

**2009 Supplement**  
to  
*Federal Income Tax: A Problem-Solving Approach*  
*Cases and Materials*

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Since 2007, Congress has passed 23 major bills that include tax provisions. Most of these laws include some tax and some nontax provisions. The provisions that appear below represent those which, in our view, are relevant to your study in the Fall of 2009 of Federal Income Tax. This list is meant to assist you in preparing answers to questions based on the most recent version of the Internal Revenue Code (hereinafter the “Code”). (The Table of Internal Revenue Code Sections on page xvii of the text will direct you to the pages where these provisions are discussed.)

Please note that Congress amended a number of provisions more than once during the period from 2007 until the present. Therefore, different rules may apply depending on the tax year to which a provision is applicable. Your required Code book reflects the statute as amended by most of these laws, but it does not contain historic information. Therefore, if a new provision changes the old, you may have to refer to the older version that appeared in the U.S. Code or an earlier unabridged version of the Code from another source. Also note that this summary is not meant as a substitute for a careful reading of the Code. Rather, it is meant to call your attention to those provisions in the bills that we think may be important to you this semester.

The following changes appear in the order in which the applicable explanation appears in the text book. Although your current Selected Code and Regulations volume appears to include most of these changes, the reason for including them on this list is that subsequent legislation made changes, amended sunset dates, or require explanation or emphasis. In most cases, however, we have included changes in this list because they change statements made in the text at the pages listed.

- Page 41      Amend footnote 10 to provide: Exclusive Tax Court Jurisdiction Over CDP Hearings. Section 855 of the Pension Protection Act of 2006 (P.L. No. 109-280), modified the jurisdiction of the Tax Court, providing it with exclusive jurisdiction over all appeals of collection/due process determinations.
- Page 42      Amend footnote 11 to provide: Section 406 of the Tax Relief and Health Care Act of 2006 (P.L. 109-432) amends section 7623 of the Code (not in the selected

sections volume), to modify and increase the rewards available to “whistleblowers,” those who provide information to the Service regarding taxpayers in violation of the Code.

- Page 180 Amend Paragraph 1 to provide: P.L. 110-343 encompasses three separate acts: the Emergency Economic Stabilization Act of 2008, the Energy Improvement and Extension Act of 2008, and the Tax Extenders and the Alternative Minimum Tax Relief Act of 2008. Extension of Transportation Fringe Benefits to Bicycle Commuters. Section 211 of the Act amends section 132(f) to include “Any qualified bicycle commuting reimbursement.”
- Page 192 Amend footnote 8 to provide: P.L. 110-343 in section 201 extends through 2009 the deduction for state and local sales taxes in lieu of the deduction for state and local income taxes. In addition, section 1008(a) of the American Recovery and Reinvestment Tax Act of 2009, P.L. 111-5, authorizes the deduction of sales taxes on qualified motor vehicles (generally passenger cars and light trucks), purchased before December 31, 2009. The deductible amount is limited based on the taxpayer’s modified adjusted gross income.
- Page 193 Note in connection with question 3.a. that P.L. 110-343 also extends through 2009 the additional standard deduction for state and local property taxes. The original provision appeared in section 3021 of the Housing and Economic Recovery Act of 2008, P.L. 110-289, which added section 63(c)(1)(C). The new section gave taxpayers who did not itemize, a deduction equal to their state and local property taxes up to a maximum additional standard deduction of \$500, or \$1,000 for joint filers. In addition, Section 1008(c) of the Recovery and Reinvestment Tax Act of 2009, P.L. 111-5, amends section 63(c) to provide an increase in the standard deduction for the sales taxes on vehicles for taxpayers who do not itemize. The same income limits apply for taxpayers who do not itemize as apply for those who do. This provision too applies only for vehicles purchased before December 31, 2009.
- Page 193 Amend Paragraph 1 to provide that section 62(a) now describes 21 categories of expenses that qualify as “above the line” deductions.
- Page 251 Amend Paragraph 1 to note that section 303 of the Heroes Earnings Assistance and Relief Tax Act of 2008, P.L. 110-245, amended section 6651(a) to provide an increase to \$135 in the minimum penalty for failure to file a tax return.
- Page 262 Note in connection with the carryover paragraph discussion of the rules under Circular 230 for advising a client concerning a tax return position: The Service is currently studying how it should revise section 10.34(a) of Circular 230 to conform with recent changes to the return preparer penalty under section 6694(a).

The new section 6694(a) imposes a penalty on a tax return preparer who “prepares any return or claim of refund with respect to which any part of an understatement of liability is due to” an “unreasonable” position. A tax return position is unreasonable unless there is either (a) substantial authority for that position, or (b) the preparer discloses the position and there is a reasonable basis for the position. The Tax Section of the American Bar Association recently submitted comments urging Treasury to conform the standards of section 10.34(a) to the standards of section 6694.

