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Confused about all the changes... give us a call and let us help you.

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Small Business Jobs Act of 2010

On September 27, President Obama signed the Small Business Jobs Act of 2010 into law which includes many individual and business tax incentives. Some of them are permanent, but many are temporary. Therefore, if you are in a position to take advantage of them, you need to act fast. These incentives include, but are not limited to:

- **Bonus depreciation:** Bonus depreciation allows taxpayers to take an additional first-year depreciation deduction equal to 50% of the adjusted basis of qualified property. This benefit had expired at the end of 2009, but has now been extended to include qualified property acquired and placed in service during 2010 (or placed in service in 2011 for certain longer-lived property and transportation property).
- **Section 179 expense limit increased:** The maximum amount of capitalized assets a taxpayer may expense under Code Sec 179 has been increased to \$500,000. The phase-out threshold has been raised to \$2,000,000. These new amounts are only available for tax years beginning in 2010 and 2011.
- **Additional depreciation for qualified leasehold, restaurant, and retail improvement property:** The new law also allows taxpayers to expense qualified leasehold improvement, restaurant, and retail improvement property. The limit is \$250,000 for this type of property.
- **Information reporting for rental property owners:** Rental income recipients will be required to report payments of \$600 or more to a service provider on Form 1099-MISC. This provision is effective for payments made after December 31, 2009.
- **Start-up expenses:** The new law increases the amount a taxpayer can deduct for start-up expenditures in the tax year in which the active trade or business begins to \$10,000. This amount had previously been capped at \$5,000. The new amount only applies to tax years beginning in 2010. The amount that can be expensed is reduced by the amount of qualified start-up costs exceeding \$60,000.
- **Exclusion of gain on sale of small business stock:** To encourage investment in small businesses, individuals may exclude 100% of the gain with the respect to the sale of qualified small business stock held at least 5 years. The stock must be acquired between the date of enactment and January 1, 2011, at original issue, and be from a qualified small business.

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- **Rollovers to Roth plans:** Employer sponsored retirement plans, such as 401(k) plans, may give plan participants new savings options. If an employer with a 401(k), 403(b), or 457(b) plan has a qualified designated Roth contribution program, participants can roll over a distribution from the pre-tax plan into the Roth plan. This will trigger a taxable event. However, tax from a 2010 rollover can be spread equally over 2011 and 2012.
- **Small business credit carryback:** The new law extends the carryback period for eligible small business credits from one to five years. This extended carryback is only available for general business credits determined in the taxpayer's first tax year beginning after December 31, 2009.
- **Self-employed health insurance costs:** Self-employed individuals may now claim a deduction for qualified health insurance costs paid for the individual and his or her immediate family for income tax purposes. This provision only applies to tax years beginning after December 31, 2009.
- **Cell phones:** For tax years beginning after December 31, 2009, cell phones have been permanently removed from the definition of listed property.

Even though the Small Business Jobs Act of 2010 was signed on September 27, 2010, many of its provisions are retroactive. Therefore, decisions that you have already made during 2010 might already have tax consequences under the new law. If you would like to take advantage of some of the new benefits, there may be a very small window of opportunity to implement them. If you would like more details about any these new tax provisions, please don't hesitate to contact our office.