



WERBA & DAVIS

ADVISORY SERVICES, LLC

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New Law Creates Tax-Savings Opportunities

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While the government has been handing out money to large businesses in an attempt to get the economy jump-started, individuals can also find savings of their own within the tax code. At more than 1,400 pages, the American Recovery and Reinvestment Act of 2009 includes a number of new deductions and credits for individuals that you may be eligible for. Here are the most popular ones:

- **First-Time Homebuyer Credit** — In 2008, this credit was limited to a maximum of \$7,500, and had to be paid back to the government over time. Starting with homes purchased in 2009 (through December 1), there is no repayment requirement, and the potential credit has increased to \$8,000. Eligible taxpayers may take the credit on the 2008 or 2009 tax return, meaning that you may amend your 2008 tax return to take it sooner. Keep in mind that the credit is phased out for married taxpayers with a combined income between \$75,000 and \$150,000. The good news for first-time homebuyers who partner with parents or grandparents is that they may claim the entire credit on their return. Also, the credit can be used to lower the Alternative Minimum Tax (AMT).
- **Residential Energy Property Credit** — Taxpayers can take a 30% credit for energy efficient improvements (up to a \$1,500 credit) to their homes in 2009 and 2010. To claim the full credit you must spend at least \$5,000 on qualified improvements. Such improvements include adding insulation, energy-efficient windows and energy efficient heating and air conditioning systems. This credit is also available to use against AMT.
- **Treatment of the Alternative Motor Vehicle Credit** — Starting in 2009, vehicles eligible for the Alternative Motor Vehicle Credit, including hybrid vehicles, can be applied to the AMT. Previously, the credit was not available to those subject to the AMT.
- **State and local sales tax deduction for automobiles** — If you purchased a car after February 17, 2009 you may be eligible for an additional deduction on your taxes. Married filing jointly taxpayers making under \$260,000, who purchased a car below \$49,500 may deduct at least a portion of that sales tax on a new automobile, including excise tax. It is also important to keep in mind that this deduction is in addition to the state income tax deduction.
- **Plug-In Electric Vehicle Credits** — An electric vehicle purchased after February 17, 2009 can yield as much as a \$2,500 credit in 2009 (up to \$7,500 in 2010). Vehicles must either be a low-speed vehicle that has a battery with a 4 kilowatt capacity, or a two- or three-wheeled vehicle with a 2.5 kilowatt hour external battery.

- **\$250 to Social Security Recipients** — Those that participate in Social Security should have already received a one time payment for \$250. Checks were scheduled to arrive by June 4, 2009. However, those who receive the money, are still working, and claim the Payroll Tax Credit will have to adjust their credit accordingly.
- **Non-taxable unemployment benefits** — For 2009, if you received unemployment compensation, \$2,400 will not be taxable. In prior years, unemployment was considered to be the same as wages, and fully taxable. Of course, unemployment benefits are not taxable at all on most state income tax returns.
- **Qualified Transportation Fringe Benefits** — Up to \$230 for parking and/or \$230 for a transit pass may be excluded from your wages if your employer pays for these benefits.

If you have questions regarding these new tax provisions or other tax topics, please call us.

Advanced planning can frequently lead to improved tax results, so we encourage you to call us before purchasing capital assets or making other major financial changes. We want to help you understand the tax ramifications of your financial decisions and your full range of options.

Werba Davis Form ADV Part II

Form ADV Part II (Uniform Application for Investment Adviser Registration) is a disclosure document that describes services provided by a registered investment adviser. This form is updated by investment advisers at least once each year. Werba Davis' most recent update was prepared as of February 1, 2009.

If you would like to receive a current copy of Form ADV Part II for Werba & Davis Advisory Services, LLC., please contact Marlene Bass by email (mbass@loringward.com) or by phone (408-260-3123).