

ROBERT MAYERI
CERTIFIED PUBLIC ACCOUNTANT, APC

ROBERT MAYERI, CPA

MEMBER: CSCPA

February 18, 2009

Dear Friends and Clients:

The following summarizes some of the major tax provisions from the nearly 1,100 pages of the American Recovery and Reinvestment Act of 2009:

ALTERNATIVE MINIMUM TAX (AMT) PATCH

The 2009 AMT exemption amounts are raised to \$70,950 for joint filers and surviving spouses (compared to \$69,950 in 2008); and \$46,700 for single and heads of household (compared to \$46,200 in 2008).

The controversial addition of the AMT patch to the stimulus legislation is estimated to cost approximately \$70 billion and benefit 26 million middle income taxpayers.

FIRST-TIME HOMEBUYER CREDIT

The 10% first time homebuyer credit is increased from \$7,500 to a maximum of \$8,000 (\$4,000 for married filing separately) for qualifying home purchases. Purchases made on or after January 1, 2009 and before December 1, 2009 qualify for the credit. The 15 year payback requirement included in the original legislation has been waived, making it a true credit rather than an interest free loan. However, if the home ceases to be the taxpayer's principal residence within 36 months of purchase, the payback rules still apply.

The new legislation removes the prohibition from taking the credit if the purchase is financed by the proceeds of a mortgage revenue bond.

The credit begins to be phased-out for taxpayers with adjusted gross income (AGI) in excess of \$75,000 (\$150,000 for married filing jointly), and completely phases out at AGI of \$95,000 (\$170,000 for married filing jointly).

UNEMPLOYMENT

Under current law, all unemployment benefits are subject to federal taxation. The new law temporarily suspends federal income tax on the first \$2,400 of unemployment benefits per recipient. Unemployment benefits over \$2,400 will be subject to federal income tax. This provision is in effect for taxable year 2009.

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SALES TAX

An above-the-line deduction for state and local motor vehicle taxes is allowed on purchases of qualifying vehicles purchased before January 1, 2010. A qualifying vehicle is any car, light truck, or motorcycle with a gross weight rating of not more than 8,500 lbs, or a motor home; the original use of which commences with the taxpayer. The deduction is limited to the tax on up to \$49,500 of the purchase price, and is phased out for taxpayers with modified adjusted gross income between \$125,000 and \$135,000 (\$250,000 and \$260,000 for married filing jointly).

ESTIMATED TAXES FOR SMALL BUSINESS OWNERS

The required annual estimated tax payments for a “qualified individual” in 2009 will be 90% of the tax liability shown on the tax return for the preceding taxable year. Any taxpayer with less than \$500,000 AGI (\$250,000 if married filing jointly) who certifies that at least 50% was income from a small trade or business is a qualified individual. Any trade or business that employed on average no more than 500 people in the preceding taxable year qualifies as a small trade or business.

Under previous law, the safe harbor for estimated tax was 100% of the tax shown on the prior year return (110% if AGI exceeded \$150,000).

CLEAN FUEL VEHICLE REFUELING PROPERTY

The credit for clean fuel refueling property is increased from 30% to 50% (hydrogen refueling property stays at 30%). For businesses, the limits on the credit are increased to \$200,000 per location per year for qualified hydrogen refueling property and \$50,000 per location per year for other types of refueling property. For non-business refueling property not subject to depreciation rules, the credit limit is increased to \$2,000 per location per year (\$1,000 for hydrogen refueling property).

INCREASED EXCLUSION AMOUNT FOR COMMUTER BENEFITS

For months beginning after February 15, 2009 and before January 1, 2011, the limitation on the exclusion for transportation in a commuter highway vehicle or for transit passes is increased to \$230 to match the qualified parking exclusion.

AMERICAN OPPORTUNITY TAX CREDIT

The Hope credit is modified for 2009 and 2010 by increasing the maximum amount to \$2,500 per eligible student per year for qualified tuition and related expenses. The definition of qualified expenses is expanded to include course materials.

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Under this new tax credit, taxpayers will receive a tax credit based on one hundred percent (100%) of the first \$2,000 of tuition and related expenses (including books) paid during the taxable year and twenty-five percent (25%) of the next \$2,000 of tuition and related expenses paid during the taxable year. Forty percent (40%) of the credit would be refundable.

The new credit is available for four years of postsecondary education, as opposed to two years under the Hope credit.

The modified credit begins to be phased out for taxpayers with modified adjusted gross income between \$80,000 and \$90,000 (\$160,000 and \$180,000 for married filing jointly). The modified credit may be claimed against a taxpayer's alternative minimum tax liability.

No portion of the credit is refundable if the taxpayer is a child under age 18 or a child under age 24 who is a student providing less than one half of his or her own support, who has at least one living parent and does not file a joint return.

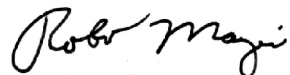
This provision of the legislation also requires the Secretary of the Treasury to conduct studies relating to 1) coordinating the Hope and Lifetime learning credits with the Pell grant program; and 2) requiring students to provide public service in return for receiving Hope and Lifetime Learning Credit

RESIDENTIAL ENERGY PROPERTY

The bill extends the tax credits for energy-efficient improvements to existing homes through 2010. For 2009 and 2010, the bill increases the amount of the tax credit to thirty percent (30%) of the amount paid or incurred by the taxpayer for qualified energy efficiency improvements during the taxable year. The bill also eliminates the dollar caps on this tax credit and provides an aggregate \$1,500 credit cap on all property qualifying for the credit (installed during 2009 and 2010). The bill also updates the energy-efficiency standards of the property qualifying for the credit.

Should there be any questions regarding the above, or if I can assist you in any other way please do not hesitate to call me at 310.385.9695, or contact me via e-mail at RPKD@aol.com.

Sincerely,



Robert Mayeri