



RELOCATION TAX ISSUES

NEWSLETTER

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Inside this Issue

Alert for reimbursement 2

Relocation Tax Advisor booklet 3

Tax Changes for 2010 3

Important Updates on the First-Time Homebuyer Tax Credit

The first-time homebuyer credit scheduled to expire this year, has been extended and enhanced into 2010. Many homebuyers who are not first-timers will now be eligible for a tax credit up to \$6,500, with first-time homebuyers qualifying for a maximum \$8,000 credit through at least April 30, 2010.

When originally enacted, the first-time homebuyer credit reached 10 percent of the purchase price of a qualified residence (for a maximum credit of \$7,500) and was repayable in equal installments over 15 years. Congress subsequently raised the credit to a maximum of \$8,000, set a November 30, 2009 cutoff date, and generally eliminated the repayment requirement.

The new law not only extends the credit, it also extends the credit to higher income taxpayers and allows a reduced credit to some non-first-time homebuyers. The new law also expressly excludes high-end homes from the credit.

The availability of the credit for higher-income taxpayers and some existing homeowners will not be applied retroactively. These tax breaks are effective only for purchases made after the date of enactment, November 6, 2009.

Extension

The first-time homebuyer credit was scheduled to expire after November 30, 2009. The new law provides a new expiration date of April 30, 2010. If a taxpayer enters into a binding contract before May 1, 2010, to close on the purchase of a principal residence before July 1, 2010, the credit will be treated as not expiring until July 1, 2010.

The first-time homebuyer credit may be allocated between two or more unmarried taxpayers using any reasonable method, the IRS explained in Notice 2009-12. For example, the credit may be allocated between unmarried taxpayers based on their respective contributions toward the purchase price of the residence or their respective ownership interests.

continued on next page

relviewsComplete™ Training Schedule

No training sessions will be held the week of Thanksgiving, but upcoming sessions are scheduled below. All trainings are on Thursdays, from 2-3 PM EST.

Dec. 3 Year-End Delta Process For NetCheck and payroll users, includes a year-end True-up.

Dec. 10 Year-End Only Process For users who calculate at the end of the year only, including payroll.

Dec. 17 The New Year Process Includes the transfer completion process, New Year process, configuring move mileage for 2010 and split mileage.

ServiceCoordinator™ and AssignmentCoordinator™ clients will be receiving invitations soon from Jay Mendoza.



Homebuyer Tax, continued

Non-First-Time Buyers

This provision is aimed not only at individuals who are stepping-up from their first home to a larger and more expensive residence, but also at retirees who are moving to more manageable quarters.

Purchase Price

The \$800,000 cap applies to purchases immediately effective November 6, 2009. The \$800,000 is a cliff amount, with no gradual phase out of the credit provided for higher amounts. The \$800,000 cap is also applied nationwide, with no adjustment for regional factors.

Non-first-time buyers

Effective for purchases after the date of enactment (11/06/09), the credit is no longer restricted to first-time homebuyers. Individuals who the new law refers to as “long-time residents of the same principal residence” may be eligible for a modified credit even though they are not technically first-time homebuyers. The new law treats as a first-time homebuyer an individual who has owned and used the same residence as his or her principal residence for any five (5)-consecutive year period during the previous eight (8) -year period ending with the date on which the new residence is purchased.

Non-first-time homebuyers will benefit from the credit but at a reduced amount. Their maximum credit will be \$6,500 rather than \$8,000 (\$3,250 for married taxpayers filing separately rather than \$4,000).

Income thresholds

Previously, the first-time homebuyer credit phased out for single individuals with modified adjusted gross income (MAGI) between \$75,000 and \$95,000 and for married couples filing joint returns with MAGI between \$150,000 and \$170,000. The new law raises the start of the phase-out for single individuals to \$125,000 and the start of the phase-out for married couples filing joint returns to \$225,000.

