

The "Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010" was signed into law by President Obama on December 17, 2010.

The following is a summary of the key provisions of the "2010 TRA". Much of the new law simply extends favorable tax rules that applied in prior years for an additional 2 more years (through December 31, 2012). Other provisions modify the old rules or introduce new tax breaks.

Estate Tax	<p>Estate, gift and generation-skipping transfer taxes are reunified for the first time since 2001</p> <p>Estate, gift and generation-skipping transfer tax exemption of \$5 million per person; \$10 million per couple, indexing these amounts for inflation beginning 2012 - Effective after December 31, 2010</p> <p>Top tax rate of 35% for estate, gift and generation-skipping transfer taxes continues for an additional two years - through December 31, 2012</p> <p>Special election available for decedents dying in 2010 to follow the 2010 rules, exempting the entire estate from estate tax but would not give it the stepped-up basis for income tax purposes - for decedents dying in 2010</p> <p>Executor of a deceased spouse's estate can transfer any unused exemption to the surviving spouse without complicated planning (does not apply to generation skipping transfer tax exemption) - for decedents dying after December 31, 2010</p> <p>Exclusion from gross income up to \$100000 of qualified charitable distributions directly from a regular IRA or Roth IRA - for 2010 and 2011 provided taxpayer is over 70.5 years old</p>
Income Tax	<p>Existing income tax brackets remain at 10, 25, 28, 33 and 35% respectively - through December 31, 2012</p> <p>2010 repeal of the phase-outs of personal exemptions and itemized deductions is extended - through December 31, 2012</p> <p>Capital gains and qualified dividend rates remain at 0% (for tax payers below the 25% bracket) or 15% (for tax payers above the 25% bracket)- through December 31, 2012</p> <p>Marriage penalty relief is extended - through December 31, 2012</p>
Social Security	<p>Employees and self-employed workers receive a reduction of two percent in social security payroll tax. 4.2% for employees; 10.4% for self-employed on a maximum earned income of \$106800</p> <p>Medicare tax rate remains the same: 1.45% for employees and 2.9% for self-employed on the full earned income. Income tax deduction for self-employed increases to 59.6% of the social security tax and 50% of the Medicare tax</p> <p>Extension of current unemployment benefits - through December 31, 2011</p>
AMT	<p>A two year Alternative Minimum Tax (AMT) patch will keep the AMT exemption near current levels (\$47450 in 2010 or \$72450 married filing jointly; \$48450 in 2011 or \$74450 married filing jointly) and allow non-refundable personal credits to offset AMT</p>

Tax Credits

Child tax credit will remain at \$1000 and maintains its expanded refundability (refundable credit equals 15% of earned income in excess of \$3000) - **through December 31, 2012**

Dependent care credit allowing a taxpayer a credit for an applicable percentage of child care expenses for children under 13 and disabled dependents - **through December 31, 2012**

Adoption tax credit allowing taxpayers who adopt children to receive a credit for qualified expenses

Extended credit for employer expenses for child care assistance

Earned Income tax credit (EITC) allows working families with two or more children to qualify for a credit equal to 40% of the family's first \$12570 of earned income

Education

American Opportunity tax credit extends a partially refundable tax credit of up to \$2500 to help students and their families cover the cost of college tuition

Coverdell Education Savings Account - tax exempt savings accounts up to \$2000 used to pay the higher education expense of a designated beneficiary

Exclusion for employer-provided educational assistance. Employer may exclude from gross income up to \$5250 for income and employment tax purposes per year of employer-provided education assistance

Extension of student loan interest deduction

Extension of above the line deductions for certain expenses of elementary and secondary school teachers

Exclusion from income of amounts received under certain scholarship programs

Businesses

Extension of R&D tax credits and other tax incentives to support business expansion - **through December 31, 2012**

Extension of New Markets tax credit encouraging significant private investment in businesses in low-income communities

Businesses are allowed to claim a work opportunity tax credit for new hires in targeted areas

Exclusion of small business capital gains. Non-corporate taxpayers may exclude 50% of the gain from the sale of certain small business stock acquired at original issue and held for more than 5 years. 100% exclusion of the gain from sale of qualifying small business stock acquired before January 1, 2012 and held for more than 5 years

Bonus depreciation - businesses may recover the cost of capital expenditure over time according to a depreciation schedule. For investments placed in service after September 8, 2010 through December 31, 2011 law provides 100% bonus depreciation. After December 31, 2011 through December 31, 2012 provides 50% bonus depreciation

Small business expensing - 2010 and 2011 maximum amount and phase out set at \$500000 and \$2m. 2012 max amount and phase out set at \$125000 and \$500000.

**Tax
Extenders**

The election to take an itemized deduction for state and local general sales taxes

Enhanced charitable deductions

30% credit for energy efficient improvements to the home

Deductibility of mortgage insurance premiums for qualified residence