

The Advisor



Issue #7

Hampton Roads Financial Executives Forum

Greetings

We are excited to announce that Cathie Shaw Stanton, Firm Director of State and Local Tax (SALT) Services at Cherry, Bekaert & Holland will be speaking at the March 25th HRFEF meeting on "State & Local Taxes."

**Please note the meeting location change!*

2010 Tax Changes for Business

New tax laws for small business could impact your company's bottom line.

by Stephen Fishman, J.D., www.nolo.com

Federal tax laws grow more complex and confusing each year. One reason is that Congress is now in the habit of enacting tax cuts and other tax changes on a temporary basis. When the "sunset" dates for these changes arrive, the law automatically reverts back to what it was before. The arrival of 2010 has seen the automatic expiration of a number of special tax breaks for small business that were enacted by Congress back in 2008 and 2009 -- part of an effort to prevent the Great Recession from turning into another Great Depression. These now-expired provisions include:

Bonus depreciation. In 2008 and 2009, a special law allowed businesses that purchased new equipment and other business property to take 50% of their total depreciation the first year -- that is, they could write half the cost of the property the first year it was owned. No longer though; as of 2010, the normal depreciation rules apply.

Bonus depreciation for vehicles. The bonus depreciation law permitted purchasers of business vehicles in 2009 to depreciate an extra \$8,000 of the vehicle's cost the first year it was owned. This, too, expired at the end of 2009. First-year depreciation for vehicles is now limited to \$2,960.

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RSVP

If you would like to attend the HRFEF meeting on Thursday March 25, 2010, please email cowanj@donrichard.com by close of business Monday, March 22, 2010.

Time:

Registration: 7:30 AM - 7:45 AM

Breakfast Served: 7:45 AM

Program: 8:00 AM - 9:00 AM

Cost: \$20 (Cash or Check only)

*Location:

Springhill Suites Norfolk/Virginia Beach
6350 Newtown Rd
Norfolk, VA 23502

This session offers 1 CPE credits

Catherine Shaw Stanton

Cathie is the Firm Director of State and Local Tax (SALT) Services for CB&H, and a Tax Partner based on the Firm's Northern Virginia/Greater Washington practice. As a Certified Public Accountant with over 23 years of experience, Cathie serves as a trusted multistate advisor. She has worked extensively with publicly traded corporations as well as privately owned companies. In addition, her expertise in addressing the complex SALT issues arises in the flow-through entity environment has resulted in significant reductions of risk for her clients.

Cathie graduated with honors from Kent State University where she received her Bachelor of Business Administration in Accounting, and she received her Master of Taxation from the University of Akron. She is licensed as a CPA in Maryland, Virginia and Ohio, and is a member of the American Institute of Certified Public Accountants (AICPA), the Maryland Association of Certified Public Accountants (MACPA), and the Virginia Society of Certified Public Accountants (VSCPA).

Upcoming Dates

Thursday, April 22, 2010

Thursday, May 20, 2010

Tuesday, June 22, 2010

First-year expensing. A provision of the tax code called Section 179 allows small businesses to deduct 100% of the cost of new business property up to an annual ceiling amount. In 2008 and 2009, the annual ceiling was enormous: \$250,000. Starting in 2010, the annual amount is automatically reduced to \$134,000, and it is scheduled to drop down to just \$25,000 in 2011.

Charitable deductions of business property. Temporary tax laws provided enhanced charitable deductions to businesses that donated food, inventory, or computer equipment during 2008 and 2009.

Other expired tax breaks. A number of other tax breaks rode off into the sunset at the end of 2009, including:

- A special credit for construction of new energy efficient homes
- A provision allowing improvements to commercial leased property, restaurant buildings and improvements, and retail property improvements to be depreciated over 15 years (instead of the normal 39 years), and
- A credit for certain research and experimentation costs.

That's a look at some of the key tax breaks that are slated to come to an end this year. But what Congress takes away it can also give back. Lawmakers on Capitol Hill have gotten into the habit of extending many temporary tax breaks from year to year. In December 2009, the House of Representatives passed a Tax Extenders Act that extended some of these breaks through 2010, but the bill has yet to be enacted into law.

Most tax experts expect Congress to finally get its act together and extend many of the most popular tax breaks retroactively to January 1, 2010 -- including all those listed above. However, until the final extenders bill is enacted, we won't know for sure which tax breaks will be available during 2010. So stay tuned.

More Tax Law Tips for Businesses in 2010

Capital gains and dividends. 2010 may be the last year for the current low capital gains and dividend tax rates. The tax rate on capital gains from the sale of assets held longer than one year is 0% for lower income earners in the 10% and 15% tax brackets, and 15% for all others. Starting in 2011, the capital gains rates are scheduled to go up to 10% for lower income taxpayers and 20% for everyone else.

Dividends are taxed at the same rate as capital gains during 2010, but are scheduled to be taxed at ordinary income rates after 2010. These rates are as high as 35%

New filing requirements for non-profits. If you run a smaller non-profit organization, you may need to file a Form 990-N "e-Postcard," or your business could be at risk of losing its tax-exempt status.

Deducting losses. Businesses that incur losses in 2010 will not be treated as favorable as those that took a financial hit in 2008 and 2009. Small businesses were permitted to deduct losses incurred during 2008 and 2009 from the taxes they paid in the prior three to five years. Starting in 2010, such losses can be carried back only two years, thus reducing the amount that can be obtained in a quick tax refund.

Mile rate for business driving. For 2010, the standard mileage rate for business driving is reduced to 50 cents per mile, down from 55 cents during 2009.

Estimated taxes for self-employed. Self-employed taxpayers who pay estimated taxes for 2010 must pay at least 100% of their prior year's tax to avoid a penalty. In 2009, this amount was temporarily reduced to 90%.

