



Tax Tips You Can Use March 2009

## ***Rebate Recovery Credit in 2008***

By Kathleen Crawford, EA

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With all of the tax law changes for 2008 and 2009, this column has subjects for the entire year! One item on the 2008 tax return is causing a lot of confusion. The IRS says that the number one error on returns so far this tax season is the accounting for the “Rebate Recovery Credit” on line 70 of the 1040 form and line 42 of the 1040S. This is the famous “stimulus check” most of us received in 2007. There are three areas about this item that need explanation. First, why is it there and how do we find out how much it was. Last is how to handle it on the 2008 tax return.

Congress passed a law last year giving taxpayers a one time credit on their 2008 tax return, called the Rebate Recovery Credit. Because of the poor economy, Congress wanted people to have (and spend) the money right away. To make that happen, the credit was “estimated” based on the 2007 return and sent to taxpayers in the summer of 2007 as a “Stimulus check”. Now, with the 2008 return, the real calculation must be made.

Many people don’t remember exactly how much they received in the Stimulus check. To aid taxpayers and tax preparers, the IRS has set up a page on their website that enables people to look up how much they received. One has to go to [www.irs.gov](http://www.irs.gov) and click the “How much was my stimulus payment?” button that is in the sidebar. Remember, it is IRS.GOV not irs.com. Click again, answer the questions and the next page tells you the amount. When the site is very busy, it may say that it is unavailable. Just try it again, because the second try always works for me-although waiting until April may be bad.

Now that a taxpayer or the tax preparer is sure of the correct amount, it must be accounted for on the 2008 return. If you use a paid tax preparer, most professional software requires that the stimulus check amount be verified before the return can be completed. If you use consumer software, like TurboTax<sup>TM</sup> or others, or do your return by hand, there is a worksheet in the 1040 booklet. If the 2008 calculation of the credit and the amount you received in 2007 as the stimulus are the same, then a zero or no entry is needed on your tax return. If you received more in 2007 than your 2008 calculation, then the good news is that you do not have to repay it- no entry is needed on your tax return. If the worksheet says that you should have received more, then you put the amount of extra credit on your return and you can offset tax or get a refund. How can this happen? If a taxpayer had a baby in 2008, then the 2007 return would not include the baby but the 2008 would include the newborn. An extra \$300 credit would be added to the return. If one’s income changed, that could also trigger an increase. Remember also that Oregon wants you to deduct the Stimulus amount from your income tax subtraction on form 40. The IRS and Oregon hope that people will use the worksheets and check the websites so that tax returns will be prepared correctly- or hire a professional.

The Jacksonville Tax Lady, LLC can be reached at 541-899-7926 and is located in beautiful, historic Jacksonville at 610 N. Fifth Street across from the Pony Espresso.

The fine print is that this article is for information only. Please call Kathy or a tax professional for questions about your individual tax situation. The Jacksonville Tax Lady can be reached at 541-899-7926 or at 610 North Fifth Street.

