

Federal Individual Tax Law Changes for 2009

Many important tax changes have gone into effect for 2009. The following are the one time tax breaks that have expired:

New law waives required minimum distributions (RMDs) for 2009:

A new law enacted in late 2008 provides that retirement plan accounts participants, IRA owners, and their beneficiaries do not have to take RMDs for 2009. This change helps retired taxpayers who do not need to rely on the distributions.

Increase in Estate Tax Exemption: The applicable exclusion amount increased from \$2 million to \$3.5 million for estates of decedents dying in 2009.

Standard mileage rate for medical purposes is reduced: The option mileage allowance for using a car to get medical care or in connection with a move that qualifies for the moving expense deduction is 24 cents per mile, down 3 cents from the 27 cent per mile allowance for the last half of 2008.

Nonbusiness Energy Property Credit for Energy-Efficient Improvements to Principal Residence in 2009:

For property placed in service in 2009, a taxpayer can claim a lifetime nonrefundable credit of up to \$500 for making qualifying energy saving improvements to their home, but only \$200 of the credit amount may be for qualifying window expenditures. Expenditures must be made on a dwelling located in the U.S. and used by the taxpayer as their principal residence.

Election to accelerate homebuyer credit into 2008: Eligible first-time homebuyers buying principal residences in the U.S. after Apr., 8, 2008 and before July 1, 2008, may claim a refundable tax credit. Purchases made after Dec. 31, 2008 and before July 1, 2009 may be treated as made on Dec. 31, 2008.

Qualifying Child Definition Revised: The following changes to the uniform definition of a qualifying child apply to tax years beginning after 2008:

- * Taxpayer's qualifying child must be younger than the taxpayer
- * Child cannot be taxpayer's qualifying child if they file a joint return unless return was filed only to claim a refund
- * If parents of child can claim the child as a qualifying child but no parent claims the child, no one else can claim the child as a qualifying child unless that person's AGI is higher than the highest AGI of any parent of the child.
- * Taxpayer's child is a qualifying child for purposes of the child tax credit only if they can and do claim an exemption for him or her.

For more information on any of the above, or if you have any other questions please contact our office.