

SPECIAL RELEASE

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Congress Sends Tax Cut Extension Bill to President

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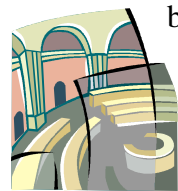
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The House of Representatives on Thursday by a vote of 277-148 passed the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, HR 4853, which would postpone the sunset of the 2001 and 2003 tax cuts, reduce the estate tax, extend a large number of expired provisions, and extend unemployment benefits. The bill now goes to President

Barack Obama for his signature, which is expected soon.

The House passed the Senate's version of the bill without amendment. Prior to the vote on the bill, the House rejected, by a vote of 194-233, a motion that would have stricken the estate tax provisions in the bill and replaced them with an estate tax provision providing for a 45% rate and a \$3.5 million exemption.

The bill has provisions covering the estate tax, expiring tax cuts, expired tax provisions and an alternative maximum tax (AMT) patch.

The bill postpones the scheduled sunset of the lower tax rates introduced in 2001 by the Economic Growth and Tax Relief Reconciliation Act (EGTRRA, PL 107-16); those rates will now continue through 2012. The bill also continues the lower capital gains tax rate introduced by the Jobs and Growth Tax Relief Reconciliation Act of 2003 (PL 108-27) through 2012.

The EGTRRA's repeal of the itemized deduction phaseout and the personal exemption phaseout are extended by the bill for two years.

For 2011 only, the bill reduces the rate for the Social Security portion of payroll taxes to 10.4%, by reducing the employee rate from 6.2% to 4.2% (the employer's portion remains at 6.2%).

The bill includes an AMT patch for 2010 and 2011. For 2010, the AMT exemption amounts will be \$47,450 for unmarried individuals and \$72,450 for married individuals filing jointly. For 2011, the amounts will be \$48,450 and \$74,450, respectively.

The bill extends the 100% bonus depreciation for business property acquired after September 8, 2010, and before January 1, 2012, and placed in service before January 1, 2012 (or before January 1, 2013, in the case of certain property). The bill also sets the expensing limitations under IRC § 179 at \$125,000 and the phaseout threshold amount at \$500,000 for 2012. The bill then reduces these amounts to \$25,000 and \$200,000 for tax years beginning after 2012.

The bill temporarily reinstates the estate tax, with an estate tax rate of 35% and an estate

tax exemption of \$5 million (adjusted for inflation after 2011).

The bill also extends a large number of expired or expiring provisions, including:

- The increased standard deduction for married taxpayers filing jointly, scheduled to expire after 2010, would continue for two years;
- The \$1,000 child tax credit amount would continue for two years, instead of reverting to \$500;
- The increased starting and ending points for the earned income credit would continue for two years;
- The \$3,000 amount for the child and dependent care credit, which is scheduled to revert to \$2,400 after 2010, would continue for two years;
- The American opportunity tax credit would continue for two years;
- The temporary 100% exclusion of gain from the sale of certain small business stock under IRC § 1202, enacted by the Small Business Jobs Act of 2010, would be extended through 2011.