

IRS NEWS & INQUIRER

What's the Answer?

Q. *I brought a new motorcycle last year. And I do not itemize when I file my tax returns. Can I claim the new car sales tax deduction?*

A. Yes, you are eligible for the special deduction if you made your purchase after Feb. 16, 2009. Up until that date the old car sales tax rules do not allow non-itemizers to claim the deduction.

The deduction is limited to the state and local sales and excise taxes paid on new cars, light trucks, motorcycles or motor homes up to \$49,500 of the purchase price.

Get FREE Tax Help

We believe **proactive** tax planning is the key to keeping more of what you make. And we scour your income and expenses for every available tax break and strategy without "gray areas" and "red flags". We'll help you consider deductions which are often overlooked that may save you more tax dollars.

Call for your **FREE** analysis.
404-762-1030

Bill Davis Tax & Accounting
3110 Washington Road
East Point, Georgia 30344
www.billdavistax.com

What's Happening?

A Super Fast Deduction for You

Give before March 1, and deduct it on your 2009 income tax return. The Haiti earthquake occurred Tuesday, January 12, 2010 at 4:53 p.m. And on Friday evening, January 22, President Obama signed into law this new deduction. If you make cash contributions, including credit card charges, to aid in relief efforts in Haiti before March 1, 2010, and you itemize on your 2009 tax return, you can claim a deduction on that return.

The New, College Tax Credit . . . *Owe no tax? Still Get \$1,000 Back.*

There's a new \$2,500 college tax credit for 2009 and 2010. This new credit is an expansion of the old Hope College credit. The new credit is also partially refundable. What that means is a family which doesn't earn enough to pay income taxes will get \$1,000 back. A family which would otherwise owe, for example, \$2,000 in income tax, should qualify for the full \$2,500—it would have its \$2,000 tax bill wiped out and get \$500 back as part of the refundable credit.

This new college tax credit is only for undergraduates going more than half time. But it can be claimed for all four years, whereas the old Hope credit was only good for the first two years. This doesn't replace the existing \$2,000 lifetime learning credit. That one is still useful for graduate and part time students. What are eligible expenses? That's the amount of qualifying tuition and related expenses, including student activity fees and required books, paid to an eligible educational institution on behalf of the student.

Some Unemployment Tax-Free

AVAILABLE ONLY FOR 2009 If you received unemployment compensation during 2009, you may exclude \$2,400 of it when you file your tax return. If both you and your spouse received such benefits, each of you can exclude the first \$2,400 from your total income.

Congress should exclude all unemployment payments from income tax. There are two facts that makes this reasonable. (1) Unemployment compensation was tax-free until 1987, and (2) you pay tax while working for unemployment compensation insurance through your employer. To have to pay tax again when your insurance pays off because you have become unemployed amounts to double taxation in our view. 01/10