- Page 290      Add to Paragraph 2 of number 5: Section 202 of the Emergency Economic Stabilization Act of 2008, Energy Improvement and Extension Act of 2008, and Tax Extenders and the Alternative Minimum Tax Act of 2008, P.L. 110-343, extended the above-the-line deduction for higher education expenses under section 222 through 2009.
- Page 290      Add also to Paragraph 2 of number 5: Section 1004(a) of the American Recovery and Reinvestment Act of 2009, P.L. 111-5, modifies and increases the Hope Credit for tax years 2009 and 2010 only, naming it for those two years the “American Opportunity Tax Credit.” Look at new section 25A(i).
- Page 318      Add to footnote 138: Section 1201(a) of the American Recovery and Reinvestment Act of 2009, P.L. 111-5, extended bonus depreciation under section 168(k) through 2009. The Economic Stimulus Act of 2008 had only extended it through 2008. This extension also applies to the calculation of the maximum allowable first-year deduction on luxury cars placed in service in 2009.
- Page 324      Add to the carryover paragraph in connection with section 280F: The changes noted above regarding bonus depreciation under section 168(k) also apply to the allowable first-year amount under section 280F for passenger automobiles. That is, section 168(k)(2)(F) (not in the selected sections volume), provides an increase of \$8,000 in the amount of depreciation allowed on passenger automobiles governed by section 280F.
- Page 651      Add to Paragraph 2 of Question 1: Section 3092 of the Housing and Economic Recovery Act of 2008, P.L. 110-289, amended section 121 to provide that a taxpayer may not exclude from gross income gain from the sale or exchange of a principal residence allocated to periods of non-qualified use. See section 121(b)(4)[5].
- Page 694      Add a new note: Section 2 of the Mortgage Forgiveness Debt Relief Act of 2007, P.L. 110-142, added section 108(a)(1)(E) which excludes income from a discharge before 2010 of qualified principal residence indebtedness. Section 303 of the Emergency Economic Stabilization Act of 2008, Energy

Improvement and Extension Act of 2008, and Tax Extenders and the Alternative Minimum Tax Act of 2008, P.L. 110-343, extended the provision to discharges occurring through 2012. Note the change to section 25A described above as a change to page 290 of the text. Note the change to section 222 described above as a change to page 290 of the text.

- Page 714 Add to Paragraph 3: Section 3011 of the Housing and Economic Recovery Act of 2008, P.L. 110-289, added new section 36 to the Code, giving a tax credit to first-time home buyers. Section 1006 of the American Recovery and Reinvestment Act of 2009, P.L. 111-5, increased the amount of the credit to \$8,000 for homes purchased between January 1, 2009 and before December 1, 2009. Unlike the earlier version of the credit, the amended credit need not be repaid. It is not, however, available to all taxpayers: there is a phaseout based on modified adjusted gross income.
- Page 731 Amend footnote 2: Section 1004 of the American Recovery and Reinvestment Act of 2009, P.L. 111-5, further extends through 2009 the right of a taxpayer to use non-refundable credits to offset the alternative minimum tax. The Emergency Economic Stabilization Act of 2008, the Energy Improvement and Extension Act of 2008, and the Tax Extenders and Minimum Tax Relief Act of 2008, P.L. 110-343, had earlier extended the provision through 2008. Note also the change to section 25A described above as a change to page 290 of the text.
- Page 732 Note the change to section 25A described above as a change to page 290 of the text. Note the change to section 222 described above as a change to page 290 of the text.
- Page 739 Add to last part of Question 5: Section 1003 of the American Recovery and Reinvestment Act of 2009 provides a different floor for calculating the amount of the section 24 child credit that is refundable. For 2009 and 2010 only, the refund equals 15% of the taxpayer's income in excess of \$3,000. This refundable amount is further limited, however. The maximum is the amount of the child credit.
- Page 740 Add to the end of the Low Income Taxpayer Problem: Section 1001 of the American Recovery and Reinvestment Act of 2009, P.L. 111-5, added new Code section 36A, the Making Work Pay Credit for 2009 and 2010 only. The credit equals the lesser of 6.2% of the taxpayer's earned income or \$400 (\$800 for a joint return). There is a phaseout based on modified adjusted gross income.
- Page 757 Add to Question 5: Section 403 of the Emergency Economic Stabilization Act of 2008, the Energy Improvement and Extension Act of 2008, and the Tax Extenders and Minimum Tax Relief Act of 2008, P.L. 110-343, requires that every broker

required to file a return under section 6045(a), reporting the gross proceeds from the sale of a covered security, must include in the return: (1) the customer's adjusted basis in the security, and (2) whether any gain with respect to the security is long-term or short-term.

Page 767 Note the change to section 25A described above as a change to page 290 of the text. Note the change to section 222 described above as a change to page 290 of the text.

Page 768 Note the change to section 25A described above as a change to page 290 of the text.

Page 769 Amend Paragraph 3 of Question 11: Note the change to section 25A described above as a change to page 290 of the text.