

2011 Tax Update



**ROBERT CORDASCO, CPA
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WWW.CORDASCOCPA.COM



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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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Asset Acquisitions



- 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 includes:
 - Qualified Leasehold Improvement Property
 - Excludes related party leases
 - Qualified Retail Improvement Property
 - Qualified Restaurant Property



Asset Acquisitions (continued)



- **First-Year Bonus Depreciation Increased from 50% to 100%**
 - 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”





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Structuring Opportunities



- Rethinking the Real Estate Holding LLC
- Qualified Small Business Stock (QSBS) 100% Exclusion
 - Original issue stock purchased between September 28, 2010 and December 31, 2011
- Domestic International Sales Corporation (1971)
- International Tax Structures (1962)



Tax Credit Opportunities



- General Business Credits 5 year carry back for 2010 for “Eligible Small Business”
- R&D Credit (1981)
- Off-Road Fuel Tax Credit
- Fuel Tax Credit for Propane Through December 31, 2011
- Commercial Energy-Efficiency Tax Credits



Notable Mentions for 2011



- Small Employer Credit for Employee Health Insurance
- 2% Social Security Tax Holiday for 2011 for employees and Self-employed Individuals
 - 2012?
- FUTA tax rate dropped to 0.6% on July 1st
- ~~Requirement to File 1099s~~ **REPEALED**
- S-corporation 10-Year Built-in-Gain Period Temporarily Shortened to 5 Years
- New Simple Cafeteria Plan for Small Employers
- Hedging Estimates



10 Reasons We'll Always Need Tax Accountants



10. We spend more on taxes than on food, shelter and clothing combined.
9. Taxes eat up 38.2% of the average family's income.
8. The IRS employs twice as many people as the CIA and five times more than the FBI.
7. We spend \$200 billion and 5.4 billion hours of their time to comply with the federal tax laws each year.
6. 300,000 trees need to be cut down every year to produce enough paper for all IRS forms and instructions.
5. The IRS sends out 8 billion pages of forms and instructions each year. Laid end to end, they would stretch 28 times around the earth.
4. The Gettysburg address is 269 words, the Declaration of Independence is 1,337 words, the Holy Bible is 773,000 words. However, the tax law has grown from 11,400 words in 1913, to over 7 million words today.
3. There are at least 480 different tax forms., each with many pages of instructions.
2. The easiest IRS form, the 1040EZ, has 33 pages of instructions.
1. 60% of taxpayers must hire a professional to do their taxes.



Estate Tax Planning Opportunities



- Estate Tax Relief for 2010 Through 2012
- Raised the Estate Tax Exemption Amount to \$5 Million
- Tax Rate for Excess over \$5 Million is 35%
- Reinstated the Estate Tax Retroactive to January 1, 2010 (with special provisions)



Estate Tax Opportunities (continued)



- Unused Estate Tax Exemption Amount Available to be Passed to Surviving Spouse
- For Gifts Made in 2011 and 2012 the Act Unifies the Estate and Gift Tax Exemption Amount at \$5 Million
- Generation Skipping Tax Reinstated as of January 1, 2010 with \$5 Million Exemption

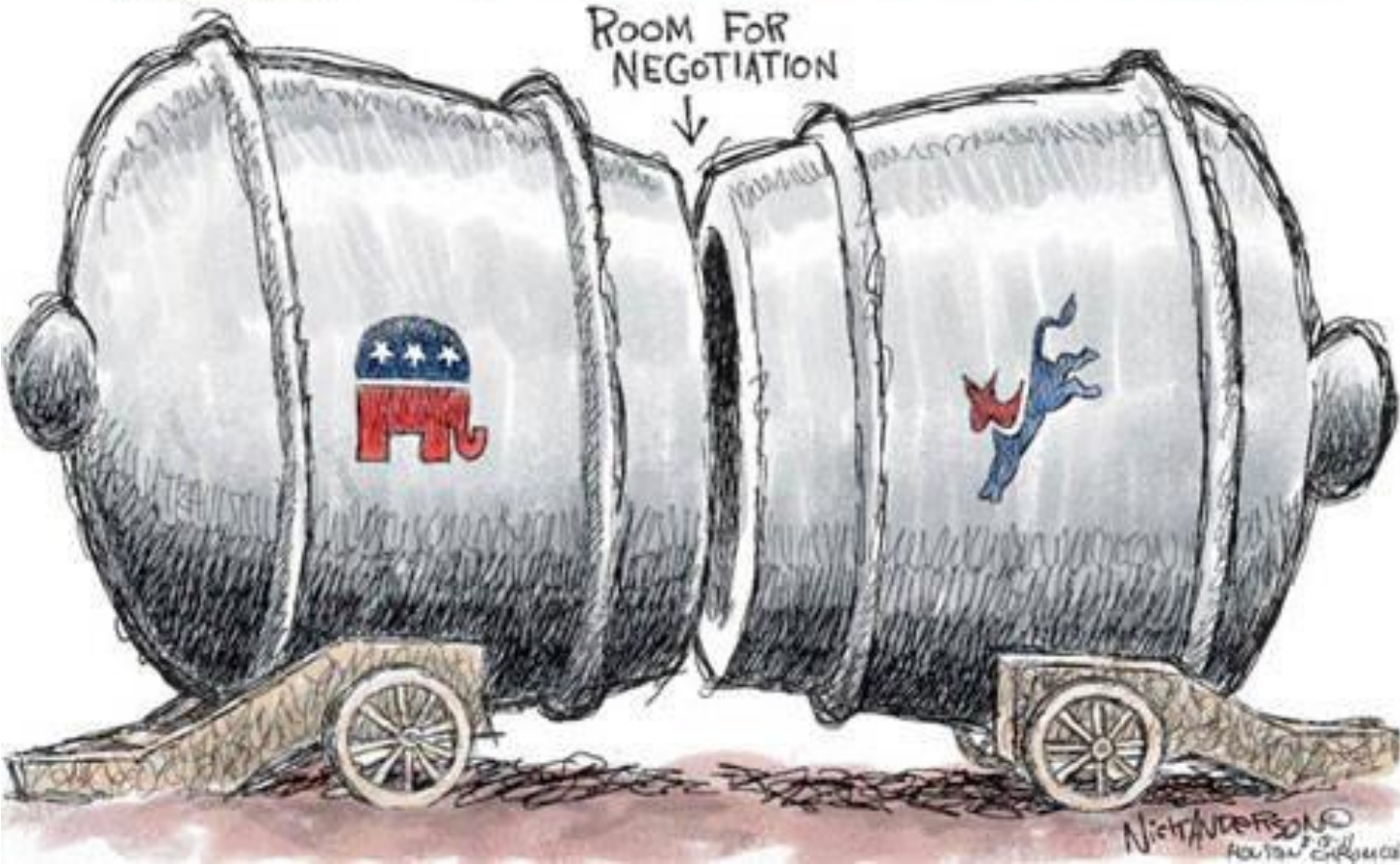




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Congressional Deficit Committee...



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Our short-term predictions...



- Stimulus Junior?
- High Asset write-off limits
- Reduced Corporate Tax Rates
- Continued Opportunities in R&D
- Increased Individual Tax Rates?
- Repatriation Tax Holiday (wish list)
- Lots of state and local incentives for jobs/investment
- Exports will continue to be highly favored
- SBA financing options with us through at least 2012



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“Can I write off last year’s taxes as a bad investment?”



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Questions?



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