



The Gem

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Professional & Business Services

Highlights of the Tax Relief Act of 2010

By Peterson Slater & Osborne

In late December, the House of Representatives passed the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010. This tax-cut compromise contains a two-year extension of income tax rates for everyone regardless of their income level, as well as several other items that will likely affect most American families and businesses.

"This means that there will no tax increases for anyone for the next two years," says Lee M. Osborne, CPA, CFE, a partner with Peterson Slater & Osborne (PSO). "This will be greatly beneficial to business owners struggling to get ahead during these difficult times."

"In addition to benefitting individuals, the new law will include several tax credits for businesses and other incentives to encourage job creation," adds Pedro T. Rincon, CPA, CVA, also a partner at PSO.

The following is a compilation of tax tips from the experts at PSO that may be beneficial for individuals and businesses. As always, please make sure you speak directly to your tax professional regarding your specific tax situation.

With this tax law, Washington raised the lifetime gift exclusion to \$5,000,000. This obviously provides a big opportunity to pass along assets to your heirs and eliminate any potential estate tax. In today's economy, this might provide an even larger opportunity to gift an asset at the donor's cost basis which may be higher than the fair market basis that is used for the IRS gift exclusion. The tax savings could be enormous from both an income tax savings standpoint as well as an estate tax savings.

Lee M. Osborne, CPA, CFE

The Tax Relief Act of 2010 extends the reduced capital gains and dividend tax rates through December 31, 2012. Qualified capital gains and dividends will continue to be taxed at a maximum rate of 15 percent (zero percent for taxpayers in the 10 and 15 percent tax brackets). After 2012, the capital gains rate will go back to 20 percent and dividends will be taxed at the higher ordinary income tax rates.

Pedro T. Rincón, CPA, CVA

As you probably know, brokerage firms are required to report to the IRS the gross proceeds on any securities that you sell during the year. Beginning in 2011, the IRS will also require the reporting of the "cost basis" of securities sold as well. What does this mean to you? The IRS will now have a means to determine the gain or loss on the sale of any securities. Even though this will not impact the preparation and filing of your 2010 income tax return, now is a good time to review the record of cost basis reflected on your December 31, 2010 year-end brokerage account. You will want to be sure that cost basis is correctly reflected, so that any gain or loss is properly computed and you do not pay more tax than you should.

Bruce J. Legawiec, CPA

The Tax Relief Act of 2010 includes a 2 percent payroll tax cut. Although this tax decrease doesn't reduce the employer's portion of payroll taxes, it does mean that employees will have a 2 percent decrease in the amount of Social Security taxes withheld from their paychecks during 2011. Most employees would probably agree that being able to take home more of what you earn is appreciated.

Jennifer J. Gómez, CPA

Peterson Slater & Osborne is a CPA firm serving the Coachella Valley for nearly 60 years. Please contact our certified public accountants at (760)777-9805 or visit www.psocpa.com for more information.