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## Individual and business extenders in the 2010 Tax Relief Act

In addition to extending the Bush tax cuts, providing relief from the AMT, and cutting the payroll tax by two percentage points, the recently enacted "Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010" (Tax Relief Act) extends a host of other important tax breaks for businesses and individuals.

The following tax breaks for individuals that expired at the end of 2009 have been retroactively reinstated by the Tax Relief Act and extended through 2011:

- The election to take an itemized deduction for State and local general sales taxes instead of the itemized deduction permitted for State and local income taxes.
- The above-the-line deduction for qualified higher education expenses.
- The \$250 above-the-line tax deduction for teachers and other school professionals for expenses paid or incurred for books, certain supplies, equipment, and supplementary materials used by the educator in the classroom.
- The increased contribution limits and carryforward period for contributions of appreciated real property (including partial interests in real property) for conservation purposes.
- The provision that permits tax-free distributions to charity from an Individual Retirement Account (IRA) of up to \$100,000 per taxpayer, per tax year. Individuals also will be allowed to make charitable transfers during January of 2011 and treat them as if made during 2010.
- The look-thru rule for certain regulated investment company (RIC) stock in determining the gross estate of nonresidents.
- The increase in the monthly exclusion for employer-provided transit and vanpool benefits to equal that of the exclusion for employer-provided parking benefits.

In addition, the new law extends for an additional year (i.e., through 2011) the rule allowing premiums for mortgage insurance to be deductible as qualified residence interest.

Business tax relief.

On the business side, the following business tax breaks that expired at the end of 2009 have been retroactively reinstated and extended through 2011 by the Tax Relief Act:

- The research and development credit.
- 15-year write-offs for qualified leasehold improvements, and restaurant buildings (and certain improvements to such restaurant buildings).
- 7-year write-offs for certain motorsports racetrack property.

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- The employer wage credit for activated military reservists.
- The active financing exception from the Code's Subpart F rules for a controlled foreign corporation predominantly engaged in the conduct of a banking, financing, or similar business.
- Look-through treatment of payments between related controlled foreign corporations.
- The Indian employment credit.
- The new markets tax credit.
- Accelerated depreciation for business property on an Indian reservation.
- The railroad track maintenance credit.
- The special expensing rules for certain film and television productions.
- The mine rescue team training credit.
- The election to expense advanced mine safety equipment.
- Expensing of environmental remediation costs.
- The deduction allowable for domestic production activities in Puerto Rico.
- The American Samoa economic development credit.
- The rules exempting from gross basis tax and from withholding tax the interest-related dividends and short-term capital gain dividends received from a RIC by certain foreign persons (extended to apply to tax years of a RIC beginning before 2012).
- The inclusion of a RIC within the definition of a "qualified investment entity" under the provisions of the Foreign Investment in Real Property Tax Act as codified in Code Sec. 897.
- The enhanced deduction for contributions of food and book inventories, and computer equipment for educational purposes.
- A liberal rule for S corporations making charitable donations.
- The special rules for interest, rents, royalties and annuities received by a tax-exempt entity from a controlled entity.
- Empowerment zone tax incentives.
- Renewal community tax incentives.
- Tax incentives for investments in the District of Columbia.
- The work opportunity credit (extended for four months (through the end of 2011)).
- Qualified zone academy bonds.

In addition, the new law extends for an additional year (i.e., through 2011) the temporary exclusion of 100% of gain on the sale of certain small business stock.

#### Energy provisions

The following energy provisions were extended by the Act (through 2011):

- The credit for manufacturers of energy-efficient new homes.
- Incentives for biodiesel and renewable diesel.
- The credit for refined coal facilities.
- Excise tax credits and outlay payments for alternative fuel and alternative fuel mixtures.
- The special rule to implement FERCs and State electric restructuring policy.
- Suspension of the limitation on percentage depletion for oil and gas from marginal wells.
- Grants for specified energy property in lieu of tax credits.
- Provisions related to alcohol used as fuel.
- The energy efficient appliance credit.
- The credit for energy-efficient improvements to existing homes.
- The 30% investment tax credit for alternative vehicle refueling property.

#### Disaster relief provisions

The following disaster relief provisions are extended through 2011:

- New York Liberty Zone tax-exempt bond financing.
- Increased rehabilitation credit for structures in the Gulf Opportunity Zone.
- Low-income housing credit rules for buildings in Gulf Opportunity Zones.
- Tax-exempt bond financing for the Gulf Opportunity Zones.
- Bonus depreciation deduction applicable to specified Gulf Opportunity Zone extension property.

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