

# **Basic Tax Guide for Tax Year 2009**

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**PLEASE NOTE:** Information provided in this Tax Guide is intended for informational purposes only. It is designed solely to provide general guidance to the reader, and is not intended to be a substitute for personalized, professional advice based on a particular, factual situation. Thus, the information provided in this Guide does not constitute professional accounting or legal advice and should not be interpreted as such. Although we have made every reasonable effort to ensure that the information provided is accurate, Dennis M Poston, Accountant, and Poston Accounting, offer no warranties, expressed or implied, on the information provided in this Guide. The user of the information contained herein accepts it as is and assumes all responsibility for its use.

## **If you are new to Poston Accounting:**

Please bring a copy of your prior year tax return if possible.

## **Please let us know if you have any changes, such as:**

Change of address, phone numbers, marital status, dependents, etc.

## **Please bring all income statements:**

Such as Forms W-2 and 1099, Social Security income, unemployment compensation, pension, state tax refunds, K-1's from partnerships, sub-S corps, and estates, etc. (If it said "**IMPORTANT TAX DOCUMENT**" on the envelope, we will need it.)

## **NEW: Did you receive an Economic Stimulus Payment?**

Those eligible to receive SSA or SSI benefits, railroad retirement or Veterans disability compensation or pension benefits should have received a \$250 Economic Stimulus Payment automatically last year. If you also have earned wages, we'll need to know if you received the \$250. The information is used to determine how much more, if any, you may qualify for under the new Making Work Pay Credit.

## **NEW: Did you buy your principal residence between 4/09/08 and 4/30/2010?**

Substantial homebuyer credits (up to \$8,000) may be allowed. If you have not already taken advantage of a credit in a prior year, please bring the closing statement.

## **NEW: Did you buy a NEW vehicle between 2/16/09 and 1/1/2010?**

You may qualify to take a deduction for the sales/excise taxes you paid, *even if you do not itemize*. We'll need to see the detailed sales receipt.

## **If you are itemizing:**

Forms 1098, Statement of Mortgage Interest Paid. Medical expenses paid in 2009\* (including medical, dental and long term care insurance premiums, paid out-of-pocket.) Real estate tax statement (if not included in your mortgage payment.) **Charitable Donations** (*refer to the **Charitable Donation Guide**, also available on our website.*) Investment expenses, job expenses such as unreimbursed mileage, uniforms, union dues, and out-of-town travel. (You must have a mileage log\*\* in order to deduct mileage expense.) If you purchased or refinanced a home in 2009, we will need the settlement statement to check for possible deductions. Bring receipts for any 2009 purchase of a motor vehicle (car, motorcycle, motor home, truck, off-the-road vehicle, aircraft, boat) and for home building materials. Also bring documentation on any leased motor vehicle. These receipts may increase your benefit from the state and local general sales tax deduction.

## **Childcare Expenses and Child Credits:**

**Childcare** expenses for children under 13 (unless disabled) may qualify you for another credit. We'll need the total amount paid to the provider and a breakdown of cost for each child. Provider's name, address, and Employer ID# (or Social Security #) are required. (The maximum childcare you may claim is still \$3,000 for one child, \$6,000 for more than one.) **The child tax credit** stays at \$1,000 maximum per child for 2009. The child must be under age 17 on December 31, 2009, and (NEW this year) must be claimed as a dependent. (The credit phases out if your income is too high.) If you qualify to receive Additional Child Tax Credit, the refundable portion may be more this year due to a change in how it is calculated.

**Dennis M. Poston / Accountant**

4919 S. Renellie Drive Tampa, FL 33611 Phone: (813) 902-8229 FAX: (813) 837-3646

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## Child with Investment Income:

The *kiddie tax* will apply to children up to and including age 18 (as of January 1, 2010) or age 19 to 23 and a full-time student, with investment income over \$1,900. *Other conditions apply.*

## Non-custodial Parent Claiming a Child:

If you are NOT the custodial parent but claim the child as a dependent, you will need a signed Form 8332 attached to your return. The custodial parent must sign the form.

## If you purchased and/or sold stocks, bonds, mutual funds:

If you sold securities in 2009, we will need the original cost & purchase date. Please try to bring in the “buy” slips for each security sold. If it is a mutual fund, we need the year-end statement for each year of ownership (unless the company sends you *Average Cost Basis*.)

## If you made estimated tax payments:

Look up the actual date paid and the amount for each quarter. Remember that the January 2010 payment was the final estimated payment for your 2009 income tax. (The January 2009 payment would have paid the last estimated payment on your 2008 taxes.)

## Did you pay property tax?

If you paid property tax on your principle residence, *even if you do not itemize*, you may be able to take a deduction. We'll need to know the amount you paid in 2009, even if you were paying prior year's taxes.

## Educational Expenses:

**HOPE Credit** (now renamed the *American Opportunity Tax Credit*): Eligible expenses are tuition, fees and (NEW) course materials. The credit is now allowed for the first 4 years of post-secondary education.

