

TAX UPDATE SEMINAR FOR 2009

INCLUDING SELECTED PROVISIONS OF

THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

THE WORKER, HOMEOWNERSHIP, AND BUSINESS ASSISTANCE ACT OF 2009

SACEA
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American Recovery and Reinvestment Act of 2009

02/17/2009

Making Work Pay Credit

For 2009 and 2010, a refundable tax credit equal to the lesser of 6.2% of earned income, or \$400 (\$800 MFJ) is allowed for eligible individuals (IRC §36A). Because the credit is refundable, taxpayers will receive the benefit even if their tax liability is otherwise zero.

AGI phase-out. The credit is reduced (but not below zero) by 2% of the taxpayer's modified AGI that exceeds \$75,000 (\$150,000 MFJ).

Social Security numbers. The credit is not allowed for taxpayers who do not have a valid Social Security number. A TIN issued by the IRS does not qualify. In the case of a married filing joint return, at least one spouse must have a valid Social Security number to qualify for the credit. This means if the taxpayer has a Social Security number and the spouse has a TIN, the credit is allowed.

Earned Income Credit Increase

For 2009 and 2010, there is an additional amount of EIC for those claiming three eligible children.

3 kids MFJ 5657
3 kids HH 5028

American Opportunity Education Tax Credit

New law – increase in credit amount. For tax year 2009 and 2010, the Hope Scholarship Credit is renamed the American Opportunity Tax Credit. The credit is 100% of the first \$2,000 of qualified educational expenses, plus 25% of the next \$2,000 of qualified expenses, for a maximum credit of \$2,500 per student per year. The credit now applies to the first 4 years of post-secondary education (as opposed to the first 2 years under the old rules).

Qualified expenses. For purposes of this new credit, qualified educational expenses include tuition, fees, and course materials (including books).

AGI phase-out. The new AGI phase-out rules apply for taxpayers with AGI between \$80,000 and \$90,000 (\$160,000 and \$180,000 MFJ).

AMT. The credit is allowed to offset AMT.

Refundable credit. 40% of this new credit is treated as a refundable credit, meaning the taxpayer receives that portion of the credit even if the tax liability is otherwise zero. The refundable portion of the credit does not apply to children that are subject to the Kiddie tax rules.

First-Time Home Buyer Credit

New rules – recapture eliminated. The new law eliminates the repayment obligation for taxpayers that purchase homes after January 1, 2009. The recapture rules still apply, however, if the house is sold within three years of purchase.

Credit amount. For homes purchased after January 1, 2009, the credit equals 10% of the purchase price of the home, up to \$8,000 (\$4,000 MFS).

Extension of provision. The first-time home buyer credit is extended to include homes purchased before December 1, 2009.

Sales Tax Deduction for Vehicle Purchases

New law. Effective for purchases on or after February 17, 2009 and before January 1, 2010, taxpayers can deduct state and local sales or excise taxes imposed on the purchase of a qualified motor vehicle. The deduction is an above-the-line deduction, meaning taxpayers do not have to itemize deductions to claim the deduction.

Limit on deduction. The sales tax deduction is limited to the sales tax attributable to the purchase price of the vehicle that does not exceed \$49,500.

AGI phase-out. The deduction is phased out for taxpayers with modified AGI between \$125,000 and \$135,000 (\$250,000 to \$260,000 MFJ).

Qualified motor vehicle. The term qualified motor vehicle means:

- A passenger automobile or light truck which is treated as a motor vehicle for purposes of title II of the Clean Air Act. Gross vehicle weight cannot exceed 8,500 pounds.
- A motorcycle that does not weigh more than 8,500 pounds.
- A motor home (no weight limit).

The original use of any of the vehicles described above must begin with the taxpayer (the purchase of a used vehicle does not qualify).

Tax not included in cost of property. Any sales tax deducted under this new law is not included in the cost basis of the property.

General sales tax deduction. This provision does not apply if the taxpayer elects to deduct general sales taxes instead of state or local income taxes as an itemized deduction.

AMT. The sales tax deduction under this new law is not an add-back for purposes of computing AMT.

Unemployment Benefits

New law. Effective for 2009 only, the first \$2,400 of federal and state unemployment compensation received by a taxpayer is excluded from gross income. Amounts in excess of \$2,400 are fully taxable.

Special Depreciation Allowance

Extended through December 31, 2009.

Section 179 Deduction

New law. The 2009 Section 179 maximum deduction is \$250,000, with an investment limit of \$800,000.

