



## **Tidbits – March 31, 2009**

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### **Residential Renewable Energy Tax Credit**

The maximum credit amount has been removed for all eligible technologies (except fuel cells) that are placed in services after 2008.

### **Business Energy Tax Credit**

The federal business energy investment tax credit extended the duration of existing credits for solar energy, fuel cells and microturbines and established new credits for small wind-energy systems, geothermal heat pumps and combined heat and power systems. This Energy Investment Tax Credits was also extended to utilities. Taxpayers may now use the credit against the Alternative Minimum Tax (AMT) and may be extended as long as January 1, 2017 for certain energy property.

### **Section 179 and Bonus Depreciation for assets placed in service during 2009**

The amount of eligible assets that could be expensed directly (Section 179 expense) for a federal tax purpose is \$250,000. However, this amount gets reduced dollar for dollar when the total asset purchases exceed \$800,000.

Maryland has decoupled from the federal regulations and has a Section 179 limit of \$25,000 for all eligible assets except software, which must be depreciated over 3 years.

An additional 50% bonus depreciation is available for eligible assets not expensed fully under Section 179. Some states may decouple from this regulation.

### **IRS increases for 2009**

Mileage Rates –

Business mileage is 54.5 cents per mile effective January 1, 2009

Medical or moving mileage is 24 cents per mile

Charitable mileage is 14 cents per mile

### **Consumer Price Index (CPI) was -1.9% as of March 2009**

CPI represents the change in prices paid by urban consumers. It is often used as an economic indicator, as a means of adjusting dollar values, and as the escalation rate on government contract pricing (labor and T&M rates).

*Table 10 – Consumer Price Index for Urban Consumers (CPI-U): Select local areas, all items*

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The information provided here is in summary form and does not reflect the IRS tax codes in there entirety. If a particular situation may be applicable to you, please consult your tax advisor.



Percentage change from Mar 2008 to Mar 2009 = .4% for DC-MD-VA-WV

### **Employment Cost Index (ECI) was 2.9% as of March 2009**

ECI represents the change over time in labor costs. It is used in determining escalation for the GSA Schedule rates.

*Table 5 – Employment Cost Index for Total Compensation, for private industry workers by occupational group and industry*

#### Professional, scientific, and technical services

Percentage change from March 2008 to March 2009 = 2.9%

### **Implementation of Contractor Withholding Delayed**

The new withholding requirement for government payments to contractors has been delayed from December 31, 2010 to December 31, 2011. The amounts of the withholdings will be reported on Form 1099-Misc. Amounts withheld may not be applied as a credit against the employment tax liabilities of the payee and the amounts will be reported on the individual or business tax return.

### **AMT Relief**

AMT threshold has been increased for by the following

- Married filing jointly or qualifying widow(er)
  - 2009 - \$70,950
    - Previously 2008 - \$69,950
- Single Filing
  - 2009 - \$46,700
    - Previously 2008 - \$46,200
- Married filing separately
  - 2009 - \$35,475
    - Previously 2008 \$34,975

### **Making Work Pay Tax Credit**

This credit provides a refundable tax credit of up to \$400 for working individuals and \$800 for married taxpayers filing jointly. This tax credit is calculated at a rate of 6.2% and will phase out for taxpayers with modified adjusted income in excess of \$75,000 for individuals and \$150,000 for married couples filing jointly. For taxpayers who do not



have any taxes withheld during the year will simply claim the credit on their 2009 tax return.

### **Child Tax Credit**

For 2009 and 2010 the child tax credit has been increased to \$3,000 for qualifying children. This is in addition to the credit for child and dependent care expenses and the earned income credit.

### **American Opportunity Tax Credit**

The Hope Scholarship Credit now covers 100% if the qualified tuition, fees and course materials paid by the taxpayer not to exceed \$2,000. It will also cover 25% of the expenses that are between \$2,000 and \$4,000 for a total of \$2,500

### **529 Account Deductions**

Computer technology and equipment allowed as a qualified higher education expense for Section 529 accounts (qualified tuition programs) in 2009 and 2010. This does not include computer software designed for sports, games, or hobbies unless the software is predominately educational in nature.

### **Deductions for Buying a Car**

To qualify for the additional deduction for state sales & excise taxes the purchase price for a qualified vehicle shall not exceed \$49,500 and must be purchased between Feb 17 and Dec 31, 2009.

### **Lessee's Inclusion Amount**

If you use leased listed property other than a passenger automobile for business/investment use in 2009 you must include an amount in your income in the first year your qualified business-use percentage is 50% or less. Qualified business-use percentage is the actual amount that you use the automobile for business purposes.