGI has to be lower than \$150,000.
- Depreciation will be recaptured when you sell your real property.
- Real estate professional can take more rental loss as ordinary business expenses.
- Defer your real estate gain through like-kind exchange (or 1031 Exchange).
- Make sure you know the difference of tax treatment for active vs. passive participation when you invest.
- Forgiven debt may be taxable in short sales transaction, unless proved to be insolvent.

Business Deduction

- Business standard mileage is 55¢ per mile in 2009.
- For 2009 and later years, you can deduct 80% of meal expenses while traveling away from your tax home.
- Maximum retirement plan contribution is \$195K for Defined benefit and \$49K for Defined contribution plan (such as 401K, 403b)
- For 2009 and 2010, S Corporation Built-in Gains Tax suspended.
- Investment credit extended to 2016 for fuel cell, microturbine and solar energy property, 30% of cost.
- Renewal energy credit: Cellulosic Biofuel, Diesel, Alcohol tax credit, such as \$1.00 per gallon.
- § 179 deduction to \$250K, 50% bonus depreciation extended to 2010.
- Qualified transportation fringe benefit: Bicycle's reasonable cost and commuting, highway vehicle commuting, parking benefit.
- Net operating loss (NOL) carryback allowed up to five year.