

# TAX UPDATE FOR AICC

By:

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# SMALL BUSINESS JOBS ACT OF 2010

- SIGNED BY PRESIDENT ON 9/27/10
  - BONUS DEPRECIATION – 50% Off the top depreciation extended through 12/31/10 (retroactive to 1/1/10)
  - SECTION 179 EXPENSING – Limits increased to a write-off of \$500,000 for equipment purchases of less than \$2,000,000 for 2010 and 2011. Eligible property expanded to include qualified leasehold, restaurant and retail property as well as computer software.
  - S CORP. BUILT IN GAIN – currently a double tax for 7 years – scheduled to revert to 10 years in 2011 – will become 5 years beginning in 2011
  - QUALIFIED SMALL BUSINESS STOCK – Exclusion percentage increased to 100% for balance of 2010, then reverts back to 50%
  - SELF EMPLOYMENT INCOME – The deduction for medical insurance of self employed taxpayers (and >2% S Corp. shareholders) has been extended to include self employment income.
  - 401(k) ROLLOVER TO ROTH IRA'S – are now permitted under the same rules as IRA rollovers effective 9/27/10.
  - CELLULOSIC BIOFUEL PRODUCER CREDIT – Excludes crude tall oil (a byproduct of paper manufacturing) from the credit.
  - INFORMATION RETURNS – Expanded reporting of rent received by individuals after 2010 and increased penalties for non-reporting

ABC Sheet Plant  
Total Tax Basis Depreciation  
For The Year Ended 12/31/10

Assumption	A	B	C	D
<b>Cost of new equipment</b>	\$ 1,500,000	\$ 1,000,000	\$ 1,000,000	\$ 1,500,000
<b>Cost of used equipment</b>	\$ 400,000	\$ 900,000	\$ 900,000	\$ 400,000
<b>Cost of qualified leasehold improvements</b>	\$ 100,000	\$ 100,000	\$ 300,000	\$ 100,000
<b>Pre-depreciation taxable income</b>	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ -
<b>Section 179 deduction</b>	\$ 500,000	\$ 500,000	\$ 300,000	\$ -
<b>Bonus depreciation new equipment</b>	\$ 750,000	\$ 500,000	\$ 500,000	\$ 750,000
<b>Regular depreciation:</b>				
New	\$ 107,175	\$ 64,305	\$ 71,450	\$ 107,175
Used	\$ -	\$ 57,160	\$ 128,610	\$ 57,160
Leasehold				\$ 2,564
<b>Total tax deduction</b>	\$ 1,357,175	\$ 1,121,465	\$ 1,000,060	\$ 916,899
<b>Total tax deduction as a % of cost</b>	67.86%	56.07%	45.46%	45.84%
<b>Tax savings @40%</b>	\$ 542,870	\$ 448,586	\$ 400,024	\$ 366,760
<b>Annual note payments assuming 80% financing - 7 years - 6%</b>	\$ 348,861	\$ 348,861	\$ 383,747	\$ 348,861
	NET OPERATING LOSS CARRYBACK			

# SUNSET PROVISIONS OF '01 ACT AND THE ESTATE TAX MESS

- EXPIRING TAX PROVISIONS – starting in 2011
  - Dividends will once again be taxed at ordinary income rates not 15%
  - Capital gains will be taxed at a maximum of 20% not 15%
  - Deductions for student loan interest and education expenses reduced
  - Maximum individual tax rates revert to 39.6%
    - Additional .9% Medicare tax on earned income after 2012
    - Additional 3.8% on unearned income after 2012
- Marriage tax penalty relief expires due to contraction of the 15% bracket
- Adoption credit rolled back to \$5,000
- AMT exemptions reduced
- **ESTATE TAX EXEMPTION ROLLED BACK TO \$1,000,000 and maximum rate for Estates and Gifts is increased back to 55%**

# OTHER TAX LAW CHANGES

- Penalty to employers of more than 50 who do not offer “minimum essential (health) coverage ”after 2013
- Tax credit for small employers with average salaries of less than \$50,000
- Additional tax on high cost insurance in 2018
- Medicare tax and unearned income tax increases
- Reduced medical expense deduction
- Elimination of Black Liquor for Biofuel credit
- Adult children coverage mandated up to age 26
- Increased 1099 reporting for services and goods providers both corporate and non-corporate
- 10% excise tax on indoor tanning
- Forgiveness of 6.2% payroll tax for new hires
- Retained worker business credit

# DOLLARS AND SENSE OF CORRUGATED

- DECEMBER 9 AND 10
  - High level discussion of all things Financial
    - Alternative ideas for financial reporting, cost estimating, performance measurement, incentive compensation and sales compensation.
    - Defining, measuring and tracking contribution
      - By order, by salesperson, by customer and by machine center
- “SCENIC JERSEY CITY, NJ”
  - A short (10 minute) train ride from Manhattan two weeks before Christmas
- IMMEDIATELY PRECEDING ICPF’S “*Holiday weekend in New York*”
  - Enhance your visit to the New York Area with this free-flowing discussion of new ideas and new concepts that the industry desperately needs.

# ACTION PLAN