

PRESIDENT OBAMA SIGNS NEW TAX PROVISIONS INTO LAW

On September 27, 2010, President Obama signed the Small Business Jobs Act (H.R. 5297) into law. This Act contains valuable individual and business tax incentives. Many of the \$12 billion tax incentives are temporary, with a short window to act. Others are permanent but require careful planning to maximize your tax benefits. This article highlights several of the tax incentives and revenue raisers in the new law. There will be a more extensive article on the Act in next week's newsletter.

Although the new law is labeled a "small business bill" and clearly helps small businesses in many ways, it actually is much more. The new law includes a number of provisions targeted to small businesses and investors in small businesses, such as 100 percent exclusion of gain on qualified small business stock, an increase in the amount allowed as a deduction for start-up expenditures, and more. Other provisions may benefit businesses of all sizes, such as extended bonus depreciation and extended and doubled [Code Sec. 179](#) expensing. Many individuals will benefit from a new rule allowing retirement rollovers from elective deferral plans to Roth designated accounts, along with other retirement savings incentives.

Equipment expense deduction: To assist small businesses, the act allows to quickly recover the cost of certain capital expenses, as small business taxpayers can elect to write off the cost of these expenses in the year of acquisition, instead of recovering these costs over time through depreciation. Under the new law, for tax years beginning in 2010 and 2011, the current \$250,000 limit was increased to \$500,000, which would be phased out with a maximum capital investment of \$2,000,000.

The Act also makes certain real property eligible for expensing, which in the past was disallowed from Section 179. For property placed in service in any tax year beginning in 2010 or 2011, the up-to-\$500,000 of property expensed can include up to \$250,000 of qualified real property (qualified leasehold improvement property, qualified restaurant property, and qualified retail improvement property).

Extension of 50% bonus first-year depreciation: The 50% bonus depreciation provision, which has allowed businesses to write-off 50% of the cost of capital expenditures for most new tangible personal property placed in service, has been extended to 2010.

Start-up expenditures. The new law increases the amount of start-up expenditures that a taxpayer may elect to deduct from \$5,000 to \$10,000 for tax years beginning in 2010.

Deductibility of health insurance: With regards to the calculation of self-employment tax, business owners are now allowed to deduct the cost of health insurance incurred in 2010 for themselves and their family members for purposes of calculating their 2010 self-employment tax.

Rental property expense payments. The new law also imposes information reporting requirements on certain recipients of rental income from real estate. Rental income recipients making payments of \$600 or more to a service provider in a tax year will be required to file an information return with the IRS and the service provider. The reporting provision applies to payments made after December 31, 2010.

If you have any questions or would like to discuss, please contact **Joel Ackerman at 631-870-3920**.