

*The C&P Advisors companies are happy to bring our latest newsletter to you. If you have questions on any of these topics, contact your C&P Advisor or the individuals listed.*

*December 2010*

## Multi-Billion Dollar Tax Cut Package Signed by the President

On December 17, 2010, Congress approved and the President signed into law the much publicized multi-billion dollar tax cut package. This new law gives a two year extension to the Bush-era individual and capital gains/dividend tax cuts. Also provided in the bill is the AMT “patch”, a one year payroll tax cut, 100 percent bonus depreciation through 2011 and 50 percent bonus depreciation for 2012, a top federal estate tax rate of 35 percent with \$5 million dollar exclusion, and more.

The new law provides taxpayers with some certainty in tax planning for the next two years. However, the short two year extension on most provisions falls far short of the goal of providing taxpayers with the long term tax framework from which they can make long term economic decisions. It also sets the stage for tax policy to be a major election year issue in 2012.



Jim Komos, Partner

### Individual highlights include:

- Reduced individual tax rates (continuation of rates similar to 2010)
- Reduced capital gains/dividend tax rates (continuation of maximum 15 percent rate on most items)
- \$1,000 child tax credit
- Extension of American Opportunity Tax Credit and other education incentives
- Two year alternative minimum tax patch
- Two percent employee payroll tax cut (2011 only)
- Energy incentives
- Marriage penalty relief
- Repeal of the itemized deduction limitation and personal exemption phase-out

Most individuals will be impacted by the payroll tax cut and the extension of the reduced individual tax rates. But many individuals may experience significant tax savings related to high impact changes such as the AMT patch, the lower dividend and capital gain rates, and the lower estate taxes.

# The Advisor

## Business highlights include:

- 100 percent bonus depreciation on qualifying property acquired after 9/8/10 and before 1/1/12
- 50 percent bonus depreciation on property placed in service in 2012
- Research Tax Credit – renews credit for two years through December 31, 2011
- Small Business Stock – extends the 100 percent exclusion for one more year for stock acquired prior to January 1, 2012
- Energy incentives
- Work Opportunity Tax Credit – extend the credit for individuals who begin employment after August 31, 2011 and before January 1, 2012, but with some modifications
- Business Tax Extenders – extends for two years numerous business incentives that would otherwise have expired.

## Federal Estate Tax

One final important change is the federal estate tax. The 2010 Tax Relief Act brings back the estate tax for decedents dying after December 31, 2009 with a maximum estate tax rate of 35 percent with a \$5 million lifetime exclusion amount. This is scheduled to sunset on December 31, 2012. Estates for decedents dying in 2010 have the option to elect out of the new estate tax rules.

## Federal Estate Tax continued:

Two significant features of the new estate tax rules bear special mention. First, the new rules provides for “portability” between spouses of the \$5 million exclusion amount. In essence, any amount unused upon the death of the first spouse can transfer over and be used by the surviving spouse. Second, for gifts made after 2010, the gift tax is reunified with the estate tax. Gift taxes therefore have the same \$5 million lifetime exclusion amount and 35 percent maximum tax rate. This can open up a huge opportunity for significant lifetime giving over the next two years.

Take this opportunity to work with your C&P professional to take advantage of these tax incentives to achieve a favorable result. Please contact us at 216-831-7171 or email [cpainfo@cp-advisors.com](mailto:cpainfo@cp-advisors.com).

For more information on this legislation visit [www.cp-advisors.com](http://www.cp-advisors.com).

Extension Effective Dates for Expiring and Expired Provisions

	2010	2011	2012
Individual Tax Rates		01/01/11 – 12/31/12	
Individual Extenders	01/01/11 – 12/31/11		
AMT Relief	01/01/11 – 12/31/11		
100% Bonus Depreciation		09/09/10 – 12/31/11	

**NOTE:** This newsletter is issued to provide you with information about minimizing your taxes. Many of the items noted may be subject to phase-out rules at higher income levels. Do not apply this general information to your specific information without additional details. Be aware that tax laws contain varying effective dates and numerous limitations and exceptions that cannot be summarized easily. For details and guidance in applying the tax rules to your individual circumstances, please contact us.