Quick Highlights of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, RIC Modernization, and other Late 2010 Tax Provisions

- **A two-year deferral of sunset provisions in three previous tax laws.** As a result of this deferral, through 2012: the current favorable tax rate structure for individuals remains in place; the standard deduction for marrieds filing jointly won't be hit by a marriage penalty; higher-income taxpayers won't face a reduction in their itemized deductions or a phaseout of personal exemptions; long-term capital gains and qualified dividends will continue to be taxed at a maximum rate of 15%; alternative minimum tax (AMT) exemptions for individuals won't drop; and nonrefundable personal credits will continue to be available to offset AMT as well as regular tax. Numerous other tax breaks remain in place, including many education-related incentives and liberalized child tax credit rules.

- **Major new economic stimulus measures**, including: a 100% writeoff in the placed-in-service year of the cost of property eligible for bonus depreciation (applies for property acquired and placed in service after Sept. 8, 2010, and before Jan. 1, 2012); a 50% bonus first-year depreciation allowance for eligible property placed in service after Dec. 31, 2011, and before Jan. 1, 2013; and for 2011, a two-percentage-point payroll/self-employment tax holiday for employees and self-employeds (employees will pay only 4.2% Social Security tax on wages, and self-employed individuals will pay only 10.4% Social Security selfemployment taxes on self-employment income, up to $106,800).

- **Significant estate tax relief**. Among other changes, the 2010 Tax Relief Act reduces estate, gift and generation-skipping transfer taxes for 2011 and 2012 and continues estate and gift tax relief provisions that were set to expire after 2010. It preserves estate tax repeal for 2010, but in a roundabout way: estates wanting zero estate tax for 2010 must elect that option, along with the modified carryover basis rules that were set to apply for 2010. Otherwise, by default, the estate tax is revived for 2010, with a $5 million exemption, a top tax rate of 35%, and a step-up in basis. Also, for estates of decedents dying after Dec. 31, 2010, a deceased spouse's unused exemption may be shifted to the surviving spouse.

- **The 2010 Tax Relief Act also extends through 2011 thirty tax breaks for businesses (including the research credit)**, eight key tax breaks for individuals (including the option to deduct state and local sales tax instead of state and local income tax), eleven energy related tax breaks (including the credit for energy-efficient improvements to existing homes, but with less-advantageous rules than for 2010), and five disaster relief provisions (including New York Liberty Zone tax-exempt bond financing).