

Tone Financial Advisors
Stephen E. Tone, ChFC®
123 East Main Street
Stoughton, WI 53589-1720
(608) 205-9049
stephen@tonefinancialadvisors.com

The Small Business Jobs Act of 2010

The Small Business Jobs Act of 2010



On September 27, 2010, President Obama signed into law the Small Business Jobs Act of 2010 (H.R. 5297). The legislation contains several provisions designed to ensure that small businesses have access to adequate credit. The Act also contains targeted short-term tax relief for small businesses.

Specific tax changes include:

- **Increased IRC Section 179 expense limits** -- Effective for 2010 and 2011, the maximum amount that a business is able to expense under IRC Section 179 is increased to \$500,000 (without the legislation, the expense limit would have been \$250,000 for 2010 and \$25,000 for 2011). The \$500,000 limit is reduced if capital expenditures exceed \$2 million. The Act also temporarily expands the application of Section 179 to up to \$250,000 of certain real property (for example, qualified restaurant property).
- **First-year "bonus" depreciation extended** -- The Act extends the additional 50% first-year depreciation deduction that was in effect for 2008 and 2009 for one year, to qualified property acquired and placed in service during 2010.
- **Small business stock exclusion increased** -- The Act temporarily increases the exclusion percentage for qualified small business stock purchased by individuals to 100%, and does not treat the excluded gain as an alternative minimum tax preference item. Therefore, subject to certain limits, you'll pay no regular tax or alternative minimum tax on the sale of qualified small business stock acquired at original issue after September 27, 2010, and before January 1, 2011, provided you hold the stock for at least five years.
- **Small businesses get enhanced general business credit** -- Eligible small businesses (generally, non-publicly traded corporations, partnerships, or sole proprietorships with gross receipts averaging \$50 million or less) will be able to carry back excess general business credits up to 5 years (instead of 1) in 2010, and will be able to use the general business credit to offset both regular and alternative minimum tax liability.
- **Health insurance costs will reduce self-employment tax** -- If you're self-employed and pay health insurance premiums for you or your family, you get a break on your 2010 self-employment tax (the tax that you calculate on Form 1040, Schedule SE). That's because, for 2010 only, the deduction you get for the cost of health insurance for yourself and your family will apply in calculating your earnings for purposes of self-employment tax as well as in reducing your income for income tax purposes.
- **Cell phones no longer listed property** -- Effective 2010, cell phones are not considered listed property, significantly reducing the substantiation rules and depreciation limits that apply when cell phones are used for business purposes.
- **New reporting requirements for rental property expenses** -- With some exceptions, starting in 2011, if you receive rental income from real property, you'll be required to file an information return (Form 1099) when you make payments totaling \$600 or more to a service provider (such as a plumber, painter, or accountant) for rental property expenses.
- **Portion of nonqualified annuity can be annuitized** -- Beginning in 2011, if you have a nonqualified annuity (an annuity that is held outside of a qualified retirement plan or IRA), you can annuitize only a portion of the annuity, provided the annuitization period is for 10 years or more, or is for the lives of one or more individuals. The portion of the annuity or contract that is annuitized will be treated as a separate contract, and the investment in the annuity will be allocated on a pro-rata basis.

Tone Financial Advisors
Stephen E. Tone, ChFC®
123 East Main Street
Stoughton, WI 53589-1720
(608) 205-9049
stephen@tonefinancialadvisors.com

Tone Financial Advisors, LLC utilizes Forefield Inc. for information regarding various topics.

Neither Tone Financial Advisors, LLC, Forefield Inc. nor Forefield Advisor provides legal, taxation or investment advice in these reports. All content provided by Forefield is protected by copyright. Forefield claims no liability for any modifications to its content and/or information provided by other sources.

