



Top 10 Research Topics

The ProLine Solutions Expert Series

White Papers on relevant topics for accounting professionals

Summary:

Tax accountants spend about 15% of their time conducting research. This paper reviews where they spent most of that time, unveiling the Top 10 research topics from the 2009 tax season with expert commentary on each from searches conducted using ProLine Tax Research, the BNA powered research tool built directly into both the Lacerte and ProSeries tax programs.

1

Energy Credit

140.03. The Energy Credit (BNA Analysis)
3140.03.A. Overview

The energy credit for any tax year equals the applicable energy percentage multiplied by the basis of each energy property placed in service during that year. The energy percentage is 30 % for qualified fuel cell property, qualified solar energy property, but only for periods before January 1, 2017, solar illumination property, but only for periods before January 1, 2017, and qualified small wind energy property for periods after October 3, 2008, in tax years ending after such date. The energy percentage is also 30 % for qualified facilities for purposes of the renewable electricity production credit that the taxpayer elects to treat as energy property. The energy percentage is 10 % for all other energy property, including qualified microturbine property. The credit does not apply to any portion of the basis of energy property attributable to qualified rehabilitation expenditures. The energy credit for tax years beginning after October 3, 2008, and carrybacks thereof are allowed against the alternative minimum tax also.

§ 48(a)(1).



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American Opportunity Tax Credit

5. American Opportunity Tax Credit (BNA Analysis)

For taxable years beginning in 2009 and 2010 only, the Hope credit is expanded. This expansion is known as the American Opportunity tax credit. The credit is equal to 100% of the first \$2,000 of all of the qualified tuition and related expenses paid by the taxpayer during the tax year (for education furnished to the eligible student during any academic period beginning in that year), plus 25% of the expenses that are more than \$2,000 but not more than \$4,000. The credit applies to the first four years of the qualified student's post-secondary education, instead of only the first two years, and the scope of allowable expenses includes tuition, fees, and course materials, instead of just tuition and fees.

§ 25A(i), added by the American Recovery and Reinvestment Act of 2009 (2009 ARRA), P.L. 111-5, §1004.

For taxable years beginning in 2009 and 2010 only, the Hope credit is expanded.

3

First Time Homebuyer Credit

3200.11. First-Time Homebuyer Credit, Including Long-Time Residents (BNA Analysis)
3200.11.A. In General

A first-time homebuyer purchasing a principal residence in the United States (not including U.S. territories), on or after April 9, 2008, and who enters into a written binding contract before May 1, 2010 (recent legislation has extended this July 1, 2010 deadline to October 1, 2010), and closes before July 1, 2010, is eligible for the first-time homebuyer credit. Subject to limitations, for purchases after December 31, 2008, and through April 30, 2010, the credit is 10% of the residence's purchase price, not to exceed \$8,000; \$4,000 for married filing separately. For purchases after November 6, 2009, a homeowner who has owned and used a principal residence for five consecutive years during the last eight years and subsequently buys another principal residence is also eligible for a \$6,500 credit, \$3,250 for married filing separately. However, purchases made after November 6, 2009 cannot exceed \$800,000.



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Head of Household

3310.04.B. Heads of Household (BNA Analysis)

1. In General

A single person who qualifies as head of household as well as certain married persons living apart compute tax liability on taxable income using the tax tables or tax rate schedules for “Heads of Household.” In order to qualify as a head of household, a taxpayer must not be a nonresident alien at any time during the taxable year, must satisfy certain marital status requirements, and must satisfy certain household maintenance requirements.

§ 1(b). See § 7703(b) (definition of married individuals living apart).



5

Cancellation of Debt

Debt Cancellation (IRS Publication)

If a debt is canceled or forgiven, other than as a gift or bequest, the debtor generally must include the canceled amount in gross income for tax purposes. A debt includes any indebtedness for which the debtor is liable or that attaches to property the debtor holds. In the event that the amount forgiven is \$600 or more, the debtor should receive a Form 1099-C, Cancellation of Debt, from the lender. See Form 1099-C and the separate instructions. The debtor may not have to report the entire amount of canceled debt as income, as a variety of exceptions may apply. See Exceptions and Exclusions, next.

