

# AHLBECK & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

## FINANCIAL & BUSINESS INFORMATION

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### Manage Your 2010 Taxes

Although the ink has barely dried on your 2009 tax returns, it's not too early to start planning ahead. Some tax provisions expired after 2009 while others are effective for 2010 and beyond. Keep in mind the following throughout the year:

- Avoid Underpayment Penalties – Major life changes (marriage, birth of a child, etc.) and income fluctuations (due to job loss or home sale) can affect your tax situation. Adjust payroll withholding or estimated tax payments accordingly.
- Dividend / Capital Gains Tax Rates – The maximum tax rate for qualifying dividends and long-term capital gains of 15% (lower tax brackets subject to a 0% rate) is the same as 2009 but is scheduled to expire after 2010.
- Roth IRA – Starting 1/1/2010, income and filing status restrictions on Roth IRA conversions were eliminated. For 2010 conversions *only*, the amount of the entire conversion can be reported on your 2010 tax return OR the income can be spread ratably over your 2011 and 2012 tax returns.
- “Making Work Pay” Credit - This refundable tax credit is 6.2% of earned income up to a credit of \$400 (\$800 for joint filers) and is still effective for 2010.
- Unemployment Benefits – For 2010, the first \$2,400 is no longer tax-free.
- Energy-Saving Home Improvements – The credit (30% of qualified expenditures) that can be claimed in 2009 and 2010 *combined* is \$1,500.
- American Opportunity Tax Credit – Still effective for 2010, this maximum credit of \$2,500 (40% may be refundable) applies to the first 4 years of post-secondary education and includes expenses for course materials.
- Expired Credits/Deductions – Currently, the following lapsed after 2009:
  - Deduction for educator classroom expenses up to \$250
  - Optional state and local sales and use tax deduction
  - Qualified higher education tuition and fees deduction of up to \$4,000
  - Exclusion of up to \$100,000 for tax-free IRA distributions paid directly to a qualifying charitable organization
  - Additional standard deduction for property taxes up to \$1,000 for non-itemizers
- IRA RMDs – Required minimum distributions (RMDs) (temporarily suspended in 2009) resume in 2010. Failure to take RMDs will result in stiff penalties.

**Note: If you make estimated tax payments, the first 2010 estimate is due April 15!**

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