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| Description: Vimlan Logo | "Tax Tips" -- Homebuyer Closing Date Extended!!! And Convert Your IRAs NOW!! |
| July 8th, 2010 | By Milan Madhani, CPA Volume 1, Issue 3 |
| In This Issue  Homebuyer Closing Date Extended  Convert your IRAs to ROTH before 12/31/2010  Contact Us  939 N Plum Grove Rd  Suite A  Schaumburg, IL 60173  Ph.847.619.0413  Fx.847.619.0966  [http://www.vimlantax.com](http://www.adatum.com)  [info@vimlantax.com](mailto:someone@example.com) | Closing Date for Both Homebuyer Credits Extended You now have until September 30th, 2010 to close either on your first home purchase OR your new home (if you are availing the longtime resident homebuyer credit)  According to the Homebuyer Assitance & Improvement Act of 2010, signed by the President on July 2nd, 2010, the closing date for any eligible homebuyer has been extended from June 30th, 2010 to September 30th, 2010. But before you jump for joy, **remember**, that you ***must still have entered into a binding contract by April 30th*** for your new home in order to qualify for either credit. In other words, your fully executed and completely filled-out purchase contract must show an April 30th (or prior date) contract-signing date. In addition, remember to include the following items in your package in claiming the credit on either your 2009 tax return (if not yet filed), your 2009 amended tax return (if amending the 2009 tax return to claim this credit) or on your 2010 tax return you will file next year:   1. ***Copy of HUD-1 Settlement Statement (usually you get this at the closing table from the title company).*** 2. ***As stated above, your fully executed purchase contract, completely filled out with property address, purchase amount, everyone's names, signatures, addresses, phone #s, and of course, contract execution date showing 04/30/2010 or earlier.***   If you're claiming the longtime resident homebuyer credit, remember, you must have lived in your prior home for at least the last 5 consecutive years during an eight-year period ending on the purchase date of your new home. Remember to attach to either your 2009 tax return (if not yet filed), your 2009 amended tax return (if amending the 2009 tax return to claim this credit) or to your 2010 tax return you will file next year:   1. ***Form 1098, Mortgage interest statements or subsitute mortgage interest statemens for the last 5 years.*** 2. ***Property tax records for the last 5 years.*** 3. ***Homeowner's insurance records for the last 5 years.***   For more detailed info, go to the IRS's notification for this new update at the following link:[***http://www.irs.gov/irs/article/0,,id=225078,00.html***](http://www.irs.gov/irs/article/0,,id=225078,00.html) Convert Your Traditional IRA to Your ROTH IRA Without Any Increased Tax Liability in 2010 Only  |  |  | | --- | --- | | Description: S:\PublicDrive\Advertising -- Vimlan Tax\ti_conversion_tab.jpg | Just a friendly reminder for any of you who have any traditional IRAs (or former employer 401(ks) or 403(bs)) sitting at any of your or your former employers' banks/brokerage-- make sure you convert them into ROTHs before 12/31/10, or lose out on a valuable tax saving strategy. Traditional IRAs are usually retirement accounts taxpayers have set up at their financial institution of choice for which they receive a tax deduction on their tax returns for the contributed monies to those accounts. However, traditional IRAs are also accounts where monies have been rolled over from employer qualified 401(k) or 403(B), or other qualified retirement plans. |   So whether your IRAs are either rolled over from prior employers, directly opened and contributed to by you, or both, you have one major disadvantage: Whenever you withdraw money on it, whether before 59 1/2 or after, you must pay tax on any contributed amount. If you are young or have considerable time until you wish to withdraw your IRA money, I would advise you to convert the IRA into a ROTH where any amount withdrawn from a ROTH is NOT subject to tax (penalty tax is still existent if you withdraw before age 59 1/2). Converting from an IRA to a ROTH involves having to pay the income tax (at your marginal rate) on the WHOLE balance conversion of the IRA to the ROTH. But since your IRA balance right now is much lower than what it could possibly grow to once transferred into a ROTH, there is one major advantage to converting before 12/31/2010:   * The income tax amount on the current, lower balance IRA (or 401(k)/403(b)) which you would seek to convert to a ROTH can be much lower now than the tax you will pay on yearly distributions from your IRA or 401(k)/403(b) should you choose not to convert it to a ROTH. * Also, **SPECIAL** for 2010 only, **THERE IS NO TAX FOR CONVERSIONS**, just for 2010 only. The tax is actually split up to be paid to the IRS on your 2011 & 2012 tax return (so this means you don't have to pay back the IRS for the tax on the converted amounts until at least starting 18 months from now). * Finally, usually ROTH conversions were only available to those whose adjusted gross income (the last line on the first page of your tax return - line 37) was below $100,000. This requirement is NO longer in existence, at least for 2010. Whether it comes back, who knows? But it's certain that you should take advantage of this ASAP.   So again, why do you want to convert IRAs and former-emloyer 401(k)s/403(bs) retirement monies to a ROTH and pay the tax on the conversion in 2012 & 2013?? Because when you withdraw monies from a ROTH, there is NO income tax, as opposed to IRAs and former-emloyer 401(k)s/403(bs), where there is a tax at your normal marginal income tax bracket on every dollar you withdraw, which in my opinion can be much more expensive in the long run. .  ***Contact Milan Madhani at*** [***mmadhani@vimlantax.com***](mailto:mmadhani@vimlantax.com) ***with any questions/comments.*** |