

## New 2010 Tax Act

**O**n Friday, December 17<sup>th</sup>, President Obama signed the **Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010**. This measure is a massive bipartisan tax package that will prevent a 2011 tax hike for millions of Americans. However once again, tax relief is temporary.

### **HIGHLIGHTS OF CHANGES TO INCOME TAXES THROUGH 2012:**

- Income tax rates will remain at 10%, 15%, 28% 33% and 35%
- Capital gains and dividend rates will remain at 0% or 15%
- The personal exemption phase-out and itemized deduction limitations continue to be repealed
- Extends \$1,000 child tax credit.

### **HIGHLIGHTS OF CHANGES TO INCOME TAXES FOR 2010 AND 2011:**

- Increased AMT exemption amounts
- Extends tax-free distributions up to \$100,000 from your IRA for charitable purposes
- Extends above-the-line deduction for qualified tuition and related expenses
- Extends the deduction of state and local general sales tax
- Extends 30% credit for energy-efficiency improvements for your home
- Extends exclusion of qualified small business capital gains
- Extends \$250 deduction for teachers and research credit

### **HIGHLIGHTS OF CHANGES TO ESTATE TAXES FOR 2010, 2011 AND 2012:**

- Reunification of estate and gift taxes for gifts made after December 31, 2010
- 35% top estate tax rate and \$5,000,000 exemption for estate, gift and generation-skipping transfer taxes. The exemption amount will begin to index in 2012.
- Unused exemption may be transferred to spouse for estates beginning 2011
- Allows for an election to choose no estate tax and modified carryover basis for estates arising in 2010

### **HIGHLIGHTS OF CHANGES TO EMPLOYEE PAYROLL TAX IN 2011:**

- Employees will pay only 4.2% on wages and self-employed individuals 10.4% on income up to \$106,800. Employee payroll taxes are scheduled to resume to previous levels in 2012.

### **HIGHLIGHTS OF CHANGES TO UNEMPLOYMENT INSURANCE:**

- 1 year extension of benefits



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