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**Highlights of the  
2010 Small  
Business Jobs Act**

The recently enacted 2010 Small Business Jobs Act includes a wide-ranging assortment of tax breaks and incentives for small business including sole proprietors. Here's a brief overview of the tax changes in the new law.

*Enhanced small business expensing (Section 179 expensing).* In order to help small businesses quickly recover the cost of certain capital expenses, small business taxpayers can elect to write off the cost of these expenses in the year of acquisition in lieu of recovering these costs over time through depreciation. Under the new law, for tax years beginning in 2010 and 2011, the \$250,000 limit is increased to \$500,000 and the investment ceiling from \$800,000 to \$2,000,000.

The new law also makes certain real property eligible for expensing. For property placed in service in any tax year beginning in 2010 or 2011, the up-to-\$500,000 of property expensed can include up to \$250,000 of qualified real property (**qualified leasehold improvement property** (defined below), qualified restaurant property, and qualified retail improvement property).

Qualified leasehold improvement - improvements to an interior portion of nonresidential real property by a lessor or lessee pursuant to a lease agreement. Improvements must be placed in service more than three years after the building was first placed in service. Expenditures for the structural improvement of a common area or the enlargement of the building **do not** qualify.

*Extension of 50% bonus first-year depreciation.* Recent legislation has allowed taxpayers to more rapidly deduct capital expenditures of new tangible personal property by permitting a first-year write-off of 50% of the cost. The new law extends the first-year 50% write-off to apply to qualifying property placed in service in 2010 (2011 for certain property) that was not already expensed via Section 179 as outlined above.

*Boosted deduction for start-up expenditures.* The new law allows taxpayers to deduct up to \$10,000 in trade or business start-up expenditures for 2010. The amount that a business can deduct is reduced by the amount by which startup expenditures exceed \$60,000.

*Deductibility of health insurance for the purpose of calculating self-employment tax.* The new law allows business owners to deduct the cost of health insurance incurred in 2010 for themselves and their family members in calculating their 2010 self-employment tax (Social Security & Medicare).

*Information reporting required for rental property expense payments.* For payments made after Dec. 31, 2010, the new law requires persons receiving rental income from real property to file information returns with IRS and service providers reporting payments of \$600 or more during the tax year for rental property expenses. Exceptions are provided for individuals renting their principal residences on a temporary basis (including active members of the military), taxpayers whose rental income doesn't exceed an IRS-determined minimal amount, and those for whom the reporting requirement would create a hardship (under IRS regulations).

Increased Form 1099 information return penalties (effective for information returns required to be filed after Dec. 31, 2010). The late filing penalties is \$30, if thirty days late, to \$100 if filed after August 1<sup>st</sup> per 1099. The maximum penalty, due to intentional disregard, is \$250 per 1099.

Allow rollovers from elective deferral plans to designated Roth accounts. The new law allows 401(k), and 403(b) plans to permit participants to roll their pre-tax account balances into a designated Roth and 403(b) plans to permit participants to roll their pre-tax account balances into a designated Roth account. The amount of the rollover will be includible in taxable income except to the extent it is the return of after-tax contributions. If the rollover is made in 2010, the participant can elect to pay the tax in 2011 and 2012. Plans will be able to allow these rollovers immediately as of Sept. 27, 2010. (Check to ensure that a ROTH plan as an option.)

Please keep in mind that we have described only the highlights of the most important changes in the new law. If you would like more details about any aspect of the new legislation, please do not hesitate to call.

### **Questions?**

Contact us to understand the impact of this legislation on your business and to discuss your questions.