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TAX FLASH

SMALL BUSINESS BILL PASSED AND SIGNED.....JUST IN TIME

Congress has extended and expanded some tax breaks for businesses, just 90 days before the end of the year. For the first time in a long time, business owners should have a smile on their collective faces. Here's what's happening:

1. **Section 179 expensing** has been extended and increased for tax years 2010 and 2011. The previous credit limit of \$250,000 has been expanded to \$500,000, \$250,000 of which can be qualified real property (which includes restaurant improvements and buildings). The acquisition ceiling has been raised from \$800,000 to \$2,000,000. This means that a business can spend \$2,000,000 or less and still be eligible to expense \$500,000 of capital acquisitions. The credit is phased out dollar-for-dollar starting at the first dollar over \$2,000,000. Any credits taken and unused during 2010/2011 may NOT be carried forward to 2012.
2. **50% Bonus depreciation** has been extended through 2010 *only*.
3. **First year depreciation for NEW vehicles** acquired in 2010 has been increased to \$11,060 for cars and light trucks. This is an increase of \$8,000. Heavy vehicles (over 6,000 lbs.) remain exempt from the "luxury" auto depreciation limitations.
4. The **deduction for start-up expenses** for expenses incurred in tax years *beginning* in 2010 is increased to \$10,000 from \$5,000.
5. **Unused general business credits** (due to AMT) currently can be carried back 1 year and forward 20 years. For tax years *beginning* in 2010 the carry-back has been increased to 5 years.
6. The **exclusion for gain from the sale of "qualified small business stock"** (QSBS) has been increased to 100% for stock acquired after September 27, 2010 and before January 1, 2011 (pretty small "window") and held for 5 years. Qualified small business stock must be originally issued (not purchased from another stockholder) and it applies to C corporation stock only.
7. **Self-employed health insurance costs** are deductible against net earnings from self-employment (in effect lowering the SE tax due) for one year (tax year beginning in 2010) *only*.

8. **Cell phones** are no longer considered “listed property” which means the incidental personal use portion of a business cell phone would no longer be taxed to the user.

9. **1099 reporting forms** are required for ALL payments made to service providers (including corporations) starting with payments made after December 31, 2010. This includes payment to landlords for rent. The small business bill adds owners of rental property who pay more than \$600 to any one source for rental property expenses. Taxpayers who rent their personal residence (including those in the military) are excluded from this requirement. Hefty penalties apply for non-compliance. Looks like a good time to invest in a paper company.