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SMALL BUSINESS JOBS AND CREDIT ACT  
PRESIDENT SIGNED: 09/27/10

The following is a brief description of the Small Business Jobs and Credit Act. These items are only the ones that I thought that you would be interested in. If you have any questions about this information or any other facets of the Act, give me a call.

**Section 179 Depreciation** – The maximum deduction of \$500,000 for new equipment placed in service during 2010 and 2011 and the phase-out threshold has been increased to \$2 million. In addition to equipment, qualifying depreciable real estate can be expensed up to \$250,000. The total amount of section 179 deduction cannot exceed \$500,000 for each year. These depreciable real estate assets include qualifying leasehold improvements, qualifying restaurant property, and qualifying retail improvement property. If you think that some of your improvements will qualify, call me for the details.

**Bonus Depreciation** - A deduction of 50% of the cost of certain new assets, purchased during 2010 and 2011, with a cost recovery period of 10 years or longer and certain transportation property. There is no limit on this deduction in total.

**S Corporation Built-in gains tax** – The holding period is 7 years for 2009 and 2010 and then 5 years for dispositions in 2011.

**Cell phones** – These are no longer “listed property” and the substantiation rules to claim a deduction are now relaxed. Also, employer provided phones are tax-free fringe benefits.

**Self-employed taxpayer’s health insurance** – For 2010 only, taxpayers can deduct their health insurance premiums from their self-employment income subject to employment tax.

**HEALTH CARE REFORM ACT**

We have all heard about the “death squads” that opponents have claimed are in the bill. I think that there will be many changes to the bill before it goes into effect in 2013. There is one credit that is in effect for 2010.

**Small Business Tax Credit** – For 2010, 2011, 2012 and 2013 a small employer with no more than 25 full-time equivalent employees whose full-time equivalent wages average no more than \$50,000 per employee can claim a credit of 35% of the premium paid. There are a lot of complicated rules, such as a reduced credit for an employer with between 10 and 25 full-time equivalent employees. Also, the deduction for the health insurance is reduced by the amount of the credit.

If you think that you are eligible for the credit, please contact me so that we can prepare in advance of tax season.

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“Qualifying real property” for this purpose is the following:

a) Qualifying leasehold improvements are:

- Interior improvements made to leased nonresidential real property,
- Occupied exclusively by the lessee or sub-lessee,
- Placed in service more than three years after the building was first placed in service, and
- Cannot constitute an enlargement of the building, nor can it be an elevator, escalator, a structural component benefitting a common area, nor an interior structural component.

b) Qualifying restaurant property is:

- Section 1250 property,
- An improvement to a building (or a building), and
- Where more than 50% of the square footage is devoted to the preparation of, and seating for on-premises consumption of, prepared meals.

c) Qualifying retail improvement property is:

- An improvement made to the interior of nonresidential real property,
- Has a portion open to the general public and used in retail sales,
- Placed in service more than three years after the building was first placed in service, and
- Cannot constitute an enlargement of the building, nor can it be an elevator, escalator, a structural component benefitting a common area, nor an interior structural component.