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HAPPY NEW YEAR!!

What's New For the 2010 Tax Season

We Have Moved!!!

On September 15, 2009, Peoples Tax Service consolidated its 358 E. Blackstock Rd, Spartanburg and 531 Cross Anchor Hwy, Woodruff locations to 426 E. Blackstock Rd, two doors down from the 358 E. Blackstock Rd location, which is across from the Spartanburg Marial Arts facility and adjacent to the Westgate Apartments.

The Affect of New Tax Laws on Taxpayers

In order to boost a wavering economy, Congress passed two significant pieces of legislation during 2009. The *American Recovery and Reinvestment Act* and the *Worker, Homeownership, and Business Assistance Act* were designed primarily to bring growth and stability to our economy.

Out of the above legislation came the *Making Work Pay Credit*, the one time stimulus payment to retirees. The bill enhances and expands the first-time homebuyer and child tax credits, expands the development of alternative sources of energy and stimulates the creation of new "green collar" jobs.

American Recovery and Reinvestment Act of 2009

Making Work Pay Credit: Eligible individuals are allowed a refundable income tax credit for tax years beginning in 2009 and 2010. You are not an eligible recipient for the credit if you can be claimed as a dependent by another taxpayer.

Economic Recovery Payment

A one-time \$250 economic recovery payment was available to:

- Adults eligible for social security benefits;
- Adults eligible for railroad retirements;
- Adults eligible for veterans compensations or pension benefits; and
- Individuals of any age eligible for supplement security income (SSI) benefits, other than individuals who receive SSI while in a Medicaid institution.

New Vehicle Sales Tax Deduction

Qualified motor vehicle taxes are deductible either as part of the standard deduction or as an itemized deduction. The deduction nevertheless is subject to the phase out rule.

Exclusion for Unemployment Compensation

Recipients of unemployment compensation are allowed to exclude from income up to \$2,400 of unemployment benefits received in 2009.

American Opportunity Tax Credit (expanded Hope Credit)

The Hope credit is modified and renamed the American Opportunity tax credit for tax years beginning in 2009 and 2010. The maximum credit that can be claimed for 2009 & 2010 is \$2,500 and is allowed for the first four years of the student's post-secondary education in a degree or certificate program. Tuition, fees and course materials are now part of the cost involved with the Hope Credit.

Eligible Expenses Under Section 529 Plans

Computer technology and equipment, and internet access and related services, qualify as higher education expenses under section 529 plans for 2009 & 2010, as long as such items are used by the beneficiary and the beneficiaries family during any of the years that the beneficiary is enrolled at an eligible educational institution.

Health Coverage Tax Credit

Refundable Credit Increase: The amount of the HCTC increases from 65% to 80% of the taxpayer's premiums for qualified health insurance of the taxpayer and qualifying family member(s).

Work Opportunity Credit

Businesses are allowed to claimed a work opportunity tax credit equal to \$40% of the first \$6,000 of wages paid to employees of one of nine target groups.

- Qualified veteran
- Qualified ex-felon
- Designated community resident
- Vocational rehabilitation referral
- Summer youth employee
- SNAP recipient
- SSI recipient.

In addition, two new targeted groups of prospective employees are as follows:

- Unemployed veterans
- Disconnected youth.

An individual qualifies as an unemployed veteran if they were discharged or released from active duty from the Armed Forces during the five-year period prior to hiring and received unemployment compensation for more than four weeks during the year before being hired. An individual qualifies as a disconnected youth if they are between the ages of 16 and 25 and have not been regulary employed or attended school in the past 6 months.

Energy Credit

Nonbusiness Energy Property Credit: The nonbusiness energy property credit available to individual homeowners has been modified. The installation of insulation, exterior windows, sky lights, doors, electric heat pumps, central air conditioners, natural gas, propane, or oil water heaters, biomass fuel stoves or furnaces and boilers. Please keep in mind that the above is mandated by law to meet certain specifications in order to qualify.

Uniform Definition of a Child

Recent legislation has added the following conditions to meet the uniform definition of a child test:

- **The child cannot be older than the claimant**
- **Generally, the child cannot be married**
- **Relationship Test - Your qualifying child must be your:**
 - **Child (per the uniform definition of a child) or descendant (for example, grandchild or great grandchild)**
 - **Sibling, half sibling, stepsibling, or descendant (for example, nephew or niece)**
 - **Age Test - Your qualifying child must be under age 19, a full-time student under age 24, or any age if permanently and totally disabled**
 - **Residency Test - Your qualifying child must have the same main home as you for more than half the year.**
 - **Support Test - Your qualifying child must not provide more than half of their own support.**
 - **Dependent exemption - A child is your qualifying child for the dependent exemption if they meet all of the tests listed above. They must also meet two additional tests:**
 - **Citizenship Test - Your qualifying child must be a U.S. citizen, a U.S. resident, a U.S. national, or a resident of Canada or Mexico.**
 - **Joint Return Test - Your qualifying child must not file a joint return unless there would be zero tax liability on both married filing separate returns (the return for your child and the return for your child's spouse), and the joint return is filed only to receive a refund only.**

Refundable Child Tax Credit

Under current law, earned income in excess of \$10,000 is the threshold as indexed for inflation. The new law reduces the \$10,000 threshold to \$3,000, effectively increasing the amount of the refundable child tax credit and thus increasing the number of taxpayers qualifying.

Earned Income Tax Credit

The EIC credit percentage for families with three or more qualifying children increases to 45% for 2009 & 2010. Because of the increase in the threshold amount by \$5,000 for married couples, more taxpayers will qualify for the credit and refunds surely will increase across the board.

Worker, Homeownership, and Business Assistance Act of 2009

This new law extends the first-time homebuyer credit, amends and extends the rules for five-year net operating loss, carrybacks, and increases the penalties on S-corporations and partnerships for failure to file returns.

The \$8,000 credit is extended for purchases made before May 1, 2010. A first-time homebuyer is a taxpayer (and, if married, the spouse of the taxpayer) who has not owned a principal residence at any time during the previous three years. For qualifying taxpayers, the credit also applies to purchases before July 1, 2010, provided the taxpayer has entered into a written binding contract to close on the purchase before May 1, 2010.

For existing homeowners, a taxpayer is eligible for a credit up to \$6,500 provided the taxpayer (and if married, the taxpayer's spouse) has owned the same principal residence for five consecutive years during the eight-year period ending on the date of purchase. This is effective for purchases after November 6, 2009. Please be advise that there are several limitations imposed on this purchase as well. No credit will be allowed if the price of home exceeds \$800,000, taxpayer has not attained age 18 as of the date of purchase, if taxpayer is claimed as a dependent on another taxpayer's return for the year of purchase, the taxpayer does not attach a properly executed copy of the settlement statement that is used to complete the purchase to his or her 2009 return or taxpayer must satisfy the related party rules.

Deductible for Higher Education Expenses

The above line deduction for higher education expenses is extended for two years through this year.

Broker Reporting

Under current law, every person doing business as a broker must file an information return (Form 1099-B) in accordance with IRS regulations.