**Lifetime Learning credit** still allows just tuition and fees, available for unlimited number of years.

**Education Savings Accounts:** The non-deductible, annual contribution limit is \$2,000 for a child under age 18 (or any age special-needs child.) You have until April 15, 2009 to make your contribution. **Student loan**

**interest deduction** – you may deduct up to \$2,500 of interest on a student loan. **College Tuition**

**Deduction:** This is an above-the-line deduction up to \$4,000 for tuition and fees. (Income and filing status requirements apply on all Education Tax Incentives.)

## Educators:

Congress has extended the Teacher's Classroom Expense deduction through 2009: You may be able to deduct up to \$250 of out-of-pocket costs for books and classroom supplies, without itemizing. (Any amounts over \$250 can be deducted as unreimbursed employee business expenses, subject to 2% limitation – but only if you are itemizing.)

## If you had rental property:

We'll need the income and expenses of each rental. (Save on bookkeeping fees by having your expenses totaled for the year by category – Call us and ask for a *Rental Worksheet*.) Also the closing statement for any rentals purchased in 2009. Provide the cost and purchase date of any depreciable items (appliances, carpet, major repairs, improvements, etc.)

## If you were self-employed:

**Provide** your income and expenses from self-employment. (Save on bookkeeping fees by totaling the year's income and expenses by category – Call to see if we have a worksheet for your particular type of business.)

Mileage log \*\* (a must!), year and make of vehicle, as well as purchase detail. Cost and date of purchase of any depreciable items (items with a useful life greater than one year and cost of \$500 or more.) **The IRS**

**allows** the Home Office Deduction if you use the office regularly and exclusively to conduct “administrative or management activities” *and there is no other fixed location available to you*. Utilities, home insurance,

repairs and depreciation may be partially deductible if you qualify. We will need the totals paid for these items as well as the square footage of your office and square footage of your home. **If you paid** health

insurance for yourself, spouse and dependents, 100% of the premium (up to the amount of business profit) maybe an adjustment to income.

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## If you contributed to a Qualified Retirement Plan (or will by April 15, 2010):

We'll need the amount contributed in 2009 (or in 2010 for the 2009 tax year) and a statement showing year-end value of the account. (Remember that you have until the due date of the return, April 15, 2010, to make your contribution.) The maximum IRA contribution is now \$5,000 (\$6000 for those age 50 or older) (Note: phase-out rules for active participants and higher earners still apply.) **You may be eligible for a credit** if you made payments to any qualified retirement plan. (**The Saver's Credit**) If so, and we did not prepare your 2007, 2008 tax returns, please provide copies as we must look back two years for account withdrawal activity. In addition, we must know of any taxable distributions received (or will be received) in 2010. **We'll also need to know** of any Roth IRA conversions.

## Were you born in 1939 or before?

The IRS normally requires that distributions from regular (not Roth) IRAs commence by April 1 of the year following the year in which you reach age 70 ½. However, under a law signed by President Bush, **these rules were suspended for the 2009 tax year only**. Therefore, those who turned 70½ in 2009 did not have to take the RMD by the April 1, 2010 deadline (because it's for the **2009** tax year) but **MUST take it for 2010 by December 31, 2010**. (There is a **50% penalty** for failure to take your Required Minimum Distributions.) Of course, all those born before 1939 had the option to skip their 2009 RMD as well.

## Purchased an Alternative Energy Vehicle, or Energy Saving Home Improvements?

We'll need the manufacturer's certification showing the amount of the credit, and dated receipt. Home Improvements apply only to principle residence located in the US. (Prior \$500 lifetime limit no longer applies.)

## Sale of a House:

**You may be able to exclude** as much as \$250,000 of gains (\$500,000 for married filing jointly) on the sale of your principal residence if you owned and lived in the home for two of the last 5 years. There are a few exceptions to the time requirement (illness, job transfer, etc.). **NEW:** for sales in 2009 and later: Limitations apply if you've used the home for *nonqualified use* (i.e. rental, vacation home, etc) starting in 2009. If this applies, and you sold your principle residence in 2009 (or will later,) please call for a consultation to see how this will affect your exclusion.

## Do you need more time to file?

**If you prefer, we can request an automatic SIX MONTH extension on your behalf.** This extends the time to file to October 15th, 2010. Be aware that this is *not* an extension of time to pay tax. If you believe you will owe, you will want to make a payment with the extension. If possible, please call *well before* April 15th to request an extension. Also, please request an appointment well before the October 15th deadline.

## Important:

The above list is meant to serve *only as a guide* for gathering and organizing your paperwork. Feel free to call our office about your particular situation. Please start now. You might miss a valuable deduction by waiting until the last minute to prepare.

\* **For itemized medical expenses** - No need to add all those receipts if you'll not begin to reach the amount necessary to claim a deduction: For example, if your adjusted gross income is \$30,000, you would need more than \$2,250 in out-of-pocket medical expenses in order to have any medical deduction at all. (7 ½ percent of your adjusted gross income is subtracted from your total medical expenses before you get to deduct the first dollar.) Any questions regarding deductibility of medical related items, give us a call.

\*\* **Pick up a FREE mileage log** at our office for recording your mileage. (Must be contemporaneously recorded.)

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