



**CLIENT MEMO
BUSH-ERA TAX CUTS EXTENDED**

MEMBERS OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

On December 17, 2010, President Obama signed into law the bipartisan tax bill to extend various Bush-era tax cuts and create tax breaks for all. Below is a summary of some of the important provisions:

- Temporary extension of current tax rates through 2012 –

	Tax rates
Individual	10%, 15%, 25%, 28%, 33%, and 35%
Long-term capital gains	Zero and 15%
Dividends	Zero and 15%

- 2- year retention of various refundable tax credits that would otherwise be expiring at the end of 2010 -

Refundable tax credits	Maximum credits
Child tax credit	\$1,000 per qualifying child
Dependent care credit	\$3,000 per qualifying individual
Earned income tax credit	Maximum credit of up to 45% of the earned income for taxpayers with 3 or more qualifying children.
American Opportunity tax credit	\$2,500 maximum credit per eligible student per year.
Non-business energy property credit	30% credit up to an aggregate of \$1,500 per taxpayer.
R&D credit (Business entities only)	20% of the qualified expense incurred.

- Temporary individual alternative minimum tax (AMT) relief – For 2010/2011, the exemption amounts under AMT will be increased to \$47,450/\$48,450 for individuals and \$72,450/\$74,450 for married filing jointly.
- Estate and gift tax – For 2011 and 2012, the maximum estate tax rate will be 35% and the lifetime exemption from tax is increased to \$5 million per individual. The gift tax lifetime exemption amount has also been increased to \$5 million which means you can give up to \$5 million without incurring gift tax. Please note that because the lifetime gift tax exemption for 2010 was only \$1 million and thus if you have already used your \$1 million exemption you may consider making gifts in 2011 instead of 2010 to take advantage of the increased exemption.

In addition, for the remainder of 2010, you can make gifts to a skipped generation (grandchild) and avoid the generation skipping tax (note that these gifts will still be subject to gift tax). This provision may be very valuable in certain situations but expires on December 31st 2010.

- Payroll tax holiday – For year 2011 only, employee-paid social security payroll tax on the first \$106,800 will be cut from 6.2% to 4.2% for employees, and from 12.4% to 10.4% for the self-employed.
- Unemployment insurance – Federal benefits will be extended at their current level for 13 more months through the end of 2011, providing up to 99 weeks of assistance to the long-term unemployed.
- Temporary business tax cuts to allow businesses to write off 100% of their equipment and machinery purchases made after September 8, 2010 and before January 1, 2012.



This list is not complete but contains the most common provisions and those that affect the most taxpayers. If you have any questions regarding the bill or how its various provisions may impact you and your business, please do not hesitate to contact us for a strategic business and tax planning appointment.

FISHMAN, BLOCK + DIAMOND, LLP