Alternative Minimum Tax

- The provision to allow nonrefundable personal credits against AMT has been extended through 2009.
- The AMT exemption amounts for 2009 are as follows:
MFJ = \$70,950
Single and HOH = \$46,700
MFS = \$35,475

Estimated Tax Payments

Under the safe harbor rules, a taxpayer can avoid the underpayment of estimated tax penalty if the taxpayer pays through withholding or estimates at least 100% of the tax shown on the previous year return [110% if the previous year AGI was greater than \$150,000 (\$75,000 MFS)].

New law. For 2009, the above safe harbor percentages are reduced to 90% for qualified individuals. An individual is qualified if:

- AGI in the preceding year is less than \$500,000 (\$250,000 MFS), and
- The individual certifies that more than 50% of the gross income shown on the return for the preceding year was income from a small business.

Income from a small business for purposes of this rule means income from a trade or business with an average of less than 500 employees for the preceding year.

Does not apply to C corporations.

S Corporation Built-In Gains Tax

New law. For 2009 and 2010, the S corporation is not subject to the built-in gain rules if the S corporation elected S status more than 7 years prior to the year of gain.

Residential Energy Efficient Property Credit

For 2008, an individual taxpayer can claim a credit equal to the sum of 30% of the cost of qualified solar water heating property for use in the taxpayer's residence during the year. The maximum credit allowed is limited to \$2,000. Beginning in 2009, the \$2,000 limit is removed.

Nonbusiness Energy Property Credit

The Nonbusiness Energy Property Credit has been extended through 2010.

New law. For 2009 and 2010, the credit equals 30% of the amount paid for qualified energy efficiency improvements installed during the year. The property-by-property dollar caps and the \$500 lifetime limit no longer apply. However, there is an aggregate \$1,500 cap on all property qualifying for the credit.

Worker, Homeownership, and Business Assistance Act of 2009

11/16/2009

First-Time Homebuyer Credit

Extension of deadline – new law. The *Worker, Homeownership, and Business Assistance Act of 2009* extends the 11/30/2009 credit deadline to apply to any taxpayer who enters into a written binding contract before 5/1/2010 to purchase a principal residence if the closing date on the purchase occurs before 7/1/2010.

Long-time residents of the same principal residence. The new law extends the credit in the case of certain taxpayers who already own a home. Effective for purchases after 11/6/2009, 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 the 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).

The law does not say the old home must be sold. It says the old home must be used as a principal residence during the qualifying period, and the new home must be used as a principal residence during the first 3 years after purchase. Thus, a taxpayer could convert the old home into rental or investment property after purchasing the new home and qualify for the credit.

AGI phase-out. Effective for purchases after 11/6/2009, the credit phases out for individual taxpayers with modified AGI between \$125,000 and \$145,000 (\$225,000 and \$245,000 MFJ) for the year of purchase.

Purchase price limit. Effective for purchases after 11/6/2009, no credit is allowed for the purchase of any residence if the purchase price exceeds \$800,000.

Age requirement. Effective for purchases after 11/6/2009, no credit is allowed unless the taxpayer is 18 years of age as of the date of purchase. A taxpayer who is married is treated as meeting the age requirement if the taxpayer or the taxpayer's spouse meets the age requirement.

Related person. Effective for purchases after 11/6/2009, the prohibition of claiming the credit for a home purchased from a related person is expanded to include purchasing a home from an individual related to the spouse of the person buying the home.

Dependent. Effective for purchases after 11/6/2009, no credit is allowed to any taxpayer if the taxpayer is a dependent of another taxpayer.

Documentation. Effective for purchases after 11/6/2009, the taxpayer must attach a copy of a properly executed settlement statement used to complete the purchase to the taxpayer's return.

Penalty for Failure to File Partnership or S Corporation Returns

New law. Effective for 2010 calendar year returns on which no tax is due, the penalty for late filing of a partnership or S corporation return is \$195 per month times the number of partners or shareholders, up to 12 months. 28 24-13

FUTA Surtax

Under prior law, the 6.2% FUTA tax rate was 6.2% for calendar years 1988 through 2009, and 6.0% for calendar year 2010 and beyond (IRC §3301). The new law extends the 6.2% rate through the first 6 months of calendar year 2011.

Expansion of Electronic Filing by Return Preparers

Present law authorizes the IRS to issue regulations specifying which returns must be filed electronically. There are several limitations on this authority. First, it can only apply to persons required to file at least 250 returns during the calendar year. Second, the Secretary is prohibited from requiring that income tax returns of individuals, estates, and trusts be submitted in any format other than paper, although these returns may be filed electronically by choice.