Repayment

For principal residences purchased in 2009 and 2010, there is generally no requirement to repay the first-time homebuyer credit. However, a taxpayer may have to repay the credit if the residence ceases to be his or her principal residence within 36 months from the date of purchase. The full amount of the credit the taxpayer received becomes due on the return for the year in which the residence ceases to be the taxpayer’s principal residence. Exceptions, such as death, continue to apply.

Purchase price

For the first time, Congress set a ceiling on eligibility for the credit based on the purchase price of the principal residence. No credit is allowed if the purchase price of the principal residence exceeds \$800,000. ■



Alert for Relocation, Payroll, and Tax Professionals

If a corporate transferee asks that they be “grossed-up” or reimbursed for either their \$8,000 or \$6,500 tax credit lost “because of their move,” please, please, **please do not cut the transferee a check** or gross-up any amounts until a “complete” relocation tax gross-up audit is completed. The average request from a transferee for a lost \$8,000 tax credit would equate to approximately a \$13,000 payment (\$8,000 for the lost credit plus \$5,000 for the gross-up).

Before cutting any \$13,000 checks, a gross-up audit, which cost between \$200 and \$300, should

be completed. A gross-up audit can be completed usually within 48 to 72 hours. So the turnaround time is fast. All that is needed is a copy of the transferee’s tax return (a pdf file is fine) plus copies of their W-2’s and of course a copy of their Relocation Tax Summary report.

Please contact David Oltman (oltman@relotax.com) or 203-563-2102 for more details. Orion Mobility/Relocation Taxes has performed thousands and thousands of gross-up audits over the years and has saved clients thousands and thousands of dollars per move.

There's still time to receive the 2009/10 Relocation Tax Advisor booklet.

Don't guess about tax laws, get the facts with our **2009/10 Relocation Tax Advisor** booklet.



All books and PDF's will be shipped or e-mailed as soon as possible.

To order, contact Barbara Venezia at: bvenezia@orionmobility.com
Phone: 203 563 2106

Or you can order online at <http://www.relotax.com>

1-5 Books	\$14.95 each (plus \$5 for S/H)
6-25 books	\$7.00 each (plus \$10 for S/H)
26-199 books	\$7.00 each (plus \$20 for S/H. For 100 or more books S/H is \$0.25 per book.)
200 + books	\$6.00 each (plus \$25 for S/H per 100 books shipped)
PDF books	\$5.00 each (100 book minimum order, no shipping cost)

Tax Changes for 2010

- The **Social Security (OASDI) wage base** will not change for 2010, remaining at \$106,800. The rate of 6.20% for Social Security (OASDI) and 1.45% for Medicare (HI) remains unchanged.
- The IRS also announced the 2010 **personal exemption and standard deduction amounts**. The value of each exemption will remain at \$3,650. Most standard deduction amounts are also unchanged, including \$5,700 if single or married filing separately and \$11,400 if married filing jointly. The head of household amount will increase by \$50 to \$8,400.
- There is no announcement yet on **2010 mileage rates**. Please check back to our website www.orionmobility.com for the latest information. For more information on the five (5) new significant tax laws that will affect most corporate transferees, please refer to page 40 in the 2010 Relocation Tax Advisor publication. And check out www.relotax.com through out the year for the latest relocation tax law updates in general.
- The **Federal income tax tables** have also changed for 2010. The tax brackets have been adjusted slightly for inflation while the rates remain the same, with a top rate of 35%. In addition in 2010, there will be no phase-out of Federal exemptions or deductions for high income earners. As it stands now, this is temporary change and the phase outs will return in 2011.
- Meanwhile for tax year 2009, **several states have changed their tax brackets** and rates, with several increasing their top income tax rates for 2009 including: California, Connecticut, Hawaii, New Jersey, New York, North Carolina, Oregon, and Wisconsin. Please note, the relviews™ software system has all these changes already programmed to handle the very complex 2009 gross-up calculation. Also our Relocation Taxes group of accountants and CPA's stand ready to help your transferees in preparing their 2009 tax returns. Please contact dgioiella@relotax.com or 203-563-3901 for more details. ■



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