

## **Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010**

On Friday, Dec. 17<sup>th</sup>, President Obama signed into law the \$858 billion bill that will extend the Bush tax cuts. It includes a hard-won provision to set the estate tax rate at 35% with an exemption of \$5 million per individual. On Wednesday, Dec. 15, the Senate had voted overwhelmingly in support of the tax package by a vote of 81-19; the bill passed the House of Representatives late on Thursday by a vote of 277-148.

### **SUMMARY OF TAX PACKAGE**

- Two-year extension of 2001 & 2003 Bush tax cuts for all income levels
- Estate tax- Level set at \$5 million & 35% tax rate for two years
- Unemployment Insurance extended for 13 months
- Capital Gains remains at 15% for two years
- AMT patch for two years
- Social Security payroll tax reduced 2% for 2011, from 6.2% to 4.2%
- Businesses will be allowed to write off the full cost (100%) of new capital investments for 2011
- One-year extension of ethanol tax credit at 45 cents & tariff at current rates

### **SUMMARY OF ESTATE TAX PROVISION**

- Establishes an estate tax exemption of \$5 million a person (\$10 million per couple) and top rate of 35 percent
- Reinstates stepped-up basis
- Indexes the estate tax exemption for inflation
- Contains a spousal transfer of any unused estate tax exemption amount
- Estates of those dying in 2010 are given a choice of the new exemption and rate or current 2010 law (no estate tax and modified carryover basis)

### **EXTENSION OF BONUS DEPRECIATION**

Under current law, businesses are allowed to recover the cost of capital expenditures over time according to a depreciation schedule. Congress allowed businesses, beginning January 1, 2008, through December 31, 2009, to take an additional depreciation deduction allowance equal to 50 percent of the cost of the depreciable property placed in service in those years. Under the Small Business Jobs Act of 2010, this temporary increase in the depreciation deduction allowance was extended through December 31, 2010. The bill extends and temporarily increases this bonus depreciation provision for investments in new business equipment. For investments placed in service after September 8, 2010 and through December 31, 2011, the bill provides for 100 percent bonus depreciation. For investments placed in service after December 31, 2011 and through December 31, 2012, the bill provides for 50 percent bonus depreciation. The provision also allows taxpayers to elect to accelerate some AMT credits in lieu of bonus depreciation for taxable years 2011 and 2012.

### **CREDIT FOR CONSERVATION EASEMENTS**

Extension of provision encouraging contributions of capital gain real property for conservation purposes. The bill extends for two years (through 2011) the increased contribution limits and carry-forward period for contributions of appreciated real property (including partial interests in real property) for conservation purposes.