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Buy now, save later

Credits, deductions for '09 purchases

By Danielle M. Horn TELEGRAM & GAZETTE STAFF

Individual tax breaks in the stimulus package

Expansion of the child tax credit

This will allow families with children to begin qualifying for the \$1,000 tax credit with every dollar earned over \$3,000. The change will help more low-income families who do not normally pay income tax, and families with three or more kids to get the child tax credit.

First-time homebuyers tax credit

First-time homebuyers will qualify for an \$8,000 tax credit (increased from \$7,500) if they buy their home before Dec. 1. As a very important bonus, the repayment requirement of the first-time homebuyer tax credit has been removed.

Tax credit for sales taxes on automobile purchases

To help the tanking U.S. auto industry, people who buy new cars, light trucks and SUVs, before Jan. 1, will be allowed to deduct all state and local sales taxes paid on the purchase from their federal income tax. This deduction will be subject to a phase-out for taxpayers with adjusted gross income in excess of \$125,000 (\$250,000 in the case of a joint return). According to the IRS, purchases made before Feb. 17, 2009, will not be eligible for this special deduction.

Tax credit for installing energy-efficient home repairs

Homeowners who install certified energy-efficient windows, furnaces and air conditioners can qualify for a tax credit equal to 30 percent of their costs, up to a total of \$1,500.

Tuition tax credit

College students or their parents can qualify for a tax credit of up to \$2,500 for tuition and related expenses during 2009 and 2010.

Unemployment compensation tax credit

People getting unemployment compensation during 2009 will not have to pay taxes the first \$2,400.

Source: About.com

If you're contemplating buying a house, new windows, a heating system or a new car, now is as good a time as any, say area accountants and financial planners.

Taxpayers looking to reap individual benefits from the American Recovery and Reinvestment Act have until the end of the year to make certain purchases that will then qualify them for credits and deductions on their 2009 tax return.

"Much of the legislation was aimed at giving the taxpayer a break," said certified public accountant Timothy Harrington of Holden. "Some of it was simply enhancing what is already there."

Before the end of the year, Mr. Harrington will be one of many tax preparers attending seminars about all the latest tax benefits for 2009.

The \$8,000 credit for first-time homebuyers, credits for energy improvements, and the ability for consumers to deduct the sales and excise taxes from new car

purchases are among the more widely publicized stimulus plan benefits.

"Some of the benefits of the (stimulus plan) happen automatically, like the tax credit payments that came in the spring," said Jennifer L. Simes, a certified financial planner with Carl P. Sherr & Co. in Worcester. "If a client came to me for advice, I'd say, let's go through the list and see what's applicable to you."

According to tax preparer Francis J. Holloway of Shrewsbury, taxpayers may capitalize on new purchases by applying for both the sales and excise tax deduction and seeking out manufacturers that independently offer tax credits for certain new vehicles. Ford, General Motors and Nissan are among the manufacturers that offer such incentives, he said.

"It's not clear-cut," he said. "If someone's considering getting a new car, they should definitely find out whether the credit applies."

Tax credits are "a dollar for dollar" return on a person's investment, while a deduction lowers filers' tax burden by placing them in a lower tax bracket.

"A credit is more advantageous than a deduction," Mr. Harrington said.

For example, a \$100 deduction would likely save a person \$25 in taxes, Mr. Harrington said. A tax credit of \$100 would take \$100 directly off the taxpayer's bill.

The \$8,000 credit for first-time homebuyers is set to expire on sales finalized after Dec. 1, but Ms. Simes said that may be extended for new home purchases after that date.

A full list of the tax benefits offered through the stimulus plan is available at www.irs.gov, by clicking on "Tax Benefits of the American Recovery and Reinvestment Act of 2009."