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## Don't Miss Out On These Two Tax Breaks!

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In 2008 a credit for first time homebuyers was enacted. This credit was for homes purchased on or after April 9<sup>th</sup>, 2008 and before July 1, 2009. This credit was to be repaid ratably over 15 years. In 2009 the American Recovery and Reinvestment Act was enacted and changes were made to this credit. The Act increases the maximum credit from \$ 7,500 to \$ 8,000. It also eliminated the required repayment obligation as long as the homeowner stays in the home for 36 months. Key points to note about this credit include:

- The home bought has to be a principal residence.
- The credit phases out for taxpayers with adjusted gross income above \$ 75,000 (\$ 150,000 for married couples filing a joint return).
- The Housing Assistance Act of 2008 allows eligible first-time homebuyers who purchase a principal residence after Dec.31, 2008 and before July 1, 2009 to elect to treat the purchase as made on Dec. 31, 2008.
- The American Recovery and Reinvestment Act of 2009 allows the taxpayer to waive recapture (payback) of the credit even if this election is made (assuming the home remains the taxpayer's principal residence for at least 36 months).

The vehicle deduction is a new deduction included in the American Recovery and Reinvestment Act. The Act allows taxpayers to claim an above the line deduction for the sales and use taxes or excise taxes paid on the purchase of a new car, motorcycle, light truck, or recreational vehicle. Key points to note about this deduction include:

- A taxpayer does not have to itemize deductions to take advantage of this credit.
- The deduction is limited to taxes paid on the first \$49,500 of the purchase price.
- The deduction phases out for taxpayers with adjusted gross income exceeding \$125,000 (\$250,000 for married couples filing a joint return).
- The vehicle has to be purchased before 2010

Do not hesitate to call us at GBQ if you have questions on these credits and deductions as well as anything else related to the American Recovery and Reinvestment Act of 2009.