Duvall & Associates, Inc.

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Business Advisor Newsletter

ANOTHER NEW TAX BILL

I remember a time when new tax bills were enacted 4-5 years apart – and it seemed then I had just enough time to learn the intricate facets of the last act – when a new one was passed.

Now, we live in an age where 2-3 major tax bills are passed each year. The resulting complexity of tax compliance and planning is staggering – as a practitioner must not only struggle to learn new law, but must be ever mindful of time constraints slotted to each tax nuance.

Congress just passed a new tax bill intended to stimulate our lethargic business economy. Although we have not yet received the official text of Code changes – we felt it necessary to timely communicate the broad particulars thereof.

Much of the bill focuses upon business incentives for expansion.

Section 179 expensing for equipment and furniture acquired in 2010 & 2011 is increased to an annual $500,000 – with a phase-out of benefits if total expenditures exceed $2,000,000 a year.

<u>A dramatic change for 2010 & 2011</u> - Purchases of qualified “real property” - up to $250,000/year - can be eligible for the Section 179 expensing option. Qualified real property includes certain leaseholds, restaurant & retail improvements – but not real property used for lodging.

In addition, first-year 50% bonus depreciation will be extended for qualifying property acquired in 2010 and 2011. First year depreciation expenses have also been enhanced for business “luxury” vehicles acquired in 2010.

The period to carry-back certain unused business credits has been extended to five years – and said credits will not be limited by the dreaded Alternative Minimum Tax (AMT).

To encourage new investment in businesses, the deduction for start-up expenses incurred after 2009 are increased to $10,000 - and a 100% exclusion for gain on certain investments in small businesses (held for over five years) has been enacted.

Curiously, Congress classifies short-term revenues generated by ROTH pension conversions as revenue-raisers, so ROTH options have been extended to 401(k), 403(b) and certain government- sponsored plans.

Unfortunately, Congress also deems increased information reporting to be revenue-raisers. So beginning in 2011, real estate lessors will be forced to file Form 1099's for payments of $600 or more to service providers. And penalties for failure to file any Form 1099 information returns have been increased to enforce compliance.

The actual tax bill should be made available in the near future. If you have any specific questions regarding the applicability of these changes to your particular business, please call as soon as possible since December 31 is rapidly approaching.

In the meantime, I'm still struggling to decipher the last two tax bills passed this year - and anxiously dreading the new horizon greeting estate and income tax worlds next year.

"...Change changing places...Word to the wise - you get what's coming..."
YES

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