



December 2010

President Obama Signs Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010

On December 17, 2010, President Obama signed into law the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (the Act). Noteworthy income tax provisions relating individuals, businesses, and the energy sector are set forth below.

Individuals

- Through 2012, marginal income tax rates applicable to ordinary income remain 10%, 25%, 28%, 33%, and 35%.
- Through 2012, capital gains and dividend tax rates for individuals in the 25% tax bracket and above remain 15% and for individuals below the 25% tax bracket remain 0%.
- For 2010, AMT exemption amounts of \$72,450 for married individuals filing jointly, \$47,450 for unmarried individuals and \$36,225 for married individuals filing separately. For 2011, AMT exemption amounts of \$47,450 for married individuals filing jointly, \$48,450 for unmarried individuals and \$37,225 for married individuals filing separately.
- For 2011, employee FICA tax rate reduced from 6.2% to 4.2%, employer FICA tax rate remains 6.2%, and self-employment tax rate reduced from 12.4% to 10.4%.
- Gain from sale of qualified small business stock acquired in 2011 excluded from gross income (for both regular tax and AMT).
- Through 2011, extension of certain nonrefundable tax credits (*e.g.*, dependent care credit, credit for the elderly and disabled, adoption credit, credit for savers, credit for certain nonbusiness energy property, credit for residential energy efficient property).
- Through 2011, election for individuals to deduct state and local sales taxes in lieu of state and local income taxes.
- Through 2011, above-the-line deduction for certain higher education expenses.
- Through 2011, above-the-line deduction for certain teacher classroom expenses.
- Through 2011, allowance of tax-free distribution from an IRA for certain charitable purposes.

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- Through 2011, deduction for certain mortgage insurance premiums.
- Through 2012, various relief provisions related to gift and estate tax.

Businesses

- For property placed in service after September 8, 2010 and before 2012, 100% bonus depreciation for property that otherwise qualifies for 50% bonus depreciation.
- For property placed in service in 2012, 50% bonus depreciation.
- Through 2012, election to accelerate the AMT and research credits in lieu of bonus depreciation.
- Through 2011, extension of numerous credits, including the research and development credit, new markets tax credit, work opportunity credit, track maintenance credit, credit for training mine rescue team members, business tax credit for employers with employees on an Indian reservation, and credit for eligible small business employers in respect of wages paid to activated military reservists.
- Through 2011, up to \$500,000 of the cost of certain qualifying property may be expensed rather than depreciated. The \$500,000 amount is reduced (but not below zero) by the amount by which the cost of the qualifying property exceeds \$2,000,000.
- Through 2011, a special 15-year cost recovery period for certain leasehold, restaurant, and retail improvements.
- Through 2011, income exclusion for qualified commuter transit benefits or transit passes.

Energy

Section 1603 of the American Recovery and Reinvestment Act authorized the Secretary of the Treasury to provide a cash grant in lieu of tax credits to each person who places in service depreciable property that is part of a qualified renewable electricity production facility. Generally, the grant equals 30% of the basis of the qualified property. Under the Act, property will qualify if it is placed in service in 2011, or if construction begins before 2013 (in the case of wind facility property), 2014 (in the case of certain other renewable power facility property, such as biomass, trash, or marine facilities), or 2017 (in the case of certain specified energy property, including solar, geothermal, fuel cells, microturbines, combined heat and power, small wind, and geothermal heat pump facilities).

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