

Industry Webinar Series

Tax Planning Ideas to Start the Year Off Right

Presented by
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2010 Tax Legislation

- Hiring Incentives to Restore Employment Act
- Health Care Reform
- *Small Business Jobs Act of 2010*
- *Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010*

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The HIRE Act

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HIRE Act

- Hire the unemployed
 - Employer tax holiday 3/19/10 through 12/31/10
 - Up to \$1,000 credit if retain employee for one year

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Health Care Reform

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Small Employers – Tax Credit for Providing Coverage

- Credit for non-elective contributions to purchase health insurance for employees
 - Employers with fewer than 25 FTEs and average annual wages less than \$50,000
 - Employer pays at least 50% of premium
 - Credit phase outs
 - More than 10 FTEs
 - Average wages exceed \$25,000

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Small Employers – Tax Credit for Providing Coverage

- Years of availability
 - 2010 - 2013
 - 2014 and beyond
 - Limited to two consecutive years
 - Credit = percentage of employer cost

	2010-2013	2014 and beyond
For-profits	35%	50%
Not-for-profits	25%	35%

Change in 1099 reporting

- Increased 1099 reporting for 2012 transactions
 - Report payments for property
 - Report payments to corporations
 - 28% withholding requirement on payments made where no TIN is provided
 - Senate voted on February 2 to repeal this additional reporting – the House is yet to vote on repeal of increased 1099 reporting

The Small Business Jobs Act of 2010

Targeted Relief & Incentives

- Built-in gain relief for S corporations
 - General S corp conversion rules
 - Corporate level tax on built-in-gains of any asset sold in first 10 years after conversion from C to S status
 - 2009 stimulus bill ARRA
 - No built-in-gain if conversion was seven years before tax year beginning in 2009 or 2010
 - New legislation
 - No built-in-gain if conversion was five years before the tax year beginning in 2011

2010 Tax Relief Act

2010 Tax Relief Act

- *Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010*
 - Signed into law December 17, 2010
 - Carries an \$858 billion price tag
 - Punts tax reform into the future

2010 Tax Relief Act

- Increases bonus depreciation & Section 179 expensing
- Extends Bush-era tax cuts
- Restores estate tax
- Extends a series of other tax breaks

Business Tax Incentives

Business Tax Incentives

- 100% bonus depreciation
 - Qualified property placed in service after 9/8/2010 & before 1/1/2012
 - 50% bonus depreciation for qualified property placed in service before 9/9/2010
- 50% bonus depreciation
 - Qualified property placed in service after 12/31/2011 & before 1/1/2013
- Bonus in 2010 decoupled from allocation of contract cost under percentage of completion method for assets with 7-year or less life

Business Tax Incentives

- Bonus depreciation
 - Generally applies to property with recovery period of 20 years or less
 - Qualified leasehold improvement property is eligible
 - \$8,000 increase in first-year depreciation of passenger automobile is extended through 12/31/2012
 - May elect to exclude any class of property additions from bonus depreciation

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Business Tax Incentives

- Bonus depreciation
 - Certain Gulf Opportunity Zone real estate is eligible
 - Corporations may elect to claim minimum tax credits instead
 - State law may not conform resulting in the need for detailed recordkeeping

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Business Tax Incentives

- AMT depreciation relief
 - No AMT adjustment on property for which bonus depreciation is claimed

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Business Tax Incentives

- Section 179 expensing
 - *Small Business Jobs Act of 2010*
 - Tax years beginning in 2010 & 2011
 - \$500,000 expensing limit
 - Expensing limit reduced dollar for dollar to extent cost of property exceeds \$2 million
 - For years beginning in 2012
 - \$500,000 & \$2 million thresholds replaced with \$125,000 & \$500,000

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Business Tax Incentives

- Section 179 expensing
 - Eligible real estate (limited to \$250,000)
 - Qualified leasehold improvement property
 - Qualified restaurant property
 - Qualified retail improvement property
 - May irrevocably revoke Section 179 election without IRS consent
 - Applies to any open tax year beginning after 2002 & before 2013

