

2011 Tax Update



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Major Tax Bills of 2010



- Hiring Incentives to Restore Employment Act (HIRE Act)
- Health Care Act of 2010
- Small Business Jobs Act of 2010 (Jobs Act)
- Tax Relief Act of 2010



Major Tax Bills of 2011



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Individual Tax Structure in Effect Through 2012



- **Extension of current tax rates through 2012**
 - Max capital gains rate at 15%
 - 0% capital gains rate
 - Dividends taxed as capital gains
- **Personal Exemption and Itemized Deduction Phase-Out Relief extended through 2012**
 - No phase out in 2010, 2011 and 2012
- **Marriage Penalty Relief extended through 2012**
 - Enhanced standard deduction
 - Larger 10% & 15% brackets
- **New Foreign Assets Reporting Requirements**



Expired Individual Tax Provisions After 2011



- Extended individual tax provisions thru 2011:
 - Alternative Minimum Tax “patch”
 - School Teachers’ \$250 School Supply Deduction
 - Election to Deduct State and Local Sales Tax
 - \$4,000 Qualified Higher Education Deduction
 - Charitable Contributions of Conservation Easements Expanded Deduction and Carry-over Limits
 - Deduction for Home Mortgage Insurance Premiums
 - Tax-Free Transfers from IRAs to Charities for Those age 70 1/2 and older
 - Credit for Energy-Efficient Improvements to Principal Residence



Individual Tax Provisions Set to Expire After 2012



- **Extended individual tax provisions thru 2012:**
 - 2% Payroll Tax Holiday (thru February 2012)
 - Coverdell Education Savings Accounts
 - Student Loan Interest Deduction
 - Earned Income Tax Credit
 - \$1,000 Child Credit
 - Child and Dependent Care Credit
 - American Opportunity Tax Credit

