

**DESCRIPTION OF MAJOR CHANGES FOR
2010 INSTRUCTIONS FOR FORM 1040-C U.S. DEPARTING ALIEN INCOME TAX
RETURN**

Instructions for Form 1040-C were revised to incorporate changes due to tax law sunset and sunrise provisions and new legislation. Other changes are made to conform to the 1040 instructions.

Major changes are:

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What's New

Personal exemption and itemized deduction phaseouts. For 2010, taxpayers with AGI above a certain amount will not lose part of their deduction for personal exemptions and itemized deductions. Under current law, these phaseouts will resume in 2011"IRC 68(g); IRC 151(d)(3)(F)"

IRA deduction expanded. You may be able to take an IRA deduction if you were covered by a retirement plan and your 2010 modified AGI is less than \$66,000 (\$109,000 if a qualifying widow(er)). If your spouse was covered by a retirement plan, but you were not, you may be able to take an IRA deduction if your 2010 modified AGI is less than \$177,000. IRC 219(b)(5)(A)IRC 219 (g) (3) (B) and Notice 08-102

Standard mileage rates. The rate for business use of your vehicle is reduced to 50 cents a mile. The rate for use of your vehicle to move is reduced to 16 1/2 cents a mile. The rate of 14 cents a mile for charitable use is unchanged. RP 2009-54 sec 2.

Alternative minimum tax (AMT) exemption amount decreased The AMT exemption amount is decreased to \$33,750 (\$45,000 for a qualifying widow(er); \$22,500 if married filing separately. IRC 55(d)(1)

Domestic production activities income deduction. The percentage rate for 2010 increases to 9%. However, the deduction is reduced if you have oil-related qualified production activities income. IRC 199(a)(1)

Certain credits not allowed against the AMT. The credit for child and dependent care expenses, nonbusiness energy property credit("IRC 25C(a) and (b)"), mortgage interest credit(IRC 25(e)(1)(C)(ii)), and the District of Columbia first-time homebuyer credit are not allowed against the AMIRC 1400C(d)(2) and a new tax liability limit applies. For most people, this limit is your regular tax minus any tentative minimum tax.

Roth IRAs. Half of any income that results from a rollover or conversion to a Roth IRA from another retirement plan in 2010 is included in income in 2011, and the other half in 2012, unless you elect to include all of it in 2010. In addition, for any tax year beginning after 2009, you can make a qualified rollover contribution to a Roth IRA regardless of the amount of your modified AGI. IRC 408A(d)(3)(A)(iii)

Personal casualty and theft loss limit reduced. Each personal casualty or theft loss is limited to the excess of the loss over \$100 (instead of \$500).

Qualified fuel cell motor vehicle credit reduced. For qualified vehicles with a gross vehicle weight rating of 8,500 pounds or less that are placed in service

after 2009, the credit allowed for the purchase is reduced by 50%. For more information, see the instructions for Form 8910. IRC 30B(b)(1)(A)

Repayment of first-time homebuyer credit. If you claimed the first-time homebuyer credit for a home you bought in 2008, you generally must begin repaying it in 2010. See Form 5405. IRC 36(f)(7)

Expiring Tax Benefits

The following benefits are scheduled to expire and will not be available for 2010. At the time the instructions went to print, Congress was considering legislation that would extend some of these items.

- The exclusion from income of up to \$2,400 in unemployment compensation. IRC 85(c),
- Tax-free distributions from certain individual retirement plans for charitable purposes. IRC 408(d)(8)(F)
- Deduction for educator expenses in figuring AGI. IRC 62(a)(2)(D)
- Tuition and fees deduction in figuring AGI. IRC 222(e)
- Extra \$3,000 IRA deduction for employees of bankrupt companies. IRC 219(b)(5)(C)
- District of Columbia first-time homebuyer credit (for homes purchased after 2009). IRC 1400C(i)
- Waiver of minimum required distribution (MRD) rules for IRAs and defined contribution plans. However, the waiver for 2009 MRDs applies through April 1, 2010. IRC 401(a)(9)(H)
- Government retiree credit. P.L. 111-5, Div B, sec 2202"
- Credit to holders of clean renewable energy bonds issued after 2009. IRC 54(m)
- Alternative motor vehicle credit for all qualified hybrid motor vehicles placed in service after December 31, 2009, except for passenger automobiles and light trucks with a gross vehicle weight rating of 8,500 pounds or less.
- Decreased estimated tax payments for certain small businesses. IRC 6654(d)(1)(D),
- Certain tax benefits for Midwestern disaster areas PL 110-343, sec. 702 (a)(1)(F) and 702(d)(12), PL 110-343, sec. 702(d)(14) P.L. 110-343, Div C, sections 703(d)(7) and (10)(B); (e)(1)(A), and (4).
- Itemized deduction or increased standard deduction for state or local sales and excise taxes on the purchase of certain motor vehicles. IRC 164(b)(6)(G)
- Itemized deduction for state and local general sales taxes. IRC 164(b)(5)(I).

Reminders

Former U.S. citizens and former U.S. long-term residents. adding IRC 877A requirement. PL 110-245, sec 301 JCT

Repayment of first-time homebuyer credit If you claimed the first-time homebuyer credit in the 2009 tax return and the property ceased to be the main home in 2010, you must repay the credit by including it as additional tax due on Form 1040-C, line 21. For more information, including exceptions to these repayments, see the 2009 Form 5405. *Page 3*

1- phone iconpara added. *You may contact 1-800-829-1040 to obtain the location of our field assistance offices and tax information.*

Added information to download the W-7 from the IRS website.

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Making work pay credit. This credit applies only to resident aliens who had earned income. Compute the credit on Schedule M, Making Work Pay and Government Retiree Credits.

Repayment of first-time homebuyer credit. If the home was purchased in 2009, the first-time homebuyer credit claimed in the 2009 return and the home ceased to be the main home in 2010 refer to Form 5405 (Rev. December 2009). For home purchased in 2008 for which credit was claimed in 2008, refer Form 5405 (Rev. February 2009).

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Itemized Deductions Worksheet eliminated for 2010. The phase-out minimum amount has expired for 2010.

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Disclosure, Privacy Act, and Paperwork Reduction Act Notice modified per CC notice

Tax Rate Schedules updated. RP 2009-50, sec 3.01

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Deduction for Exemptions Worksheet eliminated for 2010. The phase-out minimum amount has expired for 2010