

2010 Tax Relief Act Changes to 2010 Year-end Update Textbook

NOTE: This list of changes (in **bold italic**) to our 2010 Year-end Update Textbook is presented so that you can make a page-by-page update reflecting the major changes to your 2010 textbook as a result of The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 that was signed into law on December 17, 2010.

New Legislation

Textbook Page #	Form	Topic or Line Number	Changes
Estate & Gift Tax			
2		Estate Tax	<i>Estates of a decedent who dies in 2010 will be able to choose between (1) Estate tax at a top rate of 35% based on a \$5 million exemption and a step-up in basis or (2) no estate tax and a modified step up in basis. (See Page 3 for the modified step-up basis rules).</i>
2		Estate Tax	<i>Estates in excess of \$5,000,000 of those who die in 2011 and 2012 will be taxed at 35%. The special rules for bequests to spouses that were in effect prior 2010 will still apply under the new law.</i>
2		Estate Tax	<i>The estate tax return for a decedent who dies after 2009 and before the enactment date will not be due until nine months after the 12/17/2010 enactment date.</i>
2		Estate Tax	<i>Effective for estates of decedents dying after December 31, 2010, the executor of a deceased spouse's estate is allowed to transfer any unused exemption to the surviving spouse.</i>
3		Gift Tax	<i>For gifts made after 2010 the gift tax is reunified with the estate tax, with an applicable exclusion amount of \$5 million and a top rate of 35%.</i>
3		GST Tax	<i>The Tax Reform Act provides that the generation skipping tax (GST Tax) exemption for decedents dying or gifts made after December 31, 2009 is the same as the estate tax exemption (i.e. \$5 million).</i>

Form 1040 Line-by-Line Update

Form 1040 Changes

74		25	<i>An individual is allowed a maximum deductible HSA contribution of \$3,050 for single coverage and \$6,150 for family coverage.</i>
74		45	<i>For 2010 and 2011 the AMT exemptions will be \$72,450 for joint and surviving spouse filers (\$36,225 for married filing separate) and \$47,450 for other single individuals. Exemption phaseouts do apply.</i>
74		45	<i>For 2011 the AMT exemptions will be \$74,450 for joint and surviving spouse filers (\$37,225 for married filing separate) and \$48,450 for other single individuals. Exemption phaseouts do apply.</i>

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Textbook Page #	Form	Topic or Line Number	Changes
74		45	<i>For 2010 and 2011 many nonrefundable personal credits will be allowed against the AMT.</i>
75		52	The maximum adoption credit for 2010 is \$12,170 and begins to phase out when modified AGI exceeds \$182,520 .
75		53	Change the 2009 to 2010 (Paragraph 2, line 2)
77		20	Change the 2009 to 2010
77		20	Change the \$500 to \$100
77	Form 4562	Part V.	Change the 2009 to 2010
78	Schedule E		Change the 2009 to 2010
78	2106		Change Jan. 1, 2010 to Jan.1, 2010
78	2106	Bullets	Change \$10,960 to \$11,060
78	2106	Bullets	Change \$4,800 to \$4,900
78	2106	Bullets	Change \$2,850 to \$2,950
94		7	<i>The increase in the monthly exclusion for employer-provided transit and vanpool benefits to that of the exclusion for employer-provided parking benefits has been extended through 2011.</i>
94		9b	<i>Through 2012 qualifying dividends will be taxed at the same rate as long-term capital gains (maximum of 15%).</i>
94		Various	<i>The following tax provisions will remain in place through 2012:</i> <ul style="list-style-type: none"> ▪ <i>Coverdell Education Saving Accounts (CESAs) formerly known as education IRAs;</i> ▪ <i>Exclusion for up to \$5,250 of Employer-provided educational assistance (Code §127);</i> ▪ <i>Exemption from the "payments for services" rule for amounts received from certain government health professions scholarship programs;</i> ▪ <i>Credit for employer-provided child care facilities;</i> ▪ <i>Earned income tax credit (EITC);</i>
95		13	Change \$4,800 to \$4,900
Form 1040 - Page 1			
95		15b	<i>Through 2012 long-term capital gains (with the exception of 28% rate gain and unrecaptured §1250 gain) will continue to be taxed at a maximum rate of 15%. The Capital Gains 10% bracket remains in place for two more years.</i>
95		16b	Change the 2009 to 2010
96		19 & 20b	Change the 2009 to 2010 (2nd Observation, line 4)
96		23	<i>The \$250 above-the-line Educator Expense Deduction has been extended through 2011.</i>
98		32	Change (\$53,000 in 2009 to \$55,000 (Paragraph 2, line 2)
98		32	Change (\$85,000 in 2009 to same in 2009) (Paragraph 2, line 3)
99		34	<i>The above-the-line deduction for qualified tuition and related expenses has been extended through 2011.</i>
99		34	Change the three 2009s to 2010 (Lines 4, 5 & 6)
99		34	Change the 2010 to 2011 (Line 6)