New law. Effective for tax returns filed after December 31, 2010, the new law generally maintains the current rule that regulations may not require any person to file electronically unless the person files at least 250 tax returns during the calendar year. However, the new law provides an exception to this rule and mandates that the Secretary require electronic filing by specified tax return preparers. "Specified tax return preparers" are all return preparers except those who neither prepare nor reasonably expect to prepare ten or more individual income tax returns in a calendar year. The term "individual income tax return" is defined to include returns for estates and trusts as well as individuals.

Observation: There is no sanction for failure to comply with this change. Indeed, this provision is scored as having only a negligible effect on revenue. But it could free up IRS personnel and in that sense make IRS operations more efficient.

Net Operating Loss Five-Year Carryback

A net operating loss (NOL) is used to offset income from another tax year. The default is to carry the NOL back two years. If the NOL is not used up in that year, it is carried forward to the following year. If not used up in that year, it continues to be carried forward until it is used up. The longest it can be carried forward is 20 years after the NOL year. There are several exceptions to the 2-year carry back rule.. One exception is the election available for 2008 by a small business taxpayer with gross receipts under \$15 million, which allows the taxpayer to carry the NOL back 3, 4, or 5 years.

Extended carryback period – new law. A taxpayer (not just a small business taxpayer) may elect to carry a 2008 or 2009 NOL back 3, 4, or 5 years. Generally, a taxpayer may elect the 3, 4, or 5 year carryback period for only one taxable year. **Exception:** An eligible small business that timely made an election to carry a 2008 NOL back 3, 4, or 5 years under prior law may also make an election under this new law to carry a 2009 NOL back 3, 4, or 5 years.

Election due date. The election to carryback a 2008 or 2009 NOL 3, 4, or 5 years must be made by the due date (including extensions) for filing the 2009 tax return.

Arizona changes

Beginning on 07/01/2010, Arizona's withholding amounts will no longer be calculated as a percentage of Federal withholding. Instead, state withholding will be determined based on withholding tables established by the Department of Revenue.

The Income Tax Credit for contributions to charities that provide assistance to the working poor no longer require the establishment of a base year. Taxpayers are still required to itemize their deductions for the taxable year for which the credit is claimed.

OTHER MISCELLANEOUS

Standard mileage rate for business drops to .50 per mile

House passes permanent estate tax relief for families, farmers, and small businesses.

On December 3, the House by a vote of 225 to 200 approved H.R. 4154, the “Permanent Estate Tax Relief for Families, Farmers, and Small Businesses Act of 2009.” The bill would make permanent the present-law estate, gift, and generation skipping transfer (GST) tax laws in effect for 2009.

Under changes made by the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), the estate tax and the GST tax were scheduled to be repealed for estates of decedents dying in 2010 and a modified carryover basis regime was to apply for 2010. EGTRRA made other changes to the transfer tax rules. All of its changes were scheduled to sunset after 2010.

Under the House-passed bill, the unified credit effective exemption amount for estate tax purposes would be \$3.5 million for decedents dying during 2010 and later years. The unified credit effective exemption amount for gift tax purposes would be \$1 million for 2010 and later years. The highest estate and gift tax rate would be 45%.

The GST tax exemption would equal the unified credit effective exemption amount for estate tax purposes (\$3.5 million), and the GST tax rate would be determined using the highest estate and gift tax rate.

The House-passed bill would repeal the modified carryover basis rules that were to apply for purposes of determining basis in property acquired from a decedent who dies in 2010. Under the bill, property acquired from a decedent who dies after Dec. 31, 2009, generally would receive date-of-death fair market value basis (i.e., “stepped up” basis) under the basis rules in effect in 2009.

The House-passed bill would make permanent EGTRRA's repeal of the State death tax credit; as under present law in effect for 2009, the bill would allow a deduction for death taxes paid to any State or the District of Columbia. In addition, the bill would make permanent the 2001 Act's repeal of the qualified family-owned business deduction.

The House-passed bill would repeal the sunset of the EGTRRA estate, gift, and generation skipping transfer tax provisions scheduled to occur for decedents dying, gifts made, and generation skipping transfers made after Dec. 31, 2010. As a result, the bill would make permanent EGTRRA modifications to the rules regarding (1) qualified conservation easements, (2) installment payment of estate taxes, and (3) various technical aspects of the GST tax.

