

**TAX TALK**  
**BY JEFFREY D. SKOLNICK, CPA, M.S. TAXATION**

**SMALL BUSINESS JOBS ACT OF 2010 – NOW WHAT?**

It seems that every few months there is another tax act being passed and keeping pace is not an easy task. The latest of these tax acts is the Small Business Jobs Act of 2010. This act incorporates many provisions and is designed to aid small businesses and create jobs.

**Retirement Plans**

The new law allows amounts to be rolled over from 401(k), 403 (b) and governmental 457 plans to a designated Roth account. These amounts when rolled over will be taxed currently. The advantage to this is that once rolled over all earnings become tax free forever. The disadvantage, of course, is that the income tax on previously untaxed contributions is payable now. If the rollover occurs before the end of 2010, the individual pays the tax in 2011 and 2012, not in 2010.

**Small Business Expensing (Section 179 Expensing)**

The new law is written to allow businesses first year expensing (also referred to as section 179 expensing) up to \$500,000 on most depreciable assets used in a trade or business. This \$500,000 limit covers assets purchased in tax years beginning in 2010 and 2011. There is a limitation on luxury automobiles and most real estate is excluded. This section 179 expensing also allows as part of the \$500,000 up to \$250,000 of certain leasehold improvements. This means that most assets purchased by small businesses can be written off in one year. The limit for 2010, before this change, was scheduled to be \$25,000. The \$500,000 expensing allowance is reduced when capital expenditures exceed \$2,000,000 in either 2010 or 2011.

The first year depreciation of luxury automobiles (believe it or not these are automobiles with a cost of approximately \$15,000 or trucks and vans with a cost of approximately \$16,000) of \$8,000 is extended through December 31, 2010. First year depreciation of luxury automobiles was scheduled to be \$3,060 ( Now \$11,060) and trucks and vans was \$3,260 (Now \$11,260). Automobiles must be new vehicles purchased before January 1, 2011.

Lastly, 50% first-year bonus depreciation is allowed for most new property used in business, other than real estate, purchased before January 1, 2011. If a business purchased a piece of equipment for \$100,000, \$50,000 would be eligible to be written

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off immediately, while the remaining \$50,000 would be depreciated in the normal manner. Bonus depreciation may be used in situations where an asset is ineligible for first year expensing. Examples of this would be if the business had exceeded \$500,000 in purchases or if the business had a loss.

**Miscellaneous Provisions**

The act contains many other provisions including changes on gain recognition on the sale of “small business stock” and relaxed rules on carrybacks of general business credits of small businesses. In addition there are certain changes to rules pertaining to C corporations that have converted to S corporations.

**Conclusion**

This article addresses only a few of the many provisions of the tax act. The package has many provisions and as always if you're not sure of the rules, then check with a tax professional.