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Tax Relief Act of 2010

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Tax Relief Act of 2010

- Official Name: Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010
- Signed into law on December 17, 2010 by President Obama
- Finally some certainty in tax planning for 2011 and 2012



Tax Relief Act of 2010

- Individual Tax Rates
- Estate Tax Rates
- 100% Bonus Depreciation
- Code Section 179 Expensing
- Grants for Alternative Energy Property
- Many Other Provisions
- Most extensions through 2012
- Note: 2012 is an Election Year



Individual Tax Rates

- 2010 Tax Rates Extended through 2012
- Top Rate Remains at 35%, not 39.6%
- 2011 Rate Table:

Tax Rate	Married Filing Joint	Single
10%	Not over \$17,000	Not over \$8,500
15%	\$17,000 to \$69,000	\$8,500 to \$34,500
25%	\$69,000 to \$139,350	\$34,500 to \$83,600
28%	\$139,350 to \$212,300	\$83,600 to \$174,400
33%	\$212,300 to \$379,150	\$174,400 to \$379,150
35%	Over \$379,150	Over \$379,150



Federal Estate Tax

- The Estate Tax Debacle of 2010
- Law in 2010
 - No estate tax
 - Modified carryover basis for appreciated assets greater than \$1.3 million (\$3.0 million to spouse)
 - Limited step-up in basis
- Law Previously Expected in 2011
 - \$1 million exemption
 - 55% estate tax maximum rate



Federal Estate Tax (cont)

- New Estate Tax Law for 2011 and 2012
 - Step-up in basis of appreciated assets
 - \$5 million exemption (inflation adjustment for 2012)
 - 35% estate tax maximum rate
 - Gift tax exclusion reunified with estate tax
 - 2012 exemption will be indexed for inflation
 - Portability of deceased spouse's unused estate exemption to surviving spouse
 - Extension only through 2012



100% Bonus Depreciation

- Immediate Depreciation Deduction
- Property Placed in Service 9/9/10 – 12/31/11
- Qualified Original Use Property
- Recovery Period of 20 Years or Less
- Includes 15-Year Qualified Leasehold Improvements for 2010/2011 only
- Elect-out of Bonus
- Hawaii Normally Does Not Conform with Federal Bonus Depreciation
- 50% Bonus extended for 2012
- Comparison with IRC Section 179 Expensing



IRC Section 179 Expensing

- 2010/2011 Immediate Expensing up to \$500,000 with Phase-out at \$2 Million
- Includes 15-year qualified leasehold, retail, and restaurant improvements up to \$250K
- Qualifications: Profitable Small Business
- From 2012 Immediate Expensing up to \$125,000 with Phase-out at \$500,000
- Hawaii Conforms with Only \$25,000 Expense



Grants for Alternative Energy

- ARRA Section 1603 Program extended through December 31, 2011
- 30% Cash Payment (Federal Grant) In-Lieu of Federal Tax Credit
- AOAO's can potentially qualify for the Federal Grant



Other Provisions - Individual

- 2% raise via the Reduced Employees' Share of Social Security (aka Payroll Tax Holiday Replaces Making Work Pay Credit \$400)
- Qualified Dividends & Long-term Capital Gains Rates Remain at 15%
- Child Tax Credit \$1,000 for MFJ with AGI under \$110,000
- Non-refundable Adoption Tax Credit for 2012
- Dependent Care Tax Credit \$2,100



Other Provisions - Individual (cont)

- Tax-free IRA Distributions to Charity for 2011 and 2012
- AMT Patch Extended
- Above-the-line Deduction for Educators
- Repealed Itemized Deduction Limitation for High Earners
- Energy-efficiency improvements for existing homes extended



Other Provisions - Business

- 100% Bonus Depreciation and IRC Section 179 as Previously Discussed
- Enhanced Charitable Deduction for Food, Books, and Computer Equipment
- Research and Development Tax Credit Extended
- Work Opportunity Tax Credit Extended (40% of the First \$6,000)



1099 Friendly Reminder

- Enhanced 1099 Reporting Requirements Beginning 2011 and 2012
 - 2011 – Landlords with rental property expenses
 - 2012 – Expanded to include payments to corporations and to include payments for tangible goods
- Be Prepared by Understanding the New Rules to Avoid Unnecessary Penalties



Any Questions?

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