Technical corrections bill would make important modifications to five tax laws.

On December 2, Ways and Means Committee Chair Charles B. Rangel (D-NY) and Ranking Member Dave Camp (R-MI) introduced H.R. 4169, the "Tax Technical Corrections Act of 2009." This bill would make 25 changes to tax provisions in five recent tax laws: The American Recovery and Reinvestment Act of 2009 (ARRA, P.L. 111-5), the Emergency Economic Stabilization Act of 2008 (EESA, P.L. 110-343), the Heroes Earnings Assistance and Relief Tax Act of 2008 (Heroes Act, P.L. 110-245), the Economic Stimulus Act of 2008 (Stimulus Act, P.L. 110-185), and the Tax Technical Corrections Act of 2007 (P.L. 110-172) Changes would be effective as if included in the law that's being amended.

The technical corrections bill apparently will be on the fast track, with the Senate expected to introduce the identical bill. The bill may well go right to the House and Senate, bypassing the committee process.

Following are highlights of five of the more widely applicable changes in the tax technical corrections bill.

Education credits. Before ARRA, for Code Sec. 25A purposes (i.e., for purposes of the Hope credit and Lifetime learning credit), qualified tuition and related expenses included tuition and fees (excluding nonacademic fees) required to be paid to an eligible educational institution as a condition of enrollment or attendance of an eligible student at the institution.

For a tax year beginning in 2009 or 2010, ARRA substantially liberalized and modified the Hope credit (including renaming it the American opportunity tax credit). Under one modification, for purposes of Code Sec. 25A , ARRA changed the definition of qualified tuition and related expenses so that the term applies to tuition, fees, and course materials. (Code Sec. 25A(i)(3))

The technical corrections bill would modify Code Sec. 25A(i)(3) so that the inclusion of course materials in the definition of qualified tuition and related expenses applies only for purposes of the Hope (American opportunity) credit, not for purposes of the Lifetime learning credit.

Deduction for qualified motor vehicle taxes. The last sentence of Code Sec. 164(a) provides that certain taxes, such as sales tax, paid in connection with property used in a trade or business is treated as part of the cost of the property, or in the case of a disposition, as a reduction in the amount realized.

In connection with its creation of an itemized deduction or standard deduction for qualified motor vehicle taxes (for qualified purchases on or after Feb. 17, 2009 and before Jan. 1, 2010), ARRA provided that the last sentence of Code Sec. 164(a) did not apply to qualified motor vehicle taxes. (Code Sec. 164(b)(6)(E)) This was interpreted to mean that, presumably, a small business owner who timely bought a qualifying motor vehicle in 2009 may deduct the qualified motor vehicle tax (subject to the purchase price limitation and the income limitation) rather than

add it to the cost of the property and recover it through depreciation or expensing.

The technical corrections bill would strike Code Sec. 164(b)(6)(E) as inoperative, because the taxes referred to in the last sentence of Code Sec. 164(a) do not include qualified motor vehicle taxes. The Joint Committee on Taxation's description of the technical corrections bill explains that, as in the case of the deduction for the general sales tax, it is intended that the deduction for qualified motor vehicle taxes not apply to tax on items used in a trade or business, although the tax may be deductible under another Code provision.

S corporation built-in gain holding period. Where a corporation that was formed as a C corporation elects to become an S corporation (or where an S corporation receives property from a C corporation in a nontaxable carryover basis transfer), the S corporation is taxed at the highest corporate rate (35%) on all gains that were built-in at the time of the election if the gains are recognized during the recognition period. Under pre-ARRA law, the recognition period was the first ten S corporation years (or during the ten-year period after the transfer). Under a special exception, the recognition period was unlimited for distributions by thrift institutions that were deemed to be out of pre-'88 reserves. Gains are not built-in gains to the extent they are shown to have arisen while the S election was in effect or are offset by losses.

ARRA amended Code Sec. 1374(d)(7)(B) to provide that for tax years beginning in 2009 and 2010, no tax is imposed on the net unrecognized built-in gain of an S corporation if the seventh tax year in the recognition period preceded the 2009 and 2010 tax years. This rule applies separately for property acquired from C corporations in carryover basis transactions.

The technical corrections bill would amend Code Sec. 1374(d)(7)(B) to clarify that seven calendar years (not seven taxable years) in the 10-year recognition period must have elapsed prior to any taxable year beginning in 2009 or 2010 for an S corporation to be eligible for the built-in gains tax relief under ARRA.

