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Your Accounting for a New Economy

10 Tax Items To Consider For Your Tax Return

Following are 10 things to consider when preparing your 2009 U.S. Individual Income Tax Return and for early 2010 planning:

1. Consider whether you can contribute to an IRA (Traditional or Roth). You have until April 15, 2010 to fund an IRA for 2009. Additionally, if you are self-employed, consider funding a SEP. You have until April 15, 2010, or the extended due date of your return, to fund your SEP contribution.
2. Claim credits for certain home improvements placed in service in 2009 and 2010. The Residential Energy Property Credit is equal to 30% of the costs of qualifying property, including exterior windows and skylights, storm windows and doors, metal and asphalt roofs, central air conditioning, etc. The aggregate credit for any taxpayer cannot exceed \$1,500. Additional credits are available for qualified residential energy-efficient improvements such as solar energy systems (water heating and electricity), and geothermal heat pumps, etc. Generally, the credit is equal to 30% of the cost with no limit on the credit amount.
3. If you are a first-time home buyer, you are allowed a refundable tax credit equal to the lesser of \$8,000 (\$4,000 married filing separately) or 10% of the homes purchase price. The Worker, Homeownership and Business Assistance Act of 2009 (ACT) extends the credit for qualified taxpayers purchasing principal residences on or before April 30, 2010 (and close by June 30, 2010). Additionally, beginning November 11, 2009, the ACT authorizes the credit for long time homeowners buying a new principal residence. The long-time resident exception limits the credit to \$6,500 (\$3,250 for married filing separately). Both credits are phased out for higher income taxpayers as well as meeting other qualifications.

4. Required minimum distributions (RMDs) were waived in 2009 for IRAs and defined contribution plans including profit sharing and 401(k) plans. If you turned 70 1/2 in 2009, you do not have to take your 2009 RMD, which would have been required no later than April 1, 2010. Please note that a 2010 RMD will be required under the current rules and relevant time period.
5. Don't overlook that a 0% tax rate may apply to adjusted net capital gains and qualified dividends that would otherwise be taxed at a rate below 25%. The amount of benefit available depends on your filing status and the character of your other income.
6. Check your filing status to make sure that you are filing your tax return and optimizing your filing status. If you are a surviving spouse, for example, you can claim status as a qualifying widow(er) for two taxable years following the year of death of your spouse if you maintain a home for a dependent child. If you are married, check to see if you should file married filing separately.
7. You may be eligible to increase your standard deduction. For 2009, individuals who don't itemize their deductions and pay real estate taxes may increase their standard deduction by a maximum of \$500 (\$1,000 for a married couple filing jointly).
8. Remember that filing an extension does not extend the time to pay your tax. If you don't pay at least 90% of your actual tax liability by the original due date of your return, you will be subject to late payment penalties and interest. If you have paid in at least 90% of your actual tax liability, interest will be charged on the unpaid balance from the original due date.
9. You can choose to deduct the actual sales tax paid during the year or a predetermined amount based on IRS tables. In addition to the table amounts, you can deduct additional actual sales tax paid for large ticket items such as automobiles, boats, mobile homes, leased vehicles and airplanes. The 2009 American Recovery and Reinvestment Act allows taxpayers to elect to deduct, as an additional component of the standard or itemized deduction, sales taxes paid on a qualified motor vehicle up to the first \$49,500 of cost. There are other limitations with respect to the availability of this deduction.
10. You can now convert a Traditional IRA to a Roth IRA. Prior to 2010, only individuals with modified adjusted gross income (AGI) of \$100,000 or less were entitled to convert their Traditional IRA to a Roth IRA. Beginning in 2010, the \$100,000 AGI limitation on conversions of Traditional IRAs to Roth IRAs is eliminated. This gives everyone, regardless of income level or filing status, the opportunity to convert a Traditional IRA to a Roth IRA.