

Individual Tax Provisions

With the enactment of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (H.R. 4853), the Bush-Era tax cuts for personal income have been extended and numerous provisions could impact your income, lifestyle and estate.

Below are several — but not all — of the provisions to should be aware of:

- AMT patch (individual AMT exemption amount for taxable years beginning in 2010 is (1) \$72,450 (\$74,450 in 2011), for joint returns and surviving spouses; (2) \$47,450 (\$48,450 for 2011) for unmarried individuals; and (3) \$36,225 (\$37,225 for 2011) for married individuals filing separate returns; allows an individual to offset the entire regular tax liability and alternative minimum tax liability by the nonrefundable personal credits for 2010 and 2011).
- A new estate tax rate and exemption amount for 2011 and 2012. The exemption amount is set at \$5 million per person (\$10 million per couple) and a maximum 35% tax rate is in effect.
- For 2011 only, a reduction of the Social Security (OASDI) tax rate on employees to 4.2% (from 6.2%) and reduction of the self-employment tax (SECA) rate to 10.4% (from 12.4%).
- Additional extensions through 2012 include:
 - Extension of the 10%, 15%, 25%, 28%, 33% and 35% individual income tax rates.
 - Extension of the tax rates for qualified dividend income and capital gain (0% and 15%).
 - Extension of the \$1,000 child tax credit and allowance of the credit against regular income tax and AMT and the earned income formula for determining the refundable child credit, with the earned income threshold of \$3,000.
 - Extension of marriage penalty tax relief (the basic standard deduction for a married couple filing a joint return remaining twice the basic standard deduction for an unmarried individual filing a single return and increase in the size of the 15% regular income tax rate bracket for a married couple filing a joint return to twice the 15% regular income tax rate bracket for an unmarried individual filing a single return).
 - Extension of education provisions (the NHSC Scholarship Program and the Armed Forces Scholarship Program scholarship exclusion, the exclusion from income and wages for employer-provided educational assistance, above-the-line qualified tuition expense deduction, the student loan interest deduction, and Coverdell education savings accounts).
 - Extension of deduction for State and local general sales taxes in lieu of State and local income taxes for taxpayers who itemize their deductions.

Business Tax Provisions

With the enactment of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (H.R. 4853), the Bush-Era tax cuts for business income have been extended and numerous provisions could impact your business.

Below are several — but not all — of the provisions you should be aware of:

- Extension of bonus depreciation (and creation of 100% bonus depreciation for assets placed in service after September 8, 2010, and before 2012) and Section 179 expensing amounts;
- Extension of business incentives, including: the research and development credit; 15-year depreciation for leasehold, restaurant and retail improvements; 7-year depreciation for motorsports entertainment complexes; special expensing for film and television costs.
- Extension of special energy incentives including: the new energy efficient home credit; incentives for biodiesel and renewable diesel; suspension of the limitation on percentage depletion for oil and gas from marginal wells; and grants for specified energy property in lieu of tax credits under Section 1603 of the American Reinvestment and Recovery Act of 2009.
- Extension of incentives that help improve conditions in the District of Columbia, New York City and the Gulf region.
- Extension of corporate charity deductions for donations of food inventory, computer equipment and books.

Estate Planning

On December 17, President Obama signed into law new but temporary legislation that affects the taxation of estates through December 31, 2012, only. Depending on your circumstances, you may benefit from some of the changes implemented in the new Act, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, including the following:

- Higher exemption for property subject to tax
- New “portability” exemption, which allows one spouse to use any exemption amount not used by the other spouse
- Option for estates of persons dying in 2010 to elect out of the estate tax and into the carryover basis regime
- Extended filing date for 2010 estate tax returns
- Higher exemption for gifts and bequests to grandchildren and great-grandchildren

Beginning in 2013, the pre-2001 estate and gift tax provisions will return, bringing with them higher tax rates—in some cases, 20% higher—and lower exemptions.

We welcome the opportunity to meet with our clients to evaluate each individual situation and discuss the impact of these provisions and tax cut extensions.