15-year writeoff property and bonus depreciation. Under pre-EESA law, qualified leasehold improvements and qualified restaurant improvements placed in service before Jan. 1, 2008 could be written off over 15 years (instead of 39 years) via straight line. EESA extended the 15-year writeoff for both qualified leasehold improvement property and qualified restaurant property for two years, that is, it applies for eligible property placed in service through Dec. 31, 2009. (Code Sec. 168(e)(3)(E)) Additionally, for qualifying property placed in service after Dec. 31, 2008 and before Jan. 1, 2010, EESA also (1) liberalized the definition of qualified restaurant property, and (2) provided that any qualified retail improvement property placed in service after Dec. 31, 2008, and before Jan. 1, 2010, may be depreciated via straight line over 15 years under MACRS. (Code Sec. 168(e)(3)(E)) Under Code Sec. 167(e)(7) and Code Sec. 167(e)(8) , bonus depreciation generally does not apply to property made eligible for the 15-year writeoff under the two EESA changes mentioned above.

The technical corrections bill amends Code Sec. 168(e)(7) and Code Sec. 167(e)(8) to clarify that assets qualifying as both qualified leasehold improvement property and either qualified restaurant property or qualified retail improvement property do qualify for bonus depreciation.

The Joint Committee on Taxation description of the technical corrections bill says this change would be consistent with the legislative intent with respect to assets that overlap in this manner.

NQDC from certain tax-indifferent parties. Generally effective for amounts deferred which are attributable to services performed after 2008, EESA provided in Code Sec. 457A that any compensation that is deferred under a nonqualified deferred compensation (NQDC) plan of a nonqualified entity is includible in gross income by the service provider when there is no substantial risk of forfeiture of the service provider's rights to the compensation.

The technical corrections bill would clarify Code Sec. 457A to reflect legislative intent as to whether a partnership is a nonqualified entity. In determining whether a partnership is considered a nonqualified entity, an organization that is a partner in the partnership would not be considered exempt from U.S. income tax to the extent that the organization's share of the partnership's income is subject to U.S. tax as unrelated business taxable income. Similarly, a foreign person that is a partner in a partnership would not be considered a foreign person with respect to whom partnership income is not subject to a comprehensive foreign income tax to the extent that such person's share of partnership income is subject to U.S. income tax as income as income effectively connected with the conduct of a U.S. trade or business.

Entity aggregation rules similar to those that apply under Code Sec. 409A would apply for purposes of the provision.

The technical corrections bill also would clarify that:

... the aggregation rules do not treat every entity within an aggregated group as a nonqualified entity merely because one entity in the group is a nonqualified entity.

... the rules of Code Sec. 457A defining substantial risk of forfeiture, not the rules defining it in Code Sec. 409A, apply for purposes of Code Sec. 457A.

... A service provider has the meaning given in the Code Sec. 409A regs, determined without regard to accounting method. Due to the definition of substantial risk of forfeiture under the provision, an accrual-basis taxpayer might be required to include compensation as income under the provision at a date earlier than the accrual accounting method rules would otherwise require.

NOTE: Speaker Pelosi announced today that both of the above bills will probably be attached to the DOD Appropriations bill, which is the final piece of definitive legislation for 2009.

That is, besides the Health Care Reform bill, whatever that turns out to be.

Tax Extenders Act of 2009

Summary: The *Tax Extenders Act of 2009* would provide individuals and businesses with approximately \$31 billion in tax relief in 2009 by extending for one year (through 2010) more than forty provisions that are scheduled to expire at the end of 2009. This \$31 billion in tax relief includes more than \$5 billion in individual tax relief and more than \$17 billion in business tax relief. The *Tax Extenders Act of 2009* also extends more than \$7 billion of tax provisions that encourage charitable contributions, provide community development incentives, provide tax relief in the event of a Presidentially-declared disaster, and support the deployment of alternative vehicles and alternative fuels. The *Tax Extenders Act of 2009* provides this relief without adding to the deficit.

