

#	What is it?	Who is impacted?	When is it effective?	What does the taxpayer need to do?	Impact to the taxpayer at tax time
Tax laws expiring 12/31/10 OR effective for 2010 and future years.					
1	Adoption credit <ul style="list-style-type: none"> The adoption credit increased to \$13,170 (previously set at \$12,170 for 2010) AND Credit is fully refundable 	Families who adopt children	2010 and 2011	<ul style="list-style-type: none"> Complete the adoption before the end of 2011 Be aware that the credit will be substantially reduced for taxpayers who adopt in 2012 and later 	<ul style="list-style-type: none"> The \$13,170 credit will be refundable for taxpayer who adopts in 2010 and 2011 For adoptions in 2012 and beyond the maximum credit will generally be \$5,000 and nonrefundable
2	Roth IRA conversions <ul style="list-style-type: none"> For years starting in 2010, the \$100,000 modified AGI limit for conversions to Roth IRAs is eliminated 2010 conversions taxed one half in 2011 and one half in 2012 <u>unless</u> elect to pay tax on conversion in 2010 	Higher income individuals who in the past were not able to convert traditional IRA funds to a Roth account are now eligible	2010 and forward	<ul style="list-style-type: none"> Convert IRA to Roth IRA if makes financial sense to do so Consider filing an extension for 2010 allowing time to determine whether or not to defer taxation to 2011 and 2012 (default) OR pay taxes in 2010 	This may increase taxes now, but the expectation is in the long run overall tax will be reduced
3	Estate tax <ul style="list-style-type: none"> Estate tax is a tax on assets of an estate valued over a certain threshold, e.g. \$3.5 million in 2009 For years starting in 2010, the estate tax is repealed BUT basis step up generally limited to \$1.3 million For years starting in 2011, estate tax reverts to pre-2001 tax law, generally asset threshold of \$1 million 	<ul style="list-style-type: none"> Estates over designated thresholds Beneficiaries of estates in 2010 	2010	Be aware this tax law may change in 2010	Eliminates estate tax, although beneficiaries may be subject to more taxes on capital gain if assets whose basis is not stepped up are sold
4	Homebuyer Credit <ul style="list-style-type: none"> Up to \$8,000 refundable credit (up to \$6,500 credit for existing homeowners) 2008 credit recapture must start in 2010 	<ul style="list-style-type: none"> Qualifying individuals who purchase a principal residence Taxpayers who claimed 2008 credit based on 2008 purchase 	Generally expired 4/30/10	<ul style="list-style-type: none"> Claim credit for home purchase Begin repayment of 2008 credit, if applicable 	<ul style="list-style-type: none"> Credit generally expires 4/30/10 Tax liability may be increased by applicable portion of 2008 credit recapture
5	Making Work Pay Credit (MWPC) Refundable credit of up to \$400 (\$800 MFJ) per qualified taxpayer	Individuals other than dependents and nonresident aliens who work	Expires 12/31/10	<ul style="list-style-type: none"> In 2010, claim credit and complete Schedule M AND Be aware of no Economic Recovery Payment in 2010, so don't have to worry about offset In 2011, be aware current law expires 12/31/10 AND Evaluate W-4 withholding and / or quarterly estimates as appropriate 	In 2011, since MWPC expired, take home pay for most working taxpayers will be less
6	Energy Credit A nonrefundable 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)	Taxpayers who invest in such qualifying improvements to their home	Expires 12/31/10	<ul style="list-style-type: none"> Invest in energy efficient improvements (purchase and install) by 12/31/10 Claim allowable credit 	30% of cost of qualifying purchases up to \$1,500 for 2009 and 2010 combined
7	American Opportunity Credit (AOC) <ul style="list-style-type: none"> Credit of up to \$2,500 for first four years of college Partly refundable, up to \$1,000 	College students or their parents if claim the student as a dependent	Expires 12/31/10	<ul style="list-style-type: none"> Be aware AOC expires 12/31/10 Claim the Hope or lifetime learning credit as appropriate 	In 2011, there will be fewer tax benefits available for education expenses

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Current tax laws expiring 12/31/10, <u>changing</u> in 2011.					
8	Earned Income Tax Credit <ul style="list-style-type: none"> For years starting in 2011, largest benefit available is for families with two children AND Marriage penalty relief is eliminated, making MFJ phaseout same as unmarried filers AND Calculation of credit reverts to pre-2001 tax law 	Joint filers and / or families with three or more children	2011 (current law expires 12/31/10)	<ul style="list-style-type: none"> Be aware current law expires 12/31/10 Evaluate W-4 withholding and / or quarterly estimates as appropriate 	In 2011, many qualified taxpayers will receive less of a credit
9	Child tax credit (CTC) <ul style="list-style-type: none"> For years starting in 2011, CTC is reduced from \$1,000 to \$500 per eligible child AND Refundability is limited to families with earned income and three or more children 	Families with children under age 17	2011 (current law expires 12/31/10)	<ul style="list-style-type: none"> Be aware current law expires 12/31/10 Evaluate W-4 withholding and / or quarterly estimates as appropriate 	<ul style="list-style-type: none"> In 2011, amount of credit is reduced by \$500 In 2011, refundability changes may result in: <ol style="list-style-type: none"> \$0 credit for low income families with one or two children AND Limited refundability for families with three or more children
10	Tax brackets For years starting in 2011, tax rates are increased from 10%, 15%, 25%, 28%, 33%, 35% to 15%, 28%, 31%, 36%, 39.6%	All taxpayers	2011 (current law expires 12/31/10)	<ul style="list-style-type: none"> Be aware current law expires 12/31/10 Evaluate timing of income changes to be taxed in 2010 versus 2011 	Many taxpayers will have a higher tax liability in 2011 than in 2010
11	Capital gains <ul style="list-style-type: none"> For years starting in 2011, long-term capital gain rates are generally increased from 0% and 15% to 10% and 20% AND Qualified dividend rates are changed from 0% and 15% to the taxpayer's ordinary income rate in 2011 	<ul style="list-style-type: none"> Anyone who sells capital gain property held more than one year after 12/31/10 Investors who receive dividends after 12/31/10 	2011 (current law expires 12/31/10)	<ul style="list-style-type: none"> Be aware current law expires 12/31/10 Consider taking capital gains in 2010 and deferring capital losses to 2011 	In 2011, tax rates for these items are increasing, potentially resulting in higher tax liability
12	Marriage penalty For years starting in 2011, MFJ standard deduction and lower tax brackets are decreased from 200% to 167% of the Single amounts	Generally all married taxpayers who have a tax liability	2011 (current law expires 12/31/10)	<ul style="list-style-type: none"> Be aware current law expires 12/31/10 Evaluate W-4 withholding and / or quarterly estimates as appropriate 	Many married taxpayers will have a higher tax liability in 2011 than in 2010, regardless of tax situation

Tax laws expired in 2009.

13	Unemployment compensation First \$2,400 of unemployment compensation not subject to income tax	Jobless taxpayers receiving unemployment compensation	Expired 12/31/09	<ul style="list-style-type: none"> Be aware current law expired 12/31/09 Consider having taxes withheld from unemployment check(s) 	No longer able to exclude first \$2,400 of unemployment benefits after 12/31/09
14	Vehicle sales and excise tax deduction Deduction for sales and excise tax paid on a new vehicle purchase; limited to sales and excise that would have been paid on a \$49,500 vehicle	Individuals who purchase a new vehicle	Expired 12/31/09	Be aware current law expired 12/31/09	No longer able to claim deduction after 12/31/09

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



NOTE: For more information, go to on www.thetaxinstitute.com.