

HIGHLIGHTS OF 2010 TAX LEGISLATION

There were several federal tax acts passed during 2010. Some provisions of these acts affect 2010, however, most provisions affect 2011 and beyond. The following are highlights of the more significant provisions:

EXTENSION OF THE BUSH ERA TAX CUTS through 2012, including:

- * Current tax rates including top rate of 35% (was scheduled to increase to 39.6%)
- * Maximum 15% tax rate on long-term capital gains and qualified dividends

ESTATE and GIFT TAXES for 2011 and 2012:

- * Federal Estate Tax Exemption increases to \$5M; 2009 amount was \$3.5M; was scheduled to decrease to \$1M. The exemption is now "portable" between spouses
- * Flat rate of 35% is in effect; top rate in 2009 was 45%; was scheduled to increase to 55%
- * Lifetime gift tax exemption increases to \$5M to unify with estate tax exemption; previously frozen at \$1M (annual gift tax exclusion remains at \$13K per donee)
- * 2010 estates have the option of choosing the new 2011 rules or the existing 2010 rules (no estate tax and limited "step-up" in basis)

PAYROLL TAX and REPORTING:

- * The requirement for Form W-2 reporting of employer paid health insurance premiums has been delayed until 2012
- * Starting in 2011, owners of rental real estate (including individuals) are required to file Forms 1099 to any person or corporation to whom \$600 or more is paid
- * Starting in 2012, all businesses are required to file Forms 1099 to any individual or corporation to whom \$600 or more is paid for goods or services (previously, corporate payees were excluded). Congress is currently considering overturning this provision
- * For 2011, the employee's share of Social Security Tax is decreased from 6.2% to 4.2% on the first \$106,800 of wages (2% decrease applies to self-employment tax, also)
- * Starting in 2011, nearly all businesses must electronically submit tax deposits to the IRS

DEPRECIATION CHANGES:

- * Qualified property acquired and placed in service after September 8, 2010 and before January 1, 2012 is eligible for 100% bonus depreciation
- * Qualified property acquired and placed in service in 2012 is eligible for 50% bonus depreciation
- * Qualified property acquired and placed in service during 2010 and 2011 is eligible for up to \$500,000 of section 179 expensing (phases out once \$2M of assets are purchased)
- * Qualified property acquired and placed in service during 2012 is eligible for up to \$125,000 of section 179 expensing (phases out once \$500K of assets are purchased)

OTHER ITEMS:

- * Effective in 2011, foreign financial accounts in excess of \$50,000 of value will be subject to increased reporting requirements
- * Effective in 2013, a 0.9% additional Medicare tax is imposed on taxpayers with wages in excess of \$200,000 (\$250,000 for a married couple filing a joint return)
- * Effective 2013, a 3.8% Medicare tax is imposed on qualified unearned income of higher-income individuals in excess of certain thresholds

Please contact our office to discuss any of these items or any other aspects of your individual, estate or business tax situation.