

February 19, 2009

To: CyberTax members

From: David Alexander, Business Process Specialist, AARP Tax-Aide

Subject: CyberTax 2009-014: Real Estate Taxes and Housing Individuals of
Midwestern Disasters

You may already be aware of this, but we wanted to draw your attention to two topics that may affect your clients. First, an update on the ability for taxpayers to an increase in their standard deduction if they are paying real estate taxes even in the case where they do not itemize their deductions and also the Exemption for Taxpayers Housing Individuals Displaced by the Midwestern Disasters.

This message was adapted from an IRS Quality Alert.

1. Individuals who paid Real Estate Taxes but do not itemize:

For the 2008 tax year, taxpayers who do not have enough expenses to itemize may be able to claim their state and local real property taxes as an **Additional Standard Deduction**.

How to determine which deduction to use:

If taxpayers are not required to itemize, they should take the higher of the standard deduction or the itemized expenses deduction. In general, taxpayers will benefit from itemizing their deductions if they have mortgage interest, qualified charitable contributions, or if unreimbursed medical/dental expenses are large compared to their income.

If Form 1040 Schedule A is accurately completed in TaxWise®, the software will calculate the taxpayer's itemize deductions or the additional standard deduction to report their qualified real estate taxes. Single taxpayers may be entitled to an additional maximum of up to \$500 and joint taxpayers may be entitled to an additional maximum of up to \$1,000.

For more information, see chapter 20 in Publication 17, *Your Federal Income Tax* and Publication 4012, *Volunteer Resource Guide* page F-2, line 7.

2. Exemption for Taxpayers Housing Individuals Displaced by the Midwestern Disasters: Taxpayers who provided housing in their main homes to individuals displaced by the severe storms, tornadoes or flooding that occurred in the Midwestern Disaster Areas may be able to claim an additional exemption amount of \$500 for each such displaced individual. The additional exemption amount is allowable once per taxpayer for a specific Midwestern Disaster displaced individual in 2008 or 2009, but not

in both years. The maximum additional exemption amount that can be claimed for all displaced individuals is \$2,000 (\$1,000 if married filing separately). Any exemption amount claimed in 2008 will reduce the \$2,000 maximum for 2009.

To qualify as a displaced individual, the individual must have had his or her main home in a Midwestern Disaster Area on the applicable disaster date, and he or she must have been displaced from that home. If the displaced individual's main home was located in a Midwestern Disaster Area, that home must have been damaged by the severe storms, tornadoes or flooding or the individual must have been evacuated from the home because of the severe storms, tornadoes or flooding. In addition, the displaced individual must have been provided housing in the taxpayer's main home for a period of at least 60 consecutive days ending in the tax year in which the exemption is claimed. The displaced individual cannot be the taxpayer's spouse or dependent.

More detailed information on claiming the additional exemption can be found in Publication 4492-B, *Information for Taxpayers Affected in the Midwestern Disaster Areas* and Publication 17, *Your Federal Income Tax*.

Leaders, please share this information with volunteers who may not receive CyberTax.

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