



Impact of Key Tax Law Changes - Calendar Year 2010 (b)  
As of January 18, 2010

#	What is it?	Who is impacted?	When is it effective?	How many taxpayers will be impacted? (estimate, if can be estimated)	What does the taxpayer need to do?	Positive or Negative impact to the Taxpayer at tax time? <sup>(a)</sup>
1	<b>Educator's expense deduction</b> A maximum \$250 above-the-line deduction for out-of-pocket classroom supplies purchased for teachers in grades K-12	Primary and secondary teachers who incur classroom expenses	Expires 12/31/09	Low (estimate)	Nothing	Negative Loss of deduction
2	<b>Qualified charitable distributions</b> An election to transfer up to \$100,000 directly from IRA to charity by taxpayers age 70 1/2 or older; satisfies RMD requirement	Individuals age 70½ or older who wish to use IRA funds to contribute to charity	Expires 12/31/09	Low	Nothing	Negative No longer able to use tax-free distribution as estate planning tool
3	<b>Unemployment compensation</b> First \$2,400 of unemployment compensation not subject to income tax	Jobless taxpayers receiving unemployment compensation	Expires 12/31/09	Medium	Nothing	Negative No longer able to exclude first \$2,400 of unemployment benefits
4	<b>Standard deduction for federal disaster losses</b> Taxpayers in federally declared disaster areas may claim casualty loss as additional standard deduction instead of as an itemized deduction	Individuals who incur a casualty loss in a federally declared disaster area may only claim the loss if they are able to itemize	Expires 12/31/09	Medium	Report disaster loss on Form 4868 and claim as itemized deduction on Schedule A	Negative Must itemize to claim the deduction (reduces benefit)
5	<b>Standard deduction for real property taxes</b> Taxpayers who don't itemize may deduct up to \$500 (\$1,000 MFJ) of real property taxes as part of standard deduction	Non-itemizers who own their home or vacation home	Expires 12/31/09	Medium	Deduct property taxes on Schedule A if taxpayer itemizes	Negative Must itemize to claim the deduction
6	<b>State and local sales tax deduction</b> An election to deduct state or local general sales tax in lieu of state and local income tax	Primarily affects individuals in states with no income tax and individuals who purchase "big ticket" items	Expires 12/31/09	Medium	Nothing	Negative Individuals in states with no income tax will lose valuable tax deduction
7	<b>Tuition and fees deduction</b> A maximum \$4,000 above-the-line deduction for qualified tuition and fees paid for post-secondary education	Individuals who don't qualify for the Hope credit and for whom the deduction is worth more than the Lifetime Learning credit	Expires 12/31/09	Low	Claim Hope (AOTC) or Lifetime Learning credit if eligible	Negative Limits options, but Hope or Lifetime credit is often better if eligible for both
8	<b>Roth IRA conversions</b> No AGI limitation on conversions. 2010 conversions taxed one half in 2011 and one half in 2012 unless elect to pay tax on conversion in 2010	Higher income individuals who in the past were not able to convert traditional IRA funds to a Roth account	2010 and going Forward	Low	Convert IRA to Roth IRA if makes financial sense to do so	Positive - Increases tax now, but expectation is that in the long run overall tax will be reduced - Deferral of 2010 tax is positive
9	<b>Homebuyer Credit</b> Up to \$8,000 refundable credit (Up to \$6,500 credit for existing homeowners)	Qualifying individuals who purchase a principal residence. Also applies if binding contract to purchase is entered into before 5/1/10 and the purchase closes before 7/1/10	Expires 4/30/10	Medium	Nothing	Negative Loss of credit after 4/30/09



Impact of Key Tax Law Changes - Calendar Year 2010 <sup>(b)</sup>  
As of January 18, 2010

#	What is it?	Who is impacted?	When is it effective?	How many taxpayers will be impacted? (estimate, if can be estimated)	What does the taxpayer need to do?	Positive or Negative impact to the Taxpayer at tax time? <sup>(a)</sup>
10	<b>Vehicle sales and excise tax deduction</b> Deduction for sales and excise tax paid on a new vehicle purchase; limited to sales and excise that would have been paid on a \$49,500 vehicle; claimed as an itemized deduction on Schedule A or as an additional standard deduction on Schedule L	Individuals who purchase a new vehicle	Expires 12/31/09	Medium	Add sales and excise tax to basis of vehicle	Negative: Valuable deduction lost
11	<b>Personal exemption phaseout</b> The phaseout of personal and dependent exemptions for higher-income individuals no longer applies.	Individuals with AGI over \$250,200 (MFJ), \$125,100 (MFS), \$166,800 (Single), \$208,500 (HH) (2009 phaseout beginning points)	Expires 12/31/09	Low	Claim \$3,650 exemption deduction for self, spouse, and all dependents.	Positive: Deduction not phased out. Note: Personal exemptions are not allowed for alternative minimum tax (AMT), so taxpayer may still lose out.
12	<b>Itemized deduction phaseout</b> Itemized deductions are no longer phased out for higher-income individuals.	Individuals with AGI exceeding \$166,800 (\$83,400 MFS) (2009 phaseout beginning points)	Expires 12/31/09	Low	Complete Schedule A as usual.	Positive: Itemized deductions are not phased out. Note: Many itemized deductions are not allowed for AMT, so taxpayer may still lose out.
13	<b>AMT patch</b> Increased AMT exemptions. Nonrefundable personal credits allowed for AMT	Individuals with deductions and exclusions that are disallowed for AMT purposes	Expires 12/31/09	High	Determine if AMT applies and take necessary steps to mitigate or plan for taxes	Negative More taxpayers will pay AMT
14	<b>Estate tax</b>	For one year, there would be no estate tax. Only limited step up of basis would be allowed to beneficiaries, so beneficiaries may have tax burden (capital gains)	Temporarily repealed for 2010	Medium	Keep an eye on Congress. It is likely that the 2009 estate tax rules will be extended for 2010 rather than letting the estate tax expire	Both Eliminates estate tax but beneficiaries may have capital gain if assets that aren't stepped up are sold

**a** The impact is solely for the one noted law; not a collective impact of all the tax law changes.

**b** These changes are the key year-over-year tax law changes. There are many more tax law changes and regulatory changes (e.g., the annual inflationary adjustments, other tax law changes that impact a smaller group of individuals, etc.). For more information, go to [www.thetaxinstitute.com](http://www.thetaxinstitute.com).