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Tax Relief/Job Creation Act of 2010

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NEWSLETTER
 JANUARY 2011

Tax Planning Alert—The 2010 Tax Act

The newly passed and signed 2010 Tax Act, formally named the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, includes several provisions that will affect taxpayers. Here is the information you need to know now about this legislation, formally named the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.

CCH Projected Tax Rates for 2011 under the 2010 Tax Relief Bill

Single Individuals →

If taxable income is:	The tax will be
Not over \$8,500	10% of taxable income
Over \$8,500 but not over \$34,500	\$850.00 plus 15% of the excess over \$8,500
Over \$34,500 but no over \$83,600	\$4,750.00 plus 25% of the excess over \$34,500
Over \$83,600 but not over \$174,400	\$17,025.00 plus 28% of the excess over \$83,600
Over \$174,400 but not over \$379,150	\$42,449.00 plus 33% of the excess over \$174,400
Over \$379,150	\$110,016.50 plus 35% of the excess over \$379,150

Married Couples
Filing Jointly ↓

If taxable income is:	The tax will be
Not over \$17,000	10% of taxable income
Over \$17,000 but not over \$69,000	\$1,700.00 plus 15% of the excess over \$17,000
Over \$69,000 but no over \$139,350	\$9,500.00 plus 25% of the excess over \$69,000
Over \$139,350 but not over \$212,300	\$27,087.50 plus 28% of the excess over \$139,350
Over \$212,300 but not over \$379,150	\$47,513.50 plus 33% of the excess over \$212,300
Over \$379,150	\$102,574.00 plus 35% of the excess over \$379,150



AMT

The Act includes an AMT patch for 2010 and 2011.

- For 2010, the AMT exemption amounts will be \$47,450 for unmarried individuals and \$72,450 for married individuals filing jointly.
- For 2011, the amounts will be \$48,450 and \$74,450, respectively.

Payroll Tax

For 2011, the Act reduces the rate for the Social Security portion of payroll taxes to 10.4% by reducing the employee rate from 6.2% to 4.2%. The employer's portion remains 6.2%.

Estate Tax

The Act temporarily reinstates the estate tax, with an estate tax rate of 35% and an estate tax exemption of \$5 million (adjusted for inflation after 2011).

Dependent Care Credit

EGTRRA temporarily increased the maximum amount of eligible expenses for the dependent care credit from \$2,400 to \$3,000 (from \$4,800 to \$6,000 for more than one qualifying individual), and raised the maximum credit from 30% to 35% of qualifying expenses and provide for a reduction in the credit. The 2010 Tax Relief Act extends the enhanced dependent care credit for two years, through December 31, 2012.



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FAMILY PROVISIONS

Personal Exemption Phase-out

CCH projects the inflation-adjusted personal exemption amount for 2011 will rise to \$3,700.

- The increased standard deduction for married taxpayers filing jointly, which is scheduled to expire after 2010, continues for two years.
- **Child Tax Credit** The \$1,000 child tax credit amount continues for two years instead of reverting to \$500.
- The increased starting and ending points for the earned income credit continues for two years.
- The \$3,000 amount for the child and **dependent care**

Educational Assistance Exclusion

EGTRRA allows employees to exclude up to \$5,250 in employer-provided education assistance annually from income and employment taxes.

The 2010 Tax Relief Act extends these provisions for two years, through December 31, 2012.

Coverdell Education Savings Accounts

EGTRRA increased the maximum contribution amount to a Coverdell Education Savings Account (ESA) from \$500 to \$2,000 after 2010, continues for two years.

Transit Benefits

The 2009 Recovery Act provided for parity among employer-provided transit benefits (at \$230 adjusted for inflation) for March 2009 through the end of 2010.

The 2010 Tax Relief Act extends parity among transit benefits for one year, through December 31, 2011.

Affected benefits are employer-provided transit and vanpool benefits and the exclusion for employer-provided parking benefits. CCH projects the inflation-adjusted ceiling on this benefit will remain at \$230 for 2011.

American Opportunity Tax Credit

The American Opportunity Tax Credit continues for two years. It extended are income limitations, the AOCT begins to phase out for single individuals with

credit, which was scheduled to revert to \$2,400 after 2010, continues for two years.

- The American Opportunity Tax Credit continues for two years.

The Act also makes adjustments to the gift exclusion and generation-skipping transfer (GST) tax that will affect family giving:

- The federal gift tax exemption is increased to \$5 million for 2011 and 2012, up from \$1 million in 2010.
- The GST tax exemptions are set at \$5 million for 2011 and 2012. The exemption limit is scheduled to drop to \$1 million beginning in 2013.



modified AGI of \$80,000 (\$160,000 for married couples filing jointly) and completely phases out for single individuals with modified AGI of \$90,000 (\$180,000 for married couples filing jointly). Qualified taxpayers with higher education expenses will continue to benefit from an AOTC that is 40% refundable.

Capital Gain/Dividends

Qualified capital gains and dividends currently are taxed at a maximum rate of 15% (0% for taxpayers in the 10% and 15% income tax brackets) for 2010, continues for two years.

Mortgage Insurance Premiums

Under current law, taxpayers may deduct certain premiums paid for qualified mortgage insurance during the tax year in connection with acquisition indebtedness on a qualified residence. The deduction is subject to phase-out based on a taxpayer's income. The 2010 Tax Relief Act extends the deduction for one year subject to some limitation.

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