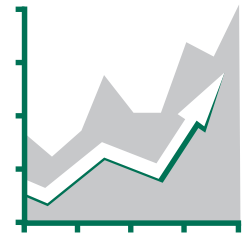


# Financial Adviser

## Create Your Personal Stimulus Package



Much has been written about the various stimulus incentives for businesses and governments. But there also are a number of special benefits currently available to individuals.

### Expanded Tuition Credit – “American Opportunity Tax Credit”

For 2009 and 2010, the eligibility requirements for benefiting from the education tax credits have been greatly expanded. The American Opportunity Tax Credit replaces the Hope Scholarship Credit for these years, increasing income eligibility thresholds before the credit begins phasing out from \$100,000 of modified AGI to \$160,000 for married joint filers and from \$50,000 to \$80,000 for other filers. (The credit is fully phased out at \$180,000 of modified AGI for married joint filers and \$90,000 for all others.) This will allow many more families to qualify for the credit.

The credit is equal to 100 percent of the first \$2,000 of tuition, fees and course materials, and 25 percent of the next \$2,000 of these costs. The American Opportunity Tax Credit may be used for the first four tax years of postsecondary education. Qualified expenses are reduced by certain tax-free benefits such as scholarships excluded from income and the portion of a withdrawal from a 529 plan, which is tax-free profit. However, qualified costs paid through student loans do qualify for the credit.

Many planning opportunities exist for this credit. Consider the modified AGI thresholds in year-end planning decisions. In certain cases, it can be beneficial to pass the credit to a dependent — for example, the parent(s) not claiming the otherwise eligible exemption. Also, consider the year in which tuition payments are made and even consider voluntary taxation of scholarships if net amounts incurred are not sufficient to fully benefit from the credit.

### The Return of the Residential Energy Credit

The residential energy credit has been reinstated for 2009 and 2010. The credit applies to property placed in service during these years on homes that are owned by and used as the taxpayers’ principal residence. Eligible improvements can include the following:

- Insulation materials
- Exterior windows, including skylights and storm windows
- Exterior doors
- Certain metal roofs
- Electric heat pumps and heat pump water heaters
- Central air conditioners
- Certain water heaters, furnaces, or boilers
- Biomass fuel stoves
- Advanced main air circulating fans.

Not all expenditures in these categories qualify as there are minimum energy standards specified for each type of improvement. Check with your contractor, dealer or the manufacturer for applicable ratings. The credit is 30 percent of the total amount incurred limited by a total credit of \$1,500 over both years.

### Cash for Clunkers

Generally referred to as the “Cash for Clunkers” Act, the Consumer Assistance to Recycle and Save Act of 2009 is designed to encourage consumers to trade in older gas guzzlers to purchase new more fuel efficient vehicles.

The federal government will issue vouchers of \$3,500 to \$4,500 to be applied to offset the purchase or lease price of the new vehicle in exchange for the old vehicle, which must be scrapped by the dealer. The amount received for the old vehicle is thus a set amount coming from federal funds rather than a negotiated trade with the dealer. If your trade-in is worth more than \$4,500, this

program probably won’t benefit you, but a vehicle worth only a few hundred dollars can effectively be sold to the federal government for up to \$4,500 as long as it meets the following conditions:

- Be in drivable condition.
- Has been insured and registered to you for at least a year immediately prior to trade-in.
- Not be more than 24 years old.
- Has a minimum combined miles per gallon (MPG) of 18 or less.

The combined minimum combined MPG is based on currently effective standards, not those that were in effect when the vehicle was purchased. These new standards are available at [www.fueleconomy.gov](http://www.fueleconomy.gov). This program expires on November 1, 2009.

### Other Benefits

There are other benefits currently available to individuals such as the “First-time Homebuyer Tax Credit,” a zero-percent tax rate on capital gains and qualified dividends for some taxpayers, and a sales tax deduction on new vehicle purchases. However, these are all probably “limited time offers.” ☆

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