



# DONOVAN SULLIVAN & RYAN

June 2009

A Newsletter for our Clients and Friends

## CREDIT CARD REFORMS SIGNED INTO LAW

President Obama recently signed legislation that will enact major credit card reforms. The Credit Card Accountability, Responsibility and Disclosure, or Credit CARD Act, will implement many changes including:

- A prohibition on retroactive rate increases unless the consumer is 60 days delinquent. If a customer triggers a rate increase in this manner, the previous rate would be reinstated after six months of on-time payments.
- A requirement to notify consumers 45 days in advance of any rate hike. Presently, cardholders only receive a 15 day heads up.
- A ban on changing overlimit fees unless the customer has consented to exceeding their own credit limit. Banks can't charge consumers a fee to pay their credit card debt by telephone or internet. Payments received by the due date or next business day if the due date is a holiday or weekend will not trigger a late fee.
- A requirement that people under the age of 21 prove their income, have a co-signer or pass a financial literacy course to get a credit card.
- A ban on double-cycle billing, the practice of basing finance charges on the current and previous balance.
- Above the minimum payments will be applied first to the credit card balance with the highest interest rate.
- Card companies must send statements 21 days before payments are due - current law requires 14 days notice.
- Protection for gift cardholders. The new law prohibits gift cards from expiring for at least five years. Inactivity fees can not be assessed unless the card has gone unused for 12 months.



FROM THE  
PARTNERS  
PEN....

Dear Clients and Friends,

It's hard to believe that summer is right around the corner. Now is a good time to remind everyone that our office will be closed on Fridays during July and August. This is to allow our staff to enjoy the summer before it slips away.

Summer is the perfect time of year to analyze your tax situation. If you know that your income is going to change significantly this year, now is the time to adjust your estimated tax payments. I can help you with this as well as any other tax planning questions you may have.

Also, we have a Certified QuickBooks Pro Advisor on staff to help you with any problems you may encounter in recording your activity or setting up your QuickBooks chart of accounts. Our advisor can come to your office for a few hours to help you get on and stay on the right track. Let us know if we can be of assistance.

Here's wishing you a fun-filled and safe summer!

Sincerely,

Mike Ryan

## First-time Homebuyer Credit for 2009



Under the American Recovery and Reinvestment Act of 2009, qualifying first-time homebuyers who purchase a home before December 1, 2009 can receive a credit of \$8,000.

For homes purchased in 2009, the credit does not have to be paid back unless the home ceases to be the taxpayer's main residence within a three-year period following the purchase. The credit can be claimed either on a 2008 tax return (if you've already filed you can amend your 2008 return to receive your refund early) or on a 2009 tax return. The credit may not be claimed before the closing date.

There was a similar tax credit in 2008 that established a tax credit for first-time homebuyers up to \$7,500. The major difference to the 2009 credit is that the 2008 credit must be repaid in 15 equal, annual installments beginning with the 2010 income tax year.

***"More than accountants....business advisors"***

## 2009 CHANGES TO EDUCATION CREDITS



Education tax credits were significantly enhanced under the American Recovery and Reinvestment Act of 2009. It is important to review your situation under the new guidelines as you may now be eligible for the credits. Education tax credits can help offset the costs of higher education for yourself or a dependent. The Hope Credit and the Lifetime Learning Credit are two education credits available which may benefit you. You may be able to subtract them in full from your federal income tax, rather than just deducting from your taxable income.

### The Hope Credit

- In 2009, the Hope Credit applies to all four years of post-secondary education, such as college or vocational school. It does not apply to graduate and professional-level programs. (previously only applied to first two years)
- It can be worth up to \$2,500 **per eligible student** in 2009. (previous maximum was \$1,800) The \$2,500 maximum is **per student** and not per return. So, for example, if you have two dependents in college at the same time you could get a credit of up to \$5,000.
- You're allowed 100% of the first \$2,000 of qualified tuition and related fees paid during the tax year, plus 25% of the next \$2,000 per student.
- Qualified expenses include tuition and fees required for enrollment or attendance at an eligible education institution and course materials (such as books). They do not include room and board, student activities, athletics (other than courses that are part of a degree program), insurance, equipment, transportation, or any personal, living, or family expenses.
- Each student must be enrolled at least half-time for at least one academic period which began during the year.

### The Lifetime Learning Credit

- Applies to undergraduate, graduate and professional degree courses, including instruction to acquire or improve job skills.
- If you qualify, your credit equals 20% of the first \$10,000 of post-secondary tuition and fees you pay during the year, for a maximum credit of \$2,000 per tax return.

You cannot claim both the Hope and Lifetime Learning Credits for the same student in the same year.

To qualify for either credit, you must pay post-secondary tuition and fees for yourself, your spouse or your dependent. The credit may be claimed by the parent or the student, but not by both. Students who are claimed as a dependent cannot claim the credit.

These credits are phased out for Modified Adjusted Gross Income over \$80,000 (\$160,000 for married filing jointly) and eliminated completely for Modified AGI of \$90,000 or more (\$180,000 for married filing jointly). If the taxpayer is married, the credit may be claimed only on a joint return.

### An Added Benefit for 2009 and 2010

As an added benefit for college students, for tax years 2009 and 2010 computer equipment and computer "technology", including internet access costs, will be considered "qualified education expenses" under Section 529 college savings plans. Students will be able to use tax-free 529 monies to purchase computers and pay for internet access if they are enrolled in an eligible educational institution in 2009 and 2010.

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