

New Tax Laws for 2011

By: Kevin J. Bassett, CPA

In December Congress passed The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. This bill provides some new tax cuts and a 2 year extension of many of the tax cuts enacted during the Bush administration. These tax cuts affect nearly all taxpayers at all income levels.

What's new?

- The social security tax rate has been reduced by 2% for the year 2011. This applies to the employee's withholdings (not the employer match). This 2% reduction also applies to self-employed individuals.
- Purchases of new business equipment made between September 8, 2010 and December 31, 2011 qualify for 100% bonus depreciation.
- The estate tax exemption is now \$5 million per person through 2012.

What old rules have been extended?

- The 10% tax bracket has been extended until 2012 for married taxpayers with taxable income up to \$17,000 and the 15% bracket will apply to taxable income up to \$69,000. After 2012, the 10% bracket will increase to 15%.
- The other tax brackets will be 25%, 28%, 33% and 35% until 2012. After 2012 the brackets will increase to 28%, 31%, 36% and 39.6% respectively.
- The 15% capital gains and dividend tax rates have been extended until 2012. A 0% rate will apply for taxpayers below the 25% bracket.
- Marriage penalty relief has been extended for the standard deduction and the 15% tax bracket. This means that husband and wife in the 15% tax bracket will be taxed the same as if they were single.
- The \$1,000 child tax credit has been extended until 2012.
- The dependant care credit of \$2,400 per child has been extended until 2012.
- The \$10,000 adoption credit has been extended until 2012.
- The student loan interest deduction and education tax credits have been extended until 2012. The qualified tuition deduction has been extended through 2011.
- The increased AMT exemption has been extended for 2010 and 2011.
- The energy efficient homes credit has been extended through 2011.

These tax breaks can save all business owners money this year. Feel free to email or call us at (919) 303-1049 if you want to discuss how this bill will affect you and your business.

Kevin J. Bassett, CPA is the owner of Bassett & Associates, P.A. Bassett & Associates, P.A. is a full service CPA firm in Raleigh, NC focused on business owners and real estate investors. Kevin is the creator of the Tax Minimization Process™, The Tax Efficiency Grid™ and the Virtual CFO Advantage™.