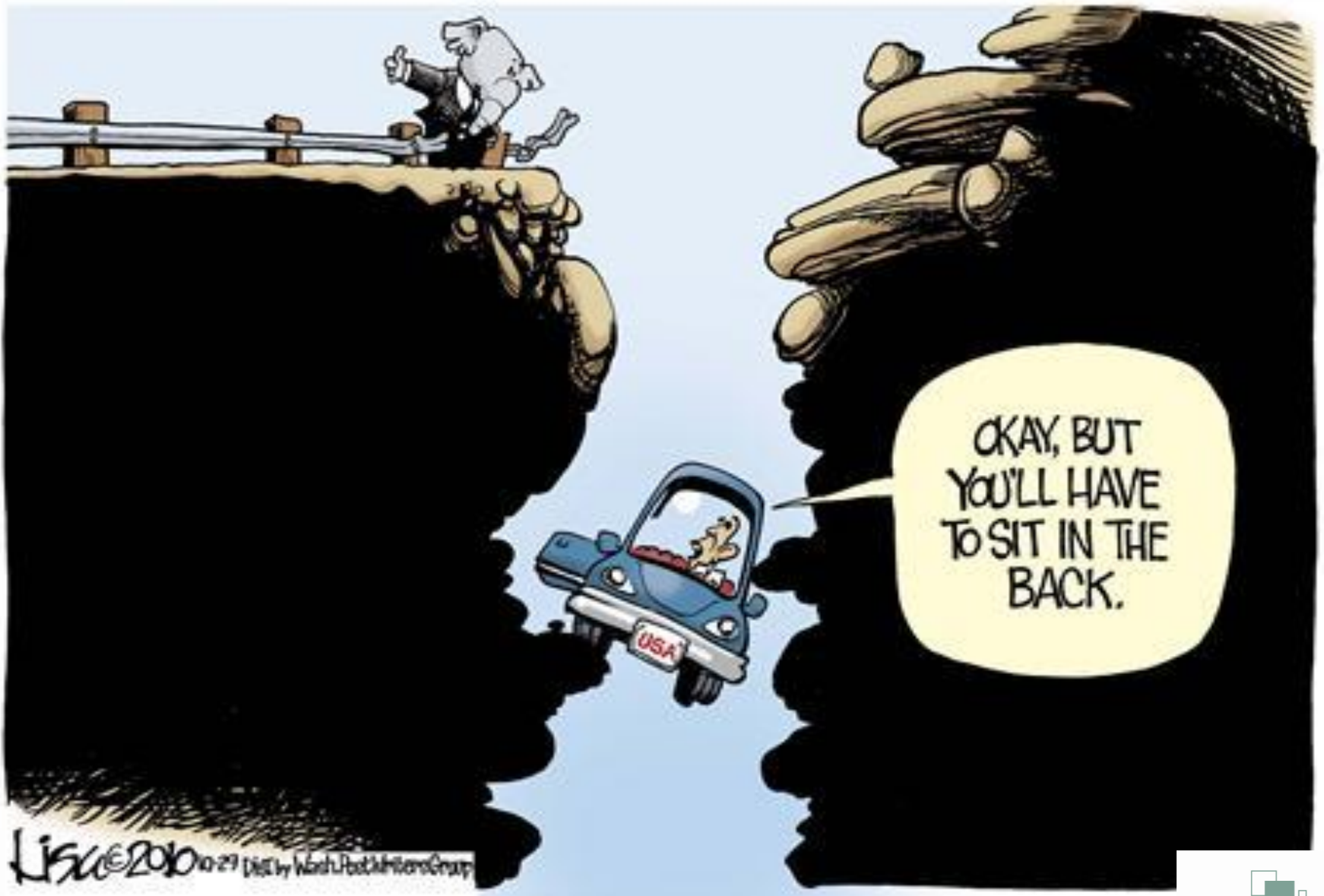


Individual Tax Provisions in 2013



- 39.6% maximum ordinary income and dividend rate
- 20% long term capital gains rate
- Additional .9% Medicare Surtax on Earned Income from Higher-Income Taxpayers
- 3.8% Medicare Surtax on Net Investment Income
- Deduction Threshold for Medical Expenses Raised from 7.5% to 10%
- Annual Contributions to FSAs Capped at \$2,500
- Penalty for Failing to Carry Health Insurance Beginning in 2014





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Estate Tax Provisions



- Estate Tax Relief Through 2012
- Raised the Estate Tax Exemption Amount to \$5 Million
- Tax Rate for Excess over \$5 Million is 35%
- Unused Estate Tax Exemption Amount Available to be Passed to Surviving Spouse
- Unifies the Estate and Gift Tax Exemption Amount at \$5 Million
- Generation Skipping Tax Reinstated as of January 1, 2010 with \$5 Million Exemption
- Reverts to \$1 million and 55% after 2012





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Business Tax Provisions



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Business Tax Provisions



- 100% First-Year Bonus Depreciation
 - 50% Bonus on new asset placed in service before September 8, 2010
 - 100% Bonus if between September 8, 2010 and December 31, 2011
- Generally Qualified Property is New Property with a Depreciable Life for Tax Purposes of 20 Years or Less
 - Includes “Qualified Leasehold Improvements”
- Reverts to 50% for 2012 then expires



Business Tax Provisions (continued)



- Increase § 179 Deduction for 2010 and 2011
 - Deduction increased to \$500k
 - Phase out starts at \$2 million in acquisitions
 - Can “elect” to treat \$250k of “Qualified Real Property” as §179 Property
 - Any unused portion can not be carried over after 2011
 - Qualified Real Property (QRP) includes:
 - Qualified Leasehold Improvement Property
 - Qualified Retail Improvement Property
 - Qualified Restaurant Property
- Reduced to \$139k/\$560k & no QRP for 2012
- After 2012 \$35k/\$200k



Business Tax Provisions (continued)



- Small Employers Get Credit for Providing Employee Health Insurance
 - 25 or less FTEs
 - Average annual wages less the \$50k per FTE
 - Pay 50% of cost of employer-provided insurance
 - Excludes certain owners and family members
 - Credit up to 35% of cost of insurance
 - 50% after 2013
 - Tax Exempt Organizations Get “Refundable” Credit
 - Form 990-T
 - Credit up to 25%; 35% after 2013





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Expired Business Tax Provisions After 2011



- 15-year depreciation period for qualified leasehold improvements, qualified restaurant property, & qualified retail improvement property
- Research & development credit
- 100% exclusion of the gain from the sale of “qualified small business stock”
- Enhanced charitable contribution rules for qualifying business entities contributing computer equipment, book, and food inventory
- Work opportunity tax credit for qualified employees (except for veterans)
- Temporary reduction in the waiting period for an S corporation to avoid the built-in gains tax after electing “S” status from 10-years to 5-years