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Textbook Page #	Form	Topic or Line Number	Changes
Form 1040 - Page 2			
101		40	Change two additional standard deductions to three (line 2)
101		40	<i>The standard deduction for married couples will remain at 200% of the basics standard deduction (instead of 167%) for single taxpayers through 2011.</i>
101		40	<i>The election to take an itemized deduction for state and local general sales taxes in lieu of the itemized deduction permitted for state and local income taxes has been extended through 2011.</i>
103		42	Change (up from \$3,600) in 2009 to (same as in 2009)
104		44	<i>The 2010 Tax Reform Act postpones the EGGTRAA tax rate cut sunset which will now apply to tax years beginning after 2012. The income tax rates for individuals will stay at 10%, 15%, 25%, 33% and 35%.</i>
104		45	Bottom section: The AMT exemption for Child Subject to Kiddie Tax (b) Add: "Also \$5,000 in 2010" .
104		45	Bottom Note: Change \$33,750 to \$47,450
105		48	<i>The credit for household and dependent care has been extended through 2012.</i>
105		49	<i>The American Opportunity Education Tax Credit (AOTC) has been extended through 2012.</i>
106		51	<i>The \$1,000 child tax credit is extended and allowed to be used against regular income tax and the AMT for two years, through 2012.</i>
107		52	Change the 2009 to 2010 (Line 2)
107		52	<i>The Code § 25C for energy-efficient improvements to existing homes was reinstated through 2011 as it existed before passage of the American Recovery and Reinvestment Act (updated to reflect improvements in energy efficiency.</i>
107		53	<i>Adoption Credit: Under Sec. 101 of the 2010 Tax Reform Act, the expanded adoption credit and exclusion from income for employer-provided adoption assistance are extended for one year, through 2012, but the PPACA changes to the adoption credit for 2010 and 2011 (relating to the \$1,000 increase in the maximum credit and the refundability of the credit) aren't extended. Thus, for 2012, the maximum benefit is \$12,170 (indexed for inflation after 2010), and is phased out ratably for taxpayers with modified AGI between \$182,520 and \$222,520 (indexed for inflation after 2010). [Act Sec.101(b), Committee Report]</i>
108		56	<i>For 2011 only the self-employment tax rate has been reduced by 2% to 10.4%.</i>
109		Schedule M Line 1a	Change the 2009 to 2010 (Line 1)
113		Above Line 76	3rd Paragraph above line 76: Change 2010 to 2011
113		Above Line 76	2nd Paragraph above line 76: Change the three 2009s to 2010

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Textbook Page #	Form	Topic or Line Number	Changes
114		77	Third bullet: Change four 2009s to 2010
114		Third Party Designee	Change the 2009 to 2010 (Line 1)
<u>Schedule A</u>			
122		13	<i>The rule allowing premiums for mortgage insurance to be deductible as interest has been extended through 2011.</i>
122		13	<i>The deduction for student loan interest of up to \$2500 has been extended through 2012.</i>
122		13	First bullet: Change 2010 to 2011
122		13	Second bullet: Change 2011 to 2010
123		14	Third bullet: Change 2007 to 2009
124		16-19	<i>Tax-free withdrawals from an IRA directly to a charitable organization has been extended through 2011.</i>
124		16-19	<i>Increased contribution limits and carryforward period for contributions of appreciated real property for contribution purposes (including partial interests in that property) has been extended through 2011.</i>
126		29	<i>The elimination of the itemized deductions phaseout will continue through 2012.</i>
<u>Schedule B</u>			
			No changes
<u>Schedule C</u>			
131		Depreciation	<i>property eligible for bonus depreciation under Code §168(k) for property placed in service after September 8, 2010 and before January 1, 2012. Also the election to accelerate the AMT credit instead of claiming additional first-year depreciation is extended through December 31, 2012. Section 179 limits in place for 2010.</i>
131		Depreciation	<i>Property placed in service during 2012 will be eligible for a 50% bonus first year depreciation allowance under Code §168(k).</i>
131		Depreciation	<i>After 2011, the maximum Code §179 Depreciation will return to \$125,000 and the investment-based phaseout amount will be set at \$500,000.</i>

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<u>Schedule D</u>			
142		Inherited Property	<i>Estates of a decedent who dies in 2010 will be able to choose between (1) Estate tax at a top rate of 35% based on a \$5 million exemption and a step-up in basis or (2) No estate tax and a modified step up in basis. (See Page 3 for the modified step-up basis rules)</i>
142		Inherited Property	<i>NOTE: Estates in excess of \$5,000,000 of those who die in 2011 and 2012 will be taxed at 35%. Special rules for bequests to spouses that were in effect prior to 2010 will still apply.</i>
<u>Schedule E</u>			
145		20	Change the 2009 to 2010 (Line 3)
<u>Schedule EIC</u>			
			<i>The Earned Income Credit has enhanced provisions. For instance, with respect to tax years beginning in 2010, a 45% credit percentage applies for a taxpayers with three or more qualifying children, and the joint return phaseout amount is \$5,010 (as adjusted for inflation) above the thresholds for singles, surviving spouses, and heads of household—i.e., \$12,490 for no qualifying children, and \$21,460 for one or more qualifying children. Thus, in 2010, taxpayers with three or more qualifying children could claim a credit of 45% of earnings up to \$12,590, resulting in a maximum credit of \$5,666.</i>
<u>Numerous Business Tax Breaks Extended through 2011.</u>			
			<ul style="list-style-type: none"> ▪ <i>The new markets tax credit</i> ▪ <i>The research & development credit</i> ▪ <i>Employer wage credit for activated reservists.</i> ▪ <i>15-year writeoff for qualified leasehold improvements, restaurant buildings and improvements and for retail improvements</i> ▪ <i>7-year writeoff for motorsports entertainment facilities.</i> ▪ <i>Expensing of environmental remediations costs.</i> ▪ <i>The work opportunity tax credit.</i> ▪ <i>The code §199 domestic production credit for activities in Puerto Rico.</i> ▪ <i>Enhanced charitable deductions of contributions of food and/or book inventory to public schools and for corporate contributions of computer equipment for educational purposes.</i> ▪ <i>Various energy-related credits for businesses.</i>
<u>Work Opportunity Extended Through 2010</u>			
			<i>Work Opportunity Credit was extended through December 31, 2010. Therefore the credit will expire after 2010.</i>