

The Bankler Report

September 24, 2010

INTRODUCTION

On Thursday, September 23, 2010, Congress passed the Small Business Jobs Act of 2010, which was stalled in the Senate until recently. The date of enactment will be the date that President Obama signs the bill, probably next week.

Some of the key provisions of this bill include:

Asset Expensing and Bonus Depreciation

This bill increases the maximum amount a business may expense (under IRC §179). **The limits are increased from \$250, 000 to \$500,000 for tax years beginning in both 2010 and 2011.** The phaseout amount is also increased from \$800,000 to \$2,000,000. (The deduction limit is reduced dollar-for-dollar to the extent that the amount of property placed into service exceeds this amount.) In addition, the first-year 50% bonus depreciation is also extended for one year for property placed into service in 2010 (or 2011 for certain long-lived and transportation property).

Qualified Small Business Stock

The bill increases the exclusion from gross income the gain from the sale or exchange of qualified small business stock from 50% to 100%. **The provision applies to eligible stock acquired after the date of enactment and before January 1, 2011.**

Business Credits

The carryback period for eligible small business credits is extended from one to five years. This provision is effective for credits determined in the taxpayer's first tax year beginning after 2009.

Built-in gains tax for S Corporations

For tax years beginning in 2011, the bill provides that for the purposes of computing the built-in gains tax (under IRC §1364), the recognition period is the five-year period beginning with the first day of the first tax year for which the corporation was an S corporation.

Self-Employed Individuals Health Insurance

The bill allows self-employed individuals who deduct the cost of health insurance for themselves and dependents, to also take this deduction into account in calculating net earnings from self-employment when computing self-employment taxes.

Startup Expenses

The bill increases the deduction for trade or business startup expenses from \$5,000 to \$10,000 for tax years beginning in 2010 and 2011.

Cell Phones

The bill removes cell phones from the definition of listed property.

1099 Requirements for Rental Properties

The bill treats the recipients of real estate rental income as being in a trade or business for the purposes of issuing 1099s. **For payments totaling \$600 or more per year to a service provider, a 1099 must be issued. This provision will apply to payments made after December 31, 2010!**