New Reporting Rules



- **Comprehensive 1099 Taxpayer Protection Act of 2011**
 - Reverts to “old” law
 - \$600 or more to unincorporated entities for services
 - Corporations for attorney fees and health care services

- **Employer-provided health insurance on W-2s**
 - Optional for 2011
 - Voluntary for 2012 if 2011 filed less than 250 W-2s

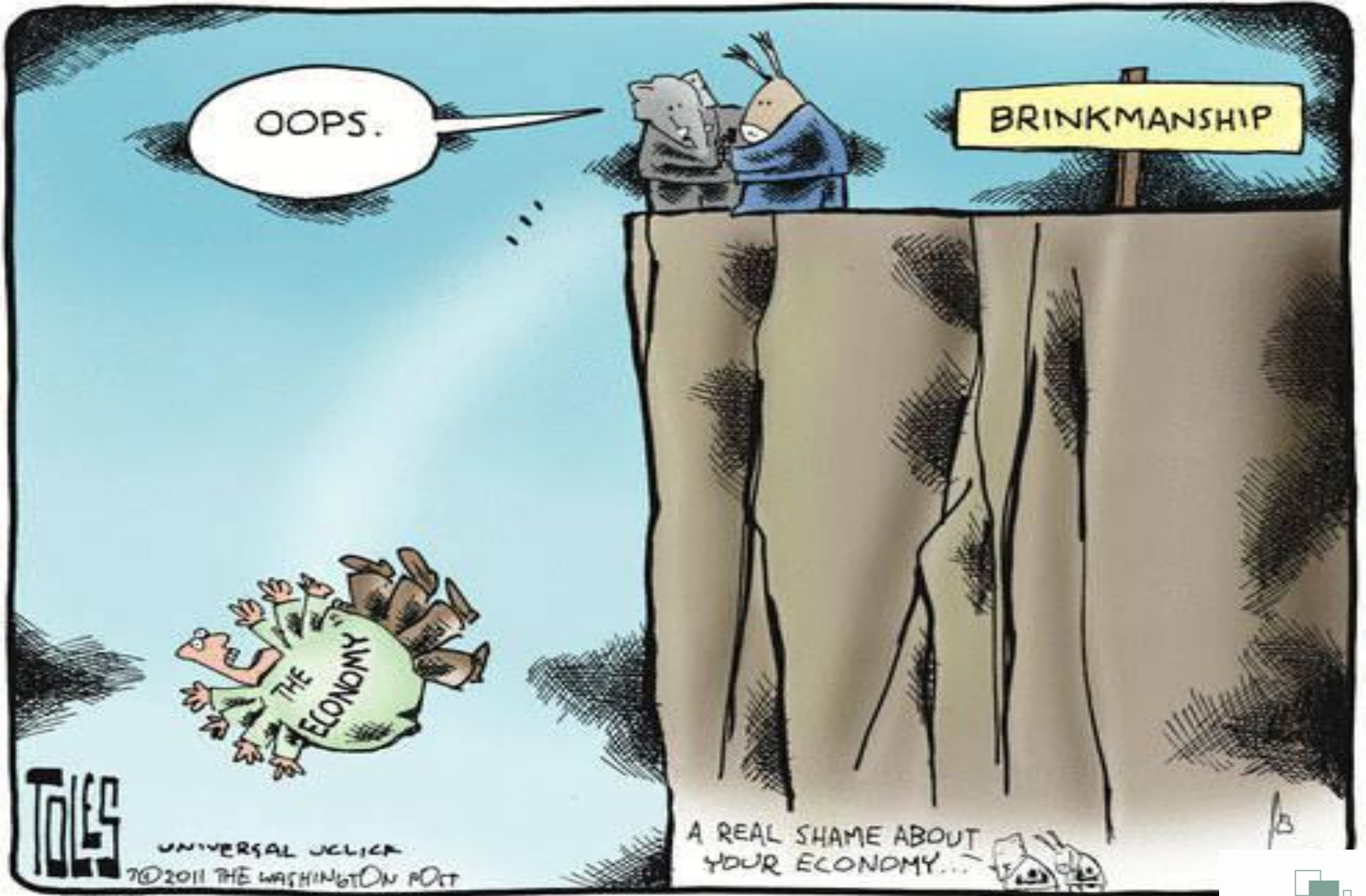


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Questions?



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