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# Johnson, Bunce & Noble, P.C.

## Client Newsletter

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Volume V, Issue I - March 2010

## Tax Update

The 2009 tax preparation season is here. The season is delayed somewhat this year due to the extension to February 15 for some 1099s to be issued (previously January 31). Of course, the deadline for individual 2009 tax returns to be filed is **April 15, 2010**. Here are some of the more important changes in income tax law this year.

### Home/Real Estate Info.

#### A. Homebuyer Credit

The popular first-time homebuyer credit of \$8,000 was extended five months and expands the eligibility requirements for purchasers.

In addition to true "first time homebuyers", the new law provides a "long-time resident" credit of up to \$6,500. To qualify, a buyer must have owned and used the same home as a principal or primary residence for at least five consecutive years of the eight-year period ending on the date of purchase of a new home as a primary residence.

For all qualifying purchases in 2010, taxpayers have the option of claiming the credit on either their 2009 or 2010 tax returns.

There are several restrictions, income limitations, and special rules for military members.

#### B. Sale of Personal Residence Tax Changes

The entire gain from the sale or exchange of the main home (if used entirely as a principal residence for 2 of the last 5 years) is no longer excludable from income if a nonqualified use existed. The formula to determine the potential tax owed is:

Total nonqualified use during period of ownership after 2008 divided by the total period of ownership, then that dividend multiplied by the gain.

### Energy Credits

#### A. Non-business Energy Property Credit

A nonbusiness energy property credit of 30% of the cost of certain energy-efficient property or improvements placed in service in 2009 is back after expiring at the end of 2007.

This property can include high-efficiency heat pumps, air conditioners, furnaces, and water heaters. It also may include energy-efficient windows, doors, insulation materials, and certain roofs. The credit has been expanded to include certain asphalt roofs and stoves that burn biomass fuel.

This credit is limited to \$1,500.

#### B. Residential Energy Efficient Property Credit

Beginning in 2009, there is no limitation on the credit amount for qualified solar electric property costs, qualified solar water heating property costs, qualified small wind energy property costs, and qualified geothermal heat pump property costs. The limitation on the credit amount for qualified fuel cell property costs remains the same.

### Unemployment Compensation

Up to \$2,400 of the amount an individual received during 2009 for unemployment compensation can be excluded from income.

### Estate Tax

For 2010, the Federal and State of Illinois Estate Tax is now (probably temporarily) irrelevant.

As of the date of this publication, the exemption for federal estate tax is unlimited for 2010. It is scheduled to return in 2011 at \$1 million. *Congress will likely act soon, so the Estate Tax is temporarily gone.*



## Tax Update—Continued

### Deduction for New Car Sales Tax

In 2009, you can deduct the state or local sales and excise taxes imposed on the purchase of a "qualified motor vehicle" after February 16, 2009, and before January 1, 2010. This deduction contains phaseout limitations.

### Adoption Benefits Increased

For 2009, the maximum adoption credit is now \$12,150; the maximum exclusion from income for benefits under your employer's adoption assistance program is now \$12,150.

There are phaseout limitations for this credit.

### Social Security and Medicare Tax

The maximum amount of wages subject to the social security tax for 2009 is \$106,800.

The maximum amount of wages subject to the social security tax for 2010 is also \$106,800.

There is no limit on the amount of wages subject to the Medicare tax.

### Education

For tax years 2009 and 2010, there is a new credit—American Opportunity Tax Credit (AOC).

The Lifetime Learning

Credit remains, as does the qualified educational expense deduction.

- The maximum amount of the AOC is \$2,500 per student.

- The credit can be claimed for the first four years of post-secondary education.

- Generally, 40% of the AOC is now a refundable credit for most taxpayers.

The term "qualified tuition and related expenses" has been expanded to include expenditures for "course materials", which includes, but is not limited to: books, supplies, and certain equipment

needed for a course of study.

### JBN's Experience

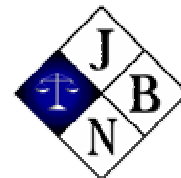
As you can see, the tax laws are changing rapidly.

JBN is experienced in preparation of individual tax returns. Please feel free to call us to arrange a time to have your income tax prepared.

**DISCLAIMER:** Nothing in this newsletter should be relied upon as legal advice. Please consult our office for legal advice tailored to your specific factual situation.

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