Individual Extensions

Extension of the deduction of State and local general sales taxes. The bill would extend for one year (through 2010) the election to take an itemized deduction for State and local general sales taxes in lieu of the itemized deduction permitted for State and local income taxes. *This proposal is estimated to cost \$1.846 billion over 10 years.*

Extension of the additional standard deduction for real property taxes. The bill would extend for one year (through 2010) the additional standard deduction for State and local real property taxes. *This proposal is estimated to cost \$1.460 billion over 10 years.*

Extension of the above-the-line deduction for qualified tuition and related expenses. The bill would extend for one year (through 2010) the above-the-line tax deduction for qualified education expenses. *This proposal is estimated to cost \$1.529 billion over 10 years.*

Extension of the above-the-line deduction for certain expenses of elementary and secondary school teachers. The bill would extend for one year (through 2010) the \$250 above-the-line tax deduction for teachers and other school professionals for expenses paid or incurred for books, supplies (other than non-athletic supplies for courses of instruction in health or physical education), computer equipment (including related software and service), other equipment, and supplementary materials used by the educator in the classroom. *This proposal is estimated to cost \$228 million over 10 years.*

Various Business Extensions

Extension of the R&D credit. The bill would extend for one year (through 2010) the research credit. *This proposal is estimated to cost \$6.966 billion over 10 years.*

Extension of 15-year straight-line cost recovery for qualified leasehold improvements, restaurant buildings and improvements, and retail improvements. The bill would extend for one year (through 2010) the special 15-year cost recovery period for certain leasehold improvements, restaurant buildings and improvements, and retail improvements. *This proposal is estimated to cost \$5.390 billion over 10 years.*

Extension of 7-year straight line cost recovery period for motorsports entertainment complexes. The bill would extend for one year (through 2010) the special 7-year cost recovery period for property used for land improvement and support facilities at motorsports entertainment complexes. *This proposal is estimated to cost \$45 million over 10 years.*

Extension of employer wage credit for activated military reservists. The bill would extend for one

year (through 2010) the provision that provides eligible small business employers with a credit against the taxpayer's income tax liability for a taxable year in an amount equal to twenty percent (20%) of the sum of differential wage payments to activated military reservists. *This proposal is estimated to cost \$4 million over 10 years.*

Extension of five-year depreciation for farming business machinery and equipment. The bill would extend for one year (through 2010) the provision that provides a five-year recovery period for certain machinery and equipment which is used in a farming business. *This proposal is revenue neutral over 10 years.*

Extension of special rules for regulated investment companies. The bill would extend for one year (through 2010) the tax treatment of interest-related dividends, short-term capital gain dividends, and other special rules applicable to foreign shareholders that invest in regulated investment companies. *These proposals are estimated to cost \$94 million over 10 years.*

Charitable Provisions

Extension of provision encouraging contributions of capital gain real property for conservation purposes. The bill would extend for one year (through 2010) the increased contribution limits and carryforward period for contributions of appreciated real property (including partial interests in real property) for conservation purposes. *This proposal is estimated to cost \$182 million over 10 years.*

Extension of enhanced charitable deduction for contributions of food inventory. The bill would extend for one year (through 2010) the provision allowing businesses to claim an enhanced deduction for the contribution of food inventory. *This proposal is estimated to cost \$78 million over 10 years.*

Extension of enhanced charitable deduction for contributions of book inventories to public schools. The bill would extend for one year (through 2010) the provision allowing C corporations to claim an enhanced deduction for contributions of book inventory to public schools (kindergarten through grade 12). *This proposal is estimated to cost \$31 million over 10 years.*

Extension of enhanced charitable deduction for corporate contributions of computer equipment for educational purposes. The bill would extend for one year (through 2010) the provision that encourages businesses to contribute computer equipment and software to elementary, secondary, and post-secondary schools by allowing an enhanced deduction for such contributions. *This proposal is estimated to cost \$195 million over 10 years.*

Extension of tax-free distributions from individual retirement plans for charitable purposes. The bill would extend for one year (through 2010) the provision that permits tax-free distributions to charity from an Individual Retirement Account (IRA) of up to \$100,000 per taxpayer, per taxable year. *This proposal is estimated to cost \$591 million over 10 years.*

Extension of special rule for S corporations making charitable contributions of property. The bill would extend for one year (through 2010) the provision allowing S corporation shareholders to take into account their pro rata share of charitable deductions even if such deductions would exceed such shareholder's adjusted basis in the S corporation. *This proposal is estimated to cost \$37 million over 10 years.*

Revenue Provisions

2 primary sources:

1. Foreign Bank accounts and related.
2. Carried interest by investment fund managers, whereby the managers take no income for services rendered, and at the end of the day take it all as capital gain. This one provision may have trouble getting through the Senate, so it is not yet a done deal.

IMPORTANT TO NOTICE

There is NO AMT patch in the extenders bill. This is the traditional place it is patched for the following year..