

Odds and Ends for 2010

By Gary Haworth, CPA

Let's take a quick look at a few of the individual and business tax items that have changed for 2010.

Health Care Reform Law Provisions

Too complex to even attempt to explain in this short article (effective dates ranging from 2010 through 2018 for the various items), but here is a quick list of the items effective in 2010:

- Small Employer Health Insurance Credit (initial phase)
- Reinsurance program for age 55 or older retiree health coverage
- Dependent coverage through age 26 (for dependents not covered by another employer-sponsored plan)
- No lifetime caps on dollar value of health benefits
- No preexisting condition exclusions for children
- No rescissions unless fraud
- Increase in exclusion for employer-provided adoption assistance

2010 Mileage Rates

Business Mileage Rate

The optional standard mileage rate (used to calculate the deduction for business use of a vehicle) has dropped again. The rate for 2010 is 50 cents per business mile driven, down 5 cents from last year.

The rate covers expenses related to the cost of owning a vehicle (depreciation) and operating expenses (maintenance, repairs, insurance, gas, etc). Parking fees and tolls can be claimed as separate deductions. If you wish, you may deduct your actual expenses instead of the optional standard mileage rate.

Rates for Other Usage

The standard mileage rate for the use of a vehicle for medical or moving purposes in 2010 is 16.5 cents per mile, 7.5 cents lower than the rate for

2009. The mileage rate for driving a vehicle for charitable purposes is set by law at 14 cents per mile.

Homebuyer Tax Credit – TIME IS RUNNING OUT!

Most everyone has a pretty good understanding of the Homebuyer Credit, since it has been in the news on a constant basis. Just a reminder though, the deadline is quickly approaching. Assuming you are otherwise eligible, you can qualify for a credit if you enter a written, binding contract for the purchase of a qualifying principal residence before May 1, 2010, and close on the purchase before July 1, 2010.

A few of the rules:

- The credit phases out for individuals with modified adjusted gross income (AGI) between \$125,000 and \$145,000 (\$225,000 and \$245,000 for joint filers).
- Up to \$6,500 credit available to “long-time residents”, those who have maintained the same principal residence for any five-consecutive-year period during the eight-year period ending on the date you purchase the new residence. Maximum credit is the lesser of \$6,500 (\$3,250 for married individuals filing separately) or 10% of the purchase price.
- Up to \$8,000 credit available to first-time homebuyers (\$4,000 for married individuals filing separately). A first-time homebuyer is defined as an individual (and the individual’s spouse, if married) who has not had an ownership interest in a principal residence in the U.S. during the three-year period before the purchase of the home. Maximum credit is the lesser of \$8,000 or 10% of the purchase price.
- The tax credit claimed cannot be claimed for a home whose purchase price exceeds \$800,000.

ROTH IRA

Starting in 2010, high income individuals can purchase a Roth IRA for the first time.

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