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6

Schedule M

3200.12. The Making Work Pay Credit (BNA Analysis)

Enacted as part of the first major stimulus bill of 2009, this credit generally provides that, for tax years beginning in 2009 or 2010, an eligible individual may claim a refundable credit equal to the lesser of:

- 6.2% of the taxpayer's earned income; or
- \$400 (\$800 married, joint return).

§ 36A(a). Section 36A was added by the 2009 Recovery and Reinvestment Act (2009 ARRA), P.L. 111-5, §1001(a), effective for tax years beginning in 2009 or 2010. 2009 ARRA, §1001(f); § 36A(e).

The credit is phased out at the rate of 2% of that portion of the taxpayer's modified adjusted gross income that falls between:

- \$150,000 and \$190,000 (married, joint return); or
- \$75,000 and \$95,000 for other taxpayers.

§ 36A(b)(1).



7

Dependent

2830.03.A. Who Is a “Dependent”? (BNA Analysis)

A dependent is defined as a qualifying child or a qualifying relative. For tax years beginning before 2005, in order for an individual to be the dependent of another, three tests had to be passed: the support test, the relationship test, and the citizenship/residency test.

§ 152(a). Former §152(a); Regs. § 1.152-1(a)(1). Id. Former §152(b)(3).

A dependent is defined as a qualifying child or a qualifying relative.

8

Alimony

Alimony (IRS Publication)

Alimony is a payment to or for a spouse or former spouse under a divorce or separation instrument. It does not include voluntary payments that are not made under a divorce or separation instrument.

Alimony is deductible by the payer and must be included in the spouse's or former spouse's income. Although this chapter is generally written for the payer of the alimony, the recipient can use the information to determine whether an amount received is alimony.

To be alimony, a payment must meet certain requirements. Different requirements generally apply to payments under instruments executed after 1984 and to payments under instruments executed before 1985. This chapter discusses the rules for payments under instruments executed after 1984. If you need the rules for payments under pre-1985 instruments, get and keep a copy of the 2004 version of Publication. That was the last year the information on pre-1985 instruments was included in Publication.

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Kiddie Tax

Allocable Parental Tax (BNA Analysis)

The allocable parental tax is the additional tax that would be imposed on the child's parents if the parents' taxable income included the NUI of all their children who are subject to the kiddie tax. Thus, the allocable parental tax equals the tax that would be imposed on the sum of the parents' taxable income plus the NUI of all their children subject to the kiddie tax, reduced by the income tax imposed on the parent's taxable income calculated without regard to the kiddie tax. In computing the allocable parental tax, the NUI of adopted children and stepchildren as well as natural children is included. However, the children's NUI is not taken into account in calculating any exclusion, deduction, or credit of the parents that is affected by the amount of the parents' gross income, AGI, or taxable income.

§ 1(g)(3)(A).



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Acquisition or Abandonment of Secured Property

1040.07.B. Reporting Requirements for Abandonment of Property (BNA Analysis)

Persons who make loans in connection with a trade or business are required to report transactions in which they acquire an interest in property securing the debt in full or partial satisfaction of the debt, or to report the abandonment of the property if they have reason to know it is abandoned. Reporting with respect to these transactions is made on Form 1096, Annual Summary and Transmittal of U.S. Information Returns, and Form 1099-A, Acquisition or Abandonment of Secured Property. In addition, brokers may be required in certain circumstances to report the discharge of a debt. Where the discharge of indebtedness gives rise to compensation income, wage withholding and reporting requirements apply.

§ 6050J. The 2002 Job Creation and Worker Assistance Act, P.L. 107-147, §402, authorizes the use of electronic information returns to recipients who give consent. For further discussion of these reporting requirements, see 3820. Regs. § 1.6050J-1T, Q&A-25.

§ 6045 ; Regs. § 1.6045-1, as modified by T.D. 9010, 67 Fed. Reg. 48754 (7/26/02), and effective for payments made after Dec. 31, 2002. See §§ 3401 - 3406 and regulations thereunder.



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The information in this paper came from searches conducted using ProLine Tax Research, the BNA-powered research solution found directly within the Lacerte or ProSeries tax program. ProLine Tax Research can help you research these Top 10 Topics plus 1,000's of others.

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We hope this paper has been helpful. Look for more ProLine Solutions Expert Series topics in the near future.