

# GOODMAN & COMPANY

## CERTIFIED PUBLIC ACCOUNTANTS

2560 NAZARETH ROAD

EASTON, PENNSYLVANIA 18045-2793

TELEPHONE: 610-253-2745

FAX: 610-253-9773

E-MAIL: [CPAS@GOODMANCPA.BIZ](mailto:CPAS@GOODMANCPA.BIZ)

WEBSITE: [WWW.GOODMANCPA.BIZ](http://WWW.GOODMANCPA.BIZ)

## Increased AMT Exemption Amounts

On February 17, 2009, the American Recovery and Reinvestment Act of 2009 was signed into law. It includes many provisions including changes in the Alternative Minimum Tax (AMT). If you are one of the many taxpayers who is subject to the AMT, you will be pleased to know that the new law increases the exemption amounts for tax years beginning in 2009. The increased exemption amounts for 2009 are:

- \$70,950 for married individuals filing a joint return and surviving spouses;
- \$46,700 for unmarried individuals; and
- \$35,475 for married individuals filing a separate return.

**Comment:** The \$40,000 exemption amount for corporations and the \$22,500 exemption amount for estates and trusts remain unchanged for tax beginning in 2009.

**Comment:** The new law gives the growing number of individuals otherwise subject to AMT only a one-year reprieve. Unless the increased exemption amounts for individuals is further extended, the AMT exemption amounts for individuals are scheduled to revert, for tax years beginning after 2009, to the amounts that applied before the 2001 tax year. Thus, the exemption amounts *would go back to*:

- \$45,000 for married individuals filing a joint return and surviving spouses,
- \$33,750 for unmarried individuals, and
- \$22,500 for married individuals filing a separate return.

## AMT Nonrefundable Credits

For 2009, you may continue to claim all non-refundable personal tax credits in full for purposes of the AMT, as well as for purposes of the regular income tax. If Congress does not extend this provision, after 2009, only a handful of these credits will be allowed against the AMT. However, the Act expands the credits allowed after 2009 to include:

- the American Opportunity Tax Credit
- the credit for certain plug-in electric vehicles, and
- the alternative motor vehicle credit.

**Comment:** Before the Act, only the adoption, child, saver's, residential energy efficient property, and qualified plug-in electric drive motor vehicles credits could be claimed for purposes of the AMT after 2009.

## **AMT Limitations on Tax-Exempt Bonds**

In general, interest on tax-exempt bonds known as private activity bonds is exempt from Federal income tax, but is included in income as a preference item for AMT purposes. The new law removes this interest as a tax preference for bonds issued in 2009 and 2010. Similarly, for corporations, the interest earned on these bonds is not included in the AMT adjustment based on current earnings.

**Comment:** Private activity bonds are municipal bonds used to finance residential mortgages, redevelopment in blighted areas, manufacturing facilities, student loans, or various facilities owned or used by private entities, including mass transit, water treatment, sewage disposal, and solid waste disposal facilities.

## **Estimated Tax for Individuals with Income From Small Businesses**

To the extent income tax is not collected through withholding, taxpayers must make quarterly estimated payments of tax based on their required annual payment. The required annual payment generally is the lesser of 90% of the tax shown on the return for the reported year, or 100% of the tax shown on the return for the preceding tax year (110% if the adjusted gross income for the preceding year exceeded \$150,000).

For tax years beginning in 2009, the new law decreases the required estimated tax payments for qualified individuals with income from small businesses. For these individuals, the required annual estimated tax payment for tax years beginning in 2009 is not greater than 90% of the tax liability shown on the return for the preceding tax year.

A qualified individual is an individual with adjusted gross income of less than \$500,000 (\$250,000 if married filing separately) for the preceding tax year. The individual must certify that more than 50% of the gross income on the preceding year's return is income from a small trade or business (a business that employs no more than 500 persons, on average, during the calendar year ending in or with the preceding tax year).

**Comment:** The IRS will prescribe regulations that govern the form, manner, and time of certification.

These are very complicated, sophisticated, and significant issues. They may have a major tax impact on your income tax. If you would like more advice about these changes, please call Goodman & Company, CPAs, **610-253-2745**

***William N. Goodman, CPA***  
Certified Public Accountant