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The 2010 Small Business Jobs Act was recently signed into law, and includes a nice assortment of tax breaks and incentives for new and existing small businesses that may result in real tax savings. A few key provisions include:

Expansion of Section 179 expensing and Bonus Depreciation

In order to help small businesses quickly recover the cost of purchasing property such as furniture and equipment, these taxpayers may deduct some costs in the year of purchase. Under the provisions of the new law, for tax years beginning in 2010 and 2011, taxpayers may now deduct up to \$500,000 of *qualifying property*. This amount is phased out to the extent that total qualifying property purchases exceed \$2,000,000. The new law also expands the definition of qualifying property to include up to \$250,000 of certain real property, including qualified leasehold improvement property, restaurant property, and retail improvement property.

Accelerated (bonus) depreciation provisions expired on January 1, 2010. However, with the new law, this provision has now been extended to apply to all of 2010, and in certain cases 2011. Bonus depreciation is equal to 50% of the depreciable basis of new qualified property.

General business credits you can use

Beginning in 2010, eligible small businesses can now carry back unused general business credits for five years. Eligible small businesses consist of sole proprietorships, partnerships and non-publicly traded corporations with \$50 million or less in average annual gross receipts for the prior three years. Prior to this new law, a business's unused general business credits would have been carried back to offset taxes paid in the previous year with any remaining amount to be carried forward for 20 years!

It gets better. Under the new law, these general business credits in 2010 aren't subject to AMT! Previously, under the AMT, taxpayers had only been able to claim general business credits against their regular tax liability, and only to the extent that their regular tax liability exceeds their AMT liability, which made the credits severely restricted or unusable for many taxpayers.

Other business deductions

There are a few other notable provisions in the new law that will ease a small business owner's tax burden. For instance, if you started a business in 2010, the new law allows taxpayers to deduct up to \$10,000 in start-up expenditures. This amount is phased out to the extent that total startup expenditures exceed \$60,000.

Small business owners may deduct the cost of health insurance incurred in 2010 for themselves and their family members in calculating their 2010 self-employment tax. Keep in mind that this only applies to 2010.

For C corporations which converted to an S Corporation, the 2010 Small Business Jobs Act temporarily shortens the holding period of appreciated assets subject to the built-in gains tax to 5 years if the 5th tax year in the holding period precedes the tax year beginning in 2011.

These are only highlights of some of the 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.

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