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Business Tax Incentives

- Other cost recovery provisions
 - 15-year MACRS depreciation for
 - Qualified leasehold improvements
 - Qualified restaurant property
 - Qualified retail improvements
 - 7-year recovery period for motorsports entertainment complexes
 - Expensing of environmental remediation costs

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Business Tax Incentives

- Other retained provisions
 - 15% personal holding company tax rate
 - Enhanced charitable deductions
 - S corp's charitable contribution of property reduces shareholder's basis by contributed property's basis

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Business Tax Incentives

- Credits retroactively reinstated & extended
 - Research credit
 - Differential pay credit
 - New markets tax credit
 - Indian employment credit

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Business Tax Incentives

- Credits extended
 - Work Opportunity Tax Credit
 - Employer-provided child care credit

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Energy Credits

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Energy Credits

- Credits retroactively reinstated & extended
 - Alternative fuel & alternative fuel mixture excise tax credits & refund rules
 - Includes propane-powered forklifts
 - Excludes black liquor
 - Biodiesel & renewable diesel income & excise tax credit
 - Energy efficient home credit

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Individual Income Tax Relief

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Individual Income Tax Relief

- Tax rates
 - Retention of
 - 10%, 15%, 25%, 28%, 33% & 35% rates
 - 15% rate for qualified dividends & long-term capital gains
 - Certain dividends & long-term capital gains taxed at 0%
 - Marriage penalty relief

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Individual Income Tax Relief

- Child Tax Credit
 - Retained at \$1,000
 - Offsets AMT
 - Remains refundable
- Extends nonbusiness energy property credit

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Individual Income Tax Relief

- AMT patch
 - Exemption amounts increased

Filing Status	2010	2011
MFJ	\$72,450	\$74,450
Unmarried	\$47,450	\$48,450
MFS	\$36,225	\$37,225

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Individual Income Tax Relief

- 2% tax decrease for wage earners, including railroad workers & self-employed individuals
- Maximum benefit - \$2,136
- Self-employed deduction for one-half of self-employment taxes not affected

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Estate & Gift Tax

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Estate Tax

- Retroactively reinstated
 - \$5 million exclusion, "stepped up" basis & 35% tax rate
- Optional 2010 election to avoid estate tax & apply modified carryover basis rules
- Spouse's unused estate exclusion passes to survivor
 - Election required

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Gift Tax

- 2010 gifts
 - \$1 million exclusion & 35% tax rate
- Gifts made after 12/31/2010
 - \$5 million exclusion & 35% tax rate

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Estate, Gift & GST Sunset

- Reinstated estate tax & modified gift laws will not apply to decedents dying or transfers made after 12/31/2012
- Post 12/31/2012, pre-EGTRRA laws return
 - \$1 million exemption
 - 55% top rate

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What New Law Does Not Do

- Extend provision disregarding bonus depreciation in percentage of completion calculations
- Allow deduction for health insurance costs in computing self-employment income
- Eliminate enhanced 1099 reporting rules
- Eliminate 3% withhold on government payments to contractors
- Eliminate W-2 reporting requirements for health insurance benefits

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Review Major Sunsets

- Major individual tax provisions expiring after 2012
 - Lower tax rates
 - 15% dividend & LTC gain tax rate
 - Marriage penalty relief
 - \$1,000 child tax credit

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Review Major Sunsets

- AMT patch expires 12/31/2011
- Modified estate, gift & generation-skipping tax rules expire 12/31/2012
- 100% bonus depreciation expires 12/31/2011
- 50% bonus depreciation expires 12/31/2012
- Elevated Section 179 expensing expires 12/31/2012

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Short-term Clarity

- Enjoy short-term certainty
 - Plan accordingly
- Thinking 2012 & beyond
 - Taxes & presidential election
 - Tax reform & deficit reduction on horizon
 - New taxes, *i.e.*, VAT
 - Taxes going up
 - Health care reform tax increases, *i.e.*, payroll, investment income, etc

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