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NEWS RELEASE

FOR IMMEDIATE RELEASE

Tax Credits for Auto, College, Home Buyers and Retirements Scheduled to Sunset

Nearly Three Dozen Tax Hikes Scheduled for 2009 and 2010

New York, NY, Oct. 14, 2009 —While health care and corporate bailouts take center stage in Congress, the clock is ticking on many current tax breaks for small business owners and individuals, according to Bob D. Scharin, senior tax analyst for the Tax & Accounting business of Thomson Reuters.

"A variety of tax hikes are scheduled for 2010 and again in 2011," he said. "But it's unclear at this time which provisions will actually take effect." Scharin points to the expiration of the first-time homebuyer credit on Nov. 30, 2009 and repeal of the estate tax in 2010, which reverts back into law for decedents dying after 2010, including the \$1 million exclusion and the top tax rate of 55 percent as two of the most controversial changes scheduled to take effect.

Scharin points out that the sunset provisions can be quite confusing to taxpayers. For instance, whether an affluent person dies in December or January can make a multi-million dollar estate tax difference.

The following chart provides an overview of provisions scheduled to expire between November 2009 and December 2010. Call to interview Bob D. Scharin, senior tax analyst, for the Tax & Accounting business of Thomson Reuters, to help your readers understand the timing issues of any of these provisions, and others that may not be listed here, as the year draws to a close.

Table with 2 columns: Provision description and Expires on. Includes rows for Individual Tax Rates, reduced capital gain rates, 10% tax bracket, and reduced rates for top four individual income tax brackets.



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31%, 36%, and 39.6%, respectively	
Expanded 15% tax bracket for married filing joint taxpayers (MFJ). After 2010, the taxable income at which the 15% tax bracket ends for MFJ is scheduled to revert from 200% to 167% of the amount applicable to single taxpayers.	12/31/10
<b>Individual Deductions</b>	
Repeal of phase-out of personal exemptions. For 2009, the phase-out is reduced to 1/3 of what it would otherwise have been. For 2010, the phase-out is repealed. After 2010, the full phase-out is scheduled to apply.	12/31/10
Above-the-line deduction for certain expenses of elementary and secondary school teachers.	12/31/09
Additional standard deduction, up to \$500 (\$1,000 if MFJ) for state and local real property taxes.	12/31/09
Expanded standard deduction for MFJ. After 2010, the standard deduction for MFJ is scheduled to revert from 200% to 167% of standard deduction for single taxpayers.	12/31/10
Repeal of overall limitation of itemized deductions. For 2009, the limitation is reduced to 1/3 of what it would otherwise have been. For 2010, the limitation is repealed. After 2010, the limitation is scheduled to revert back to what it was in 2001. Thus, itemized deductions (other than medical expenses, casualty losses, investment interest, and gambling losses) will be reduced by the lesser of (1) 3% of the amount of the taxpayer's income exceeding the applicable threshold or (2) 80% of the deductions subject to the limit.	12/31/10
Election to deduct state and local general sales taxes instead of state income tax.	12/31/09
Deduction for state sales tax and excise tax on the purchase of motor vehicles.	12/31/09
Deduction of mortgage insurance premiums as qualified residence interest.	12/31/10
Above-the-line deduction for qualified tuition and related expenses.	12/31/09
<b>Retirement Plans and IRAs</b>	
Waiver of 2009 minimum required distribution rules for IRAs and defined contribution plans.	12/31/09
Tax-free treatment of qualified charitable distributions from IRAs for individuals age 70½ or older.	12/31/09
<b>Education Tax Benefits</b>	
American opportunity credit. <b>Note:</b> After 2010, the American Opportunity credit will expire, but the Hope Scholarship credit, as in effect before 2009, is reinstated.	12/31/10
Computer technology and equipment treated as qualified higher education expense for Sec. 529 accounts (qualified tuition programs).	12/31/10
<b>Tax Credits</b>	
Increased child tax credit. After 2010, the current \$1,000 credit is scheduled to revert back to \$500.	12/31/10
\$3,000 threshold for determining the refundable portion of the child credit.	12/31/10
Personal energy property credit of up to \$1,500.	12/31/10
Ability to use nonrefundable personal credits against both regular tax and AMT.	12/31/09
Alternative motor vehicle credit for advanced lean burn technology motor vehicles and qualified hybrid motor vehicles that are passenger automobiles or light trucks. <b>Note:</b> In addition to this expiration date, the provision begins to phase out over a one-year period beginning on the date the manufacturer has manufactured and sold at least 60,000 qualified vehicles.	12/31/10
Increased (45%) earned income credit percentage for taxpayers with three or more qualifying children and increased phase-out threshold for MFJ filers.	12/31/10
First-time homebuyer credit of up to \$8,000.	11/30/09



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Making work pay credit of up to \$400, \$800 for MFJ.	12/31/10
Refundable credit of \$250 (\$500 for MFJ where both spouses are eligible individuals) for government retirees who are not covered by Social Security and weren't eligible to receive an economic recovery payment.	12/31/09
<b>Alternative Minimum Tax</b>	
Increased AMT exemption.	12/31/09
<b>Business Deductions and Business Property</b>	
First year bonus depreciation allowance (50% of basis) for qualified property.	12/31/09
Increased Section 179 deduction limit and qualifying property phase-out threshold—\$125,000 and \$500,000, respectively (indexed for inflation). <b>Note:</b> After 2010, the amounts are \$25,000 and \$200,000 (not indexed for inflation).	12/31/10
Increase in Section 179 deduction limit and qualifying property phase-out threshold to \$250,000 and \$800,000, respectively.	12/31/09
<b>Income Exclusions</b>	
Exclusion of unemployment compensation benefits from gross income.	12/31/09
Deferral and ratable inclusion of income from business debt discharged by reacquisition.	12/31/10
<b>Estate and Gift Taxes</b>	
Various estate tax provisions provided by Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), including the \$3.5 million estate tax exclusion and current maximum estate tax rate of 45%. The estate tax is repealed for decedents dying in 2010.	12/31/09
Repeal of the estate tax. For decedents dying after 2010, the estate tax provisions are scheduled to revert back to the law in effect before EGTRRA, including the \$1 million exclusion and the top tax rate of 55%.	12/31/10
Various gift tax provisions provided in EGTRRA, including the \$1 million exclusion and the maximum gift tax rate of 45% for 2009 and 35% for 2010. After 2010, the gift tax provisions are scheduled to revert back to the law in effect before EGTRRA, including the \$1 million exclusion and the top tax rate of 55%.	12/31/10

**Source:** Joint Committee on Taxation's list of Expiring Federal Tax Provisions 2008–2020. This table is not all-inclusive. It covers tax provisions most likely to affect individuals and small businesses. The full list is available on the Joint Committee's website at [www.jct.gov/x-20-09.pdf](http://www.jct.gov/x-20-09.pdf).



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