



Tax Tips Newsletter SUMMER 2009

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Quick Tips



1. If you paid real estate taxes in 2009, but don't itemize, you can claim an additional standard deduction of up to \$500 (\$1,000 on a joint return) for state and local property taxes paid.

2. A noncustodial parent who wants to claim a dependency exemption for a child can no longer attach certain pages from the divorce decree or separation agreement if it's executed after 2008. Form 8332 or a similar signed statement that is executed for the sole purpose of releasing the dependency exemption.

3. If you had credit card debt canceled, but didn't file for

New Roth IRA Conversion Rules Go In Effect in 2010

Prepare now to take advantage of this upcoming tax perk

By Jim Ciocia, Founder

Starting in 2010, taxpayers will be able to convert money already invested in a traditional IRA (including SEP IRAs), into a Roth IRA. Rules will change for IRA conversions where the Modified Adjusted Gross Income (MAGI) limits on a Roth IRA will be lifted. This is great news for everyone, especially for those who have wanted to invest in a Roth IRA in the past, but were not eligible due to certain income restrictions.

- Taxpayers with modified adjusted gross income of more than \$100,000 will be allowed in 2010 to convert a traditional IRA to a Roth IRA. There will be no income limit. This is a significant change from the existing law which prohibits conversions if Modified Adjusted Gross Income exceeds \$100,000. (MAGI is found by taking the individual's adjusted gross income and adding back certain items such as foreign income, foreign-housing deductions, student-loan deductions, IRA-contribution deductions and deductions for higher-education costs)

- Option to spread 2010 tax liability in 2011 and 2012: It is important to note that when it comes to converting a traditional IRA to a Roth IRA, you will need to pay federal income taxes on any portion of the conversion for which you haven't already paid taxes. Under the upcoming 2010 IRS rule, if you convert an existing retirement account to a Roth IRA, you may spread the income amount in 2011 and 2012; therefore not having to pay any taxes in 2010 on the converted amount.

- There is no age limit to contribute; A Roth does not call for Required Minimum Distributions at age 70 ½. You may leave your assets in your account and realize tax-free compounding indefinitely.

- Qualified distributions from a Roth are tax and penalty-free for investors and their beneficiaries.

Source: 1 Answers.com www.answers.com/topic/modified-adjusted-gross-income-magi

The More You Plan, the Less You Pay. Plan Now to Take Advantage of this New Rule:

bankruptcy, you can still exclude it from gross income to the extent you are insolvent. You are insolvent to the extent your liabilities exceed the fair market value of your assets immediately before the discharge.

In The News

CPA Wealth Provider Magazine, a national publication for CPAs involved in financial planning, conducted its third annual ranking of assets under management of CPA / financial planning firms in 2009. Gilman Ciocia ranked #4 on the publication's Billion Dollar Club List with assets under management of over \$3 Billion.

Please visit www.webcpa.com for more information.

Required Minimum Distributions Waived for 2009

Don't need your RMD?

Required minimum distributions (RMDs) from qualified plans [i.e., 401(k), 403(b), 457(b), etc.] and IRAs have been waived for 2009 only. Thus, you do not have to take an RMD for 2009 if you are the account owner or a beneficiary. If you already withdrew your RMD for 2009, you may be able to roll it over to an eligible retirement plan within 60 days.

The 2008 RMD was not waived, so if you turned 70½ in 2008 and chose to delay taking your RMD until April 1, 2009, you should have taken your 2008 RMD by then. However, you do not have to take a 2009 RMD, so you won't have to include two RMDs in your gross income in 2009.

If you are a beneficiary receiving distributions over a five-year period, you can waive the distribution for 2009. This effectively allows you to take distributions over a six-year period.

Start funding a traditional IRA as soon as you can, before December 31, 2009. There is no limit to the amount that can be converted. Note, however, if you are age 70 1/2 or older, you will have to take the annual required minimum distribution, which is taxable, from a traditional IRA before converting.

Your tax advisor or financial consultant can explain the options of converting to a Roth IRA. For general IRA-related information, please visit Publication 590 on the IRS website.

We look forward to working with you to help you save on your income taxes. To make an appointment for a tax planning session with a Gilman Ciocia Tax Professional, please call 1-800-TAX-TEAM or visit www.gtax.com.

Other Sources: Internal Revenue Service (www.irs.gov), Investopedia® <http://www.investopedia.com/articles/retirement/08/roth-conversion-2010.asp>

Making Work Pay Credit Should you adjust your withholding?

For 2009 and 2010, you can claim a refundable Making Work Pay Credit if you are employed. The amount of the credit equals the lesser of 6.2 percent of your earned income or \$400 (\$800 if married filing jointly). However, the credit is phased-out when your modified adjusted gross income is between \$75,000 and \$95,000 (\$150,000 and \$190,000 if married filing jointly).

If you receive a paycheck, the credit is handled through your withholding, so you may have an increase in your take-home pay. If you do not have taxes withheld, you can claim a credit when you file your tax return.

The lower withholding amount may cause unexpected results if you have more than one job or you are married and both work. Because each employer is withholding less, the total reduced withholding may exceed the allowable credit and you may end up owing more taxes. To prevent this from happening, consider increasing your withholdings by filing Form W-4 with your employer.



First-Time Homebuyer Credit Thinking of buying your first home in 2009?

The First-Time Homebuyer Credit is still available for homes purchased through November 30, 2009. If you purchase a home in 2009, the credit equals the lesser of 10 percent of the purchase price of the home or \$8,000 (\$4,000 if married filing separately). However, if your income is too high, you may lose some or all of the credit because it is phased-out when your modified adjusted gross income is between \$75,000 and \$95,000 (\$150,000 and \$170,000 if married filing jointly).

This credit is refundable. This means the credit is treated like a tax payment. Therefore, even if you have no tax liability, you will get a refund equal to the amount of the credit (up to \$8,000).

If you purchased a home in 2009, you can wait to claim this credit on your 2009 tax return and get a refund in 2010. Or, you can choose to claim this credit on your 2008 tax return and get a refund sooner. If you already filed your 2008 return, you can file an amended return.

There is one catch. If you purchased the home in 2009, you must use the

home as your principal residence for at least 36 months from the date of purchase. If you don't, you must repay the full amount of the credit on the return for the year you stop using the home as your principal residence.

Let Gilman Ciocia change the way you think about your taxes!

We look forward to working with you to help you save on your income taxes. To make an appointment for a tax planning session with a Gilman Ciocia Tax Professional, please call 1-800-TAX-TEAM or visit www.gtax.com.

FREE REVIEW

[Click here for a FREE review of your last 3 years' tax returns \(\\$250 value\). If you overpaid your taxes, you may be entitled to get your money back.](#)

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