

KFBM Tax Update

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Creating Small Business Jobs Act of 2010

- Sign into Law on September 27, 2010
- Affect 2010 & 2011 Federal Income Tax Returns

I.R.C 168(k)

- 50% Additional first year depreciation
 - Only for New Property placed in service during 2010.
 - Eligible Property
 - MACRS property with a recovery period of 20 years or less
 - Same as 2008 and 2009 Law
- Kentucky difference

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Section 179

- Federal 179 Expense Election
 - \$500,000
 - \$2 Million Cap
- Kentucky has lower limits
 - \$25,000
 - \$200,000 Cap
 - If \$500,000 Sec 179 was taken on Federal return, then Kentucky tax on the \$500,000 would be \$26787
 -

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What Qualifies for Sec. 179

- Equipment
- Tangible personal property used in business
- Vehicles w/ a gross weight in excess of 6,000lbs
- Buildings, Furniture, Land Improvements
 - Single Use Buildings
- Section 179 counts for new and used property.

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New Law Expands Definition of I.R.C. 179 Property

- For 2010 and 2011 Sec 179
- Includes
 - Qualified Leasehold Improvement
 - Qualified restaurant Property
 - Qualified Retail Improvements
- Only for \$250,000 of the \$500,000

2010 Health Insurance

- Self Employed Health Insurance
 - Can deduct all self employed health insurance for self, spouse, and family from self-employment tax.
- Will save self employment tax
- Right now only for 2010.

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Self Employed Health Insurance

- Can't claim for any month they were eligible to participate in a subsidized health plan
- Deduction may not exceed the self employed individual's earned income from the farm
- Limited to the cost of of insurance

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[Making Work Pay Credit]

- Same credit that was available during 2009 is extended to 2010.
- \$400 (\$800 on a joint return)
- Phase-out begins when Adjusted Income exceeds \$75,000

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[Higher Education Expenses]

- American Opportunity Credit
 - \$2500/ eligible student, up to 40% refundable
 - Phase-out begins at \$160,000 (joint return)
 - Only for 4 Years
- Qualified Expenses
 - Tuition, fees, books, supplies, and equipment.
 - Doesn't include room and board, transportation fees, or personal living exp.

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[Lifetime Learning Credit]

- Unlimited number of years, but just for tuition and fees
- Only 20% of Qualified Expenses with a \$2000 max per return
- Lower phase-out, begins at \$100,000 joint return

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[Restore Employment Act (HIRE)]

- Provides Employers that hire previously Unemployed People Tax Credits
- Two Benefits
 - Payroll Tax Exemption of the Employers share of Social Security taxes From March 19, 2010 thru Dec 31,2010
 - Employer Tax Credit up to \$1000 per worker in 2011

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Restore Employment Act (HIRE)

- To Qualify New Employee Must Meet the Following Criteria
 - Hired Anyone This Year After February
 - Must have Been Unemployed 60 Days Prior to Starting Work or Worker fewer than 40 Hours for Someone Else
 - Employee Must Complete IRS Form W-11 Stating that he qualifies for this

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Tax Questions?

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