

Update: December 2010

Tax Intelligence

Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (H.R. 4853)

Situation

On December 17, 2010, the President signed into law the Tax Relief, Unemployed Insurance Reauthorization and Job Creation Act of 2010 (H.R. 4853). The new law follows through on the bi-partisan framework agreed to on December 6, 2010, by President Obama and GOP leaders in Congress. The immediate impact of the \$853-billion tax cut package includes the payroll tax cut and the extension of the reduced individual income tax rates.

Solution

The following measures were included in the Tax Relief Act of 2010:

Business Incentives

- Work Opportunity Tax Credit (WOTC) was set to expire on August 31, 2011 and has been extended through 2011.
- Several business tax credits, which had expired at the end of 2009, have been extended for two years (2010 and 2011):
 - Empowerment Zones
 - District of Columbia Enterprise Zones
 - Indian Employment Credit
 - R&D Credit
 - New Markets Tax Credit

Payroll Tax Cuts

- Reduces the employee's portion of Social Security taxes from 6.2 percent to 4.2 percent for wages earned up to \$106,800 in calendar year 2011. Self-employed individuals pay would be reduced from 12.4% to 10.4% for wages earned up to \$106,800.

Alternative Minimum Tax (AMT)

- Provides a patch to assist middle-income taxpayers by providing higher exemption amounts and other targeted relief for 2010 and 2011.

Individuals

- Individual Income tax rates will remain at the current levels and will continue at those levels through 2012.
- The earned income tax credit and the child tax credit have been enhanced and extended through 2012.

Unemployment Benefits

- The extension of unemployment benefits for the next 13 months.

Federal Estate Tax

- Estate tax relief for 2 years, set at a 35 percent with a \$5 million exemption, along with other changes.

The following provisions were not extended as part of the Tax Relief Act of 2010:

Business Incentives

- WOTC targeted groups, Unemployed Veterans and Disconnected Youths is set to expire on December 31, 2010.
- Hiring Incentives to Restore Employment (HIRE) Act is set to expire on December 31, 2010.
- Renewal Community Zones expired on December 31, 2009.
- WOTC targeted group, Hurricane Katrina expired on August 28, 2009.

Value

The new law gives taxpayers some certainty in tax planning; however, the provisions are temporary. TALX will continue to provide guidance and updates on H.R. 4853. If your company is interested in receiving more information on the Tax Relief Act of 2010, please visit our corporate blog at <http://blog.talx.com/> or contact Pete Krieshok at 314-214-7325, or by e-mail at pkrieshok@talx.com.