

Tax Tips for 2009 & Planning for 2010

If you haven't filed your 2009 taxes yet, there's still time. The American Recovery and Reinvestment Act of 2009 affected many people's taxes. Among the changes: the first-time homebuyer tax credit, the making work pay tax credit, credits for purchases of certain hybrid and other vehicles and higher levels of tax free unemployment benefits.

Whether you've filed your taxes or not, here are some things to consider for 2009 and 2010:

Top Tips

1. Education

The federal government has expanded the education tax credits available for higher education expenses in 2009 and 2010. Taxpayers can receive a credit for 100% of the first \$2000 of eligible expenses and 25% of the next \$2000 of eligible expenses. This credit has also been expanded to include the first four years of a student's education and applies to higher income taxpayers.

2. Residence

In general, this federal tax credit is equal to 30% of the cost of qualified energy-efficient property or improvements up to a total combined credit amount of \$1500 for 2009 and 2010. Additional credits are available for solar energy systems, fuel cells, small wind energy systems and geothermal heat pumps. Increased limits can provide tax credits up to 30% of the cost of the units.

3. Retirement

One of the biggest opportunities for 2010 is the ability to roll over a traditional IRA to a Roth IRA regardless of your income level. While this will create a tax liability in 2010, the long-term benefits of having funds in a Roth IRA may outweigh the tax costs to switch. Tax-free earnings of a Roth IRA, as opposed to tax-deferred earnings of a traditional IRA can be a big advantage later. Roth IRAs also have no age restrictions as to when one must stop making contributions or start taking distributions, and transfers to beneficiaries can be tax free.

Meet the Guest Author

Paula Johnson, CPA, is the manager of the tax department for Anderson ZurMuehlen's Bozeman office.

Paula has over 20 years of experience helping businesses and individuals with their tax planning and preparation. She advises business owners on entity selection, setting up accounting systems, budgeting and cash flow analysis and succession planning. Paula is looking forward to April 16th when hopefully the weather will be nice enough to get out of the office for a game of golf.

To learn more about Anderson ZurMuehlen visit our website www.azworld.com.



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