



*CWR Monthly*

*April 2010*

### *Late Filing Season Tax Tips*

Although the regular tax filing season is nearing completion, the IRS has provided some last minute things you can do to assist you in preparing your 2009 tax return. Some of these tips apply to the 2009 tax year, whereas, others would be applicable in preparing your 2010 tax return.

#### 1. **First Time Homebuyer's Credit**

Time is running out to take the First Time Homebuyer's Credit. The first time homebuyer credit applies to individuals who purchase a principal residence in the U.S. after April 8, 2008. The Worker, Homeownership, and Business Assistance Act of 2009 extends the credit to apply to any taxpayer who enters into a written binding contract before May 1, 2010 to purchase a principal residence if the closing date on the purchase occurs before July 1, 2010.

For purchases during the qualifying period in 2009 and 2010, the credit equals the lesser of 10% of the purchase price, or \$8,000 (\$4,000 MFS). The credit is refundable, meaning the IRS will refund it even if tax liability is otherwise zero.

Effective for purchases after November 6, 2009, an individual (and spouse) who has maintained the same principal residence for any 5-consecutive year period during the 8-year period ending on the date of purchase of a subsequent principal residence is treated as a first time homebuyer. The maximum allowable credit for such taxpayer(s) is the lesser of 10% of the purchase price of the home or \$6,500 (\$3,250 MFS)

For homes purchased after December 31, 2008, a taxpayer may elect to treat the purchase as made on December 31 of the calendar year preceding the purchase. For example, a taxpayer who purchases a home in 2010 may elect to claim the credit on the 2009 tax return.

#### 2. **Extension of time to file your tax return**

If you are coming up to the end of the regular tax filing season (April 15) and you still do not have all the information to accurately file your tax return, individuals can receive an automatic six month extension to file your tax return by filing a Form 4868 (Application For Automatic Extension of Time to File U. S. Individual Tax

Return). This extension waives the failure to file penalty that you would be assessed by not filing your tax return in a timely manner.

Please understand that an extension to file is not an extension to pay. If you subsequently owe a tax liability when you file your return, interest will continue to accumulate on the amount due until the tax is paid.

Certain businesses and others file a Form 7004 for an automatic extension of time to file their tax returns. The following entities qualify for:

- Automatic 5 month extension

Partnerships (Filing Form 1065)

Estates & Trusts (Filing Form 1041)

- Automatic 6 month extension

C Corporations (Filing Form 1120)

S Corporations (Filing Form 1120 S)

Estates (Filing Form 706)

### 3. **Tax Scams – How to recognize and avoid them**

To help the public recognize and avoid illegal tax schemes, the IRS offers an abundance of educational materials. Participating in an illegal scheme to avoid paying taxes can result in imprisonment and fines, as well as the repayment of taxes owed with penalties and interest. Education is the best way to avoid the pitfalls of these “to good to be true” tax scams. Some of the most common Scheme Types are:

- Anti-tax law schemes
- Abusive Home-Based Business Schemes
- Misuse of the Disabled Access Credit
- Abusive off-shore Schemes
- Employee Plans abusive tax transactions
- Exempt organization abusive tax avoidance transactions

### 4. **Standard Deduction Increased for Some Non-Itemizers**

Again this year, taxpayers can claim an additional standard deduction, based on the state or local real estate taxes paid in 2009.

The standard deduction is increased by any state and local real estate taxes you paid in 2009. Up to \$500 (\$1,000 if married filing jointly) is available to non-itemizing filers. The taxes must be state or local real estate taxes that would be deductible on Form 1040 (Schedule A) if you were itemizing your deductions. Taxes deductible in arriving at adjusted gross income, such as taxes on business real estate, and taxes on foreign real estate cannot be used to increase your standard deduction.

As the regular filing season comes to a close, it is hoped that these filing season tax tips helped you in preparing your 2009 tax returns.

Next month we will look at some tax planning strategies that will benefit you as prepare for the 2010 tax filing season.

Till next time,

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