



THE TAX INSTITUTE
AT H&R BLOCK*

QUICK REFERENCE Impact of Key Tax Law Changes - Calendar Year 2009^(b)

As of December 1, 2009

#	What is it?	Who is impacted?	When do they get it?	How many taxpayers will be impacted? (estimate, if can be estimated)	What does the taxpayer need to do?	Positive or Negative impact to the Taxpayer at tax time? ^(a)
1	Additional Child Tax Credit Earnings threshold for this refundable credit lowered from \$8,500 to \$3,000	New tax credit for taxpayers with earned income between \$3,000 and \$8,500.	2009 and 2010	3% of taxpayers	<ul style="list-style-type: none"> - Claim the credit on a filed tax return. - Taxpayer could have previously been a not- required- to- file 	Positive <ul style="list-style-type: none"> - Up to \$1,000 per eligible child - Avg. \$681 for impacted taxpayers
2	Earned Income Tax Credit 1) Families with 3 or more children will now receive additional credit for 3rd child (former law - only up to 2 kids) 2) Reduced the 'penalty' if MFJ, thus 'income ceiling' was raised by \$5,000	1) Families with 3 or more children with incomes up to \$48,000 2) Joint filers who previously didn't qualify for EITC may now qualify because the phase- out range was shifted	2009 and 2010	3% of taxpayers	<ul style="list-style-type: none"> - Claim the credit on a filed tax return. - Taxpayer could have previously been a not- required- to- file 	Positive <ul style="list-style-type: none"> - Up to \$629 (depends on # of children and filing status) - Avg. \$458 for impacted taxpayers
3	Making Work Pay Credit NEW Refundable credit of up to \$400 per qualified taxpayer (\$800 MFJ). Qualified taxpayers were 'prepaid' the credit through decreased payroll withholdings since April 1. However, the change in withholdings may cause some people to be under withheld, thus, they may need to "pay- back" the dollars already received	Individuals with earned income and a valid SSN (MFJ only one needs valid SSN). Benefit starts to phase out at modified adjusted gross income (MAGI) = \$75,000 (\$150,000 MFJ). Full phaseout occurs at MAGI = \$95,000 (\$190,000 MFJ)	2009 and 2010	81% of taxpayers are expected to claim the credit Taxpayers In Danger Zone (underwithheld) include those who are: (1) single or married with more than one income (2) a dependent (3) Retired	<ul style="list-style-type: none"> - Claim the credit on a filed tax return with new Schedule M 	Positive and/or Negative <ul style="list-style-type: none"> - If in Danger Zone, could be a negative impact (of \$400 more, (\$800 or more) total MFJ) - Avg. (\$98) for impacted danger zone clients
4	Recovery Rebate Credit Expired at end of CY2008. Commonly referred to as the 2008 Stimulus Payment where individuals had to file a tax return to receive this money. Some received a prepayment via a check, with a positive 'true- up' on the CY2008 return	Those taxpayers that received a positive 'true- up' on their CY2008 return.	N/A (expired after 2008)		Nothing	Negative <ul style="list-style-type: none"> - up to (\$600 (\$1,200 MFJ)) + (\$300 per child) - Avg. (\$415) for impacted clients
5	American Opportunity Tax Credit (expanded Hope Credit) Increased higher education credit from \$1,800 to \$2,500 per year, per student; first 4 years of college eligible instead of first 2; and 40% is now refundable (vs. 0% PY)	Qualified taxpayers investing in education. Benefits start to phase out at AGI of \$80,000 (\$160,000 MFJ). Full phase out occurs at \$90,000 (\$180,000 MFJ); previous 2008 credit was fully phased out at AGI of \$58,000 (\$116,000 MFJ) For 2009, students in Midwestern Disaster Area may opt for enhanced credit of \$3,600 instead	2009 and 2010	5% of taxpayers	<ul style="list-style-type: none"> - Invest \$\$ in higher education (taxpayer, dependents) - Claim such on 2009 return 	Positive <ul style="list-style-type: none"> - Up to \$700 or up to \$1,000 for lowest income individuals whose Hope credit may have otherwise been \$0 - Avg. \$328 for impacted clients

* Individuals may want to consider adjusting their income tax withholding during the year (and thereby increasing their paychecks), if indeed any of these provisions significantly reduces their end- of- year tax liability.

