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New Tax Laws Changes

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NEWSLETTER
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NEW TAX LAWS CHANGES—INDIVIDUAL

Homebuyer Assistance and Improvement Act of 2010

President signed it on July 2, 2010, and homebuyer credit extension was approved. The new law extends the deadline for closing home purchases in order to qualify for the homebuyer credit. Qualified taxpayers have an additional three months, to close title on their residence and qualify for the homebuyer credit. A credit of up to \$8,000 for first-time homebuyers. The new law clarifies application of the bad check penalty to electronic payments.



2010 Hiring Incentives To Restore Employment Act

President Signed HIRE Act; New Law Provides Hiring Incentives, Expensing Extension And More in March 2010.

The \$18 billion job creation package, the Hiring Incentives to Restore Employment (HIRE) Act (H.R. 2847), has been now law.

Payroll Tax Forgiveness

Under the HIRE Act, a qualified employer's 6.2% OASDI Social Security tax liability is forgiven for wages paid on previously unemployed new hires for any 2010 period starting after March 18, 2010 through December 31, 2010.

Payout Mechanics

To allow payroll departments and the IRS to get direct OASDI forgiveness up and running, Congress provided that the payroll tax holiday will not apply to

wages paid during the first calendar quarter of 2010.

Foreign Account Tax Compliance—Small Accounts

The HIRE Act provides a reporting exception for certain accounts held by individuals. The aggregate value of all accounts held by the individual and maintained by the same financial institution cannot exceed \$50,000 for the exception to apply.

American Jobs and Closing Tax Loopholes Act (H.R. 4213)

The Senate's Democratic leadership unveiled a streamlined version of the "American Jobs and Closing Tax Loopholes Act" (H.R. 4213) on June 16 hoping to secure bipartisan support.

Individual Extenders—Additional Standard Deduction for Real Property Taxes

Prior to January 1, 2010, individuals who did not itemize their deductions could claim an additional standard deduction for all or part of their qualified state and local real property taxes, up to \$500. For married couples filing a joint return, the maximum deduction was \$1,000.

The House and Senate bills extend this additional standard deduction through December 31, 2010.



State and Local Sales Tax Deduction

Taxpayers are free to deduct state and local income taxes in one tax year and state and local general sales taxes in another tax year.

Higher Education Tuition Deduction

Before January 1, 2010, qualified taxpayers could take an above-the-line deduction for qualified higher education tuition and related expenses.



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NEW TAX LAWS CHANGES—BUSINESS

2010 Hiring Incentives To Restore Employment Act

Foreign Account Tax Compliance

Reporting on Certain Foreign Accounts The HIRE Act defines an "account" as any depository or custodial account maintained by the foreign financial institution, as well as any equity or debt interest in the institution other than equity or debt interests that are traded on an established securities market.

American Jobs and Closing Tax Loopholes Act (H.R. 4213)

Business Extenders

Code Sec. 6707A Penalty Relief The Senate bill makes the Code Sec. 6707A penalty for failing to disclose reportable transactions proportionate to the tax benefit received.

There are many different aspects in business extenders, such as Research Tax Credit; Refundable AMT Credits; Differential Pay Credits; Qualified Leasehold Improvements; Qualified Restaurant Property; Retail Improvement Property; Environmental Remediation and so on.

International Tax Reforms

1. Foreign Tax Credit Reforms 2. Redemptions 3. 80/20 Rules 4. Source Rules on Guarantees 5. Hire Act Disclosures



S CORPS and Employment Taxes

The House and Senate bills target what some lawmakers view as employment tax evasion by certain service professionals who route their earnings through an S corp, limited partnership, or other entity while claiming a nominal salary.

Small Business Jobs Tax Relief Act of 2010 (H.R. 5486)

House passes small business tax relief package on June 15, 2010. It includes a 100 percent gain exclusion for qualified small business stock, retroactive Code Sec. 6707A penalty relief and an enhanced deduction for startup expenses.

Qualified Small Business Stock

As under current law, the amount of gain eligible for the 100% exclusion by an individual with respect to any corporation under the House bill is the greater of

(1) 10 times the taxpayer's basis in the stock or (2) \$10 million.

Start-up Expense Deduction

Under current law, taxpayers generally may immediately deduct up to \$5,000 in qualified trade or business start-up expenses.

The \$5,000 deduction is reduced (but not below zero) by the amount of the taxpayer's total start-up costs exceeding \$50,000.

Limits On Grantor Retained Annuity Trust (GRAT)

The House bill requires a GRAT to have a minimum 10-year term, carry a remainder interest with a value



greater than zero, and prohibits any decreases in annuity payments during the first 10 years of the GRAT term.

If you have any questions, please don't hesitate to call. We are at your service.