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As of December 1, 2009

#	What is it?	Who is impacted?	When do they get it?	How many taxpayers will be impacted? (estimate, if can be estimated)	What does the taxpayer need to do?	Positive or Negative impact to the Taxpayer at tax time? (a)
6	<p>Homebuyer credit A refundable credit of 10% of home purchase price up to \$8,000. No repayment unless taxpayer moves out of or sells home within 3 years</p> <p>For homes purchased after 11/06/09</p> <ul style="list-style-type: none"> - up to \$6,500 credit for qualifying existing homeowners. - no credit is allowed for homes costing more than \$800,000. - other new limitations and exceptions also apply 	<p>Qualified taxpayers investing in first time homes. Phaseout starts at \$75,000 (\$150,000 MFJ) and ends at \$95,000 (\$170,000 MFJ)</p> <p>For home purchased after 11/06/09: -- the phaseout starts at \$125,000 (\$225,000 MFJ) and ends at \$145,000 (\$245,000 MFJ).</p> <p>Individuals who have owned and lived in a principal residence for 5 consecutive years out of the last 8 years and who buy a subsequent principal residence after 11/06/09 and before 4/30/10 may claim a FTCH of 10% of the purchase price up to \$6,500.</p>	<p>Homes purchased 1/1/09 - 11/06/09</p> <p>Homes purchased after 11/06/09 and before 4/30/10</p>	1.4% of taxpayers	<ul style="list-style-type: none"> - Invest \$\$ in first home, or after 11/6/09, invest in subsequent home - Claim such on 2008, 2009, or 2010 return 	<p>Positive</p> <ul style="list-style-type: none"> - Up to \$8,000, credit. Many will claim the credit for a 2009 or 2010 purchase on a prior year return - Existing homeowners who buy a new home now qualify for a maximum \$6,500 refundable credit
7	<p>Energy Credit A credit for 30% of costs (max credit of \$1,500 collectively for 2009 and 2010) for qualifying residential improvements for heating and cooling efficiency (e.g., windows, doors, HVAC). This credit was \$500 in 2006 and 2007; \$0 in 2008</p>	Taxpayers who invest in such qualifying improvements to their home	2009 and 2010		<ul style="list-style-type: none"> - Invest \$\$ in energy efficient improvements (purchase and install) - Claim such on 2009 or 2010 return 	<p>Positive</p> <ul style="list-style-type: none"> - Up to \$1,500
8	<p>New vehicle purchase A tax deduction for the state and local sales tax on purchase of a new vehicle costing up to \$49,500</p>	<ul style="list-style-type: none"> - Qualified taxpayers who buy new cars after 2/16/09 and before 2010. - Benefit starts to phase out at MAGI < \$125,000 Single (\$250,000 MFJ) - Taxpayer does not need to itemize to receive this deduction 	2009		<ul style="list-style-type: none"> - Invest \$\$ in new car - Claim on 2009 return (don't have to itemize to get benefit!) 	<p>Positive</p> <ul style="list-style-type: none"> - Deduction of paid sales tax (approx. max paid sales tax is \$3,400- assumes max price \$49,500* 7% sales tax)
9	<p>Unemployment compensation First \$2,400 of unemployment compensation not subject to income tax</p>	Jobless taxpayers receiving unemployment compensation.	2009		When filing, reduce reported unemployment compensation by \$2,400.	Positive
10	<p>Refined definition of Uniform Definition of Child (UDC)</p> <ol style="list-style-type: none"> 1) Related to age (Qualifying Child must be younger than taxpayer) and 2) Tie- breaker rule (when parent is in the home, child is QC of other taxpayer only if that taxpayer has a higher AGI) 	<p>Unrelated adults who care for siblings as their children</p> <p>Lower- earning adult children living with parents who can no longer claim their siblings</p>	2009 and ongoing	2.7% of taxpayers	Nothing. Rule applies to all taxpayers	Negative

a The estimated impact is solely for the one noted law; not a collective impact of all the tax law changes.

b These changes are the key year-over-year tax law changes. There are many more tax law changes and regulatory changes (e.g., the annual inflationary adjustments, other tax law changes that impact a smaller group of individuals, etc.). For more information, go to www.thetaxinstitute.com.

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