



# The Good, Bad, and Ugly of 2010 Tax Legislation

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*The Profitability of Illinois Agriculture: Managing in a Strong Ag Economy*

## 2010 Estate Tax

Year	Highest Rate	Exclusion	Amount
2002	50%	\$1 million	\$345,800
2003	49%	1 million	348,800
2004	48%	1.5 million	555,800
2005	47%	1.5 million	555,800
2006	46%	2 million	780,800
2007	45%	2 million	780,800
2008	45%	2 million	780,800
2009	45%	3.5 million	1,455,800
2010	0%	-----	-----
2011	55%	1 million	345,800

Payroll tax exemption

New hire retention credit



## Patient Protection and Affordable Care Act



A state-sponsored venue that allows comparison shopping of standard packages and provides:

- ◆ Initial open enrollment
- ◆ Annual open enrollment
- ◆ Special enrollment periods
- ◆ Special monthly-enrollment periods for American Indians

- Encourages businesses to offer health insurance or continuing coverage
- No more than 25 full-time equivalent (FTE) employees
- Average annual wages of \$50,000 or less

## Premium Assistance Credit



- Begins in 2014
- A refundable credit
- Administered by the exchange
- For taxpayers with income between 100% and 400% of the federal poverty level

## Cliff Effect



			Difference
Annual Income (family of 4)	\$29,326	\$29,328	\$2
FPL	\$22,050	\$22,050	n/a
Income as % of FPL	132.99%	133%	n/a
Premium percentage	2%	3%	1%
Premium credit	\$587	\$880	\$293

## Coverage for Children Under 27



- Can be included on parent's policy
- Employer-paid premiums not included in parent's gross income
- Child does not have to qualify as a dependent
- Effective March 30, 2010

## SIMPLE Cafeteria Plans



- All employees eligible to participate and
- Each employee able to elect any benefit available

## Form 1099 on Property Payments



All purchases aggregating \$600 or more

Effective for payments after Dec. 31, 2011

Revenue provision of PPACA

Several pending bills call for repeal

## 1099 Reporting Penalties

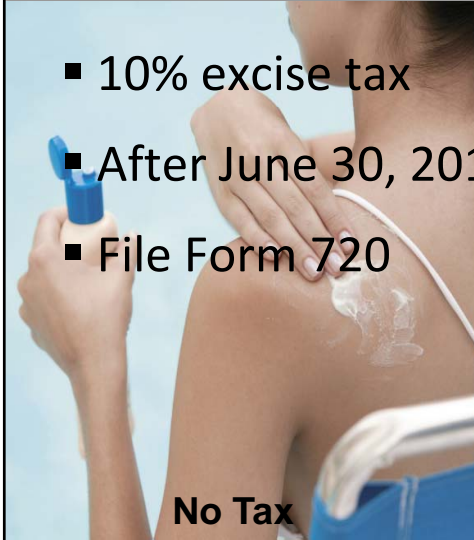


- Failure to timely file
  - 30 days later increases from \$15 to \$30/return.
  - >30 but before Aug. 1 from \$30 to \$60.
  - After Aug 1 from \$50 to \$100.
  - Not filing at all \$250
- Begins with Jan 1, 2011 filings.
- Maximum penalty for small filers (less than \$5 million gross is lower.

## Tanning Salons



- 10% excise tax
- After June 30, 2010
- File Form 720



No Tax

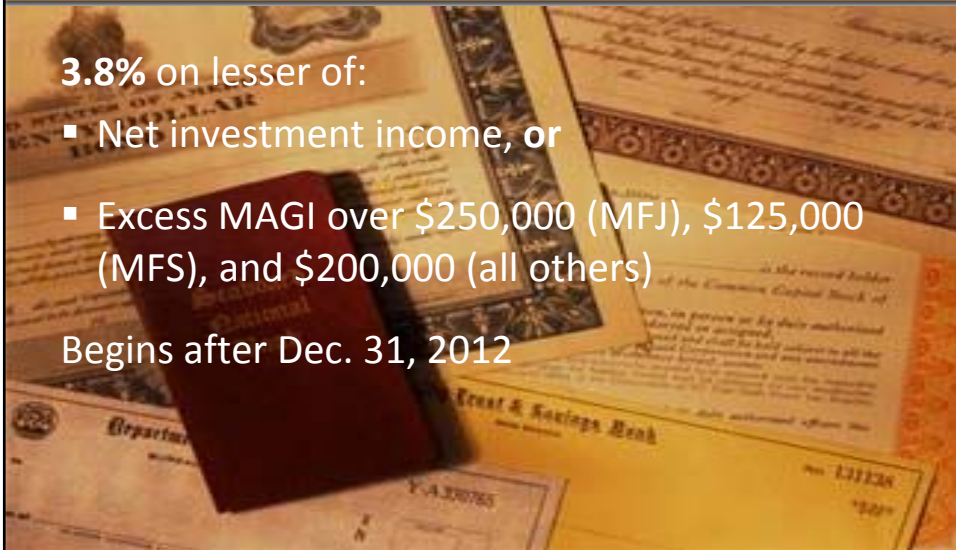


10% Tax

## Medicare Tax on Net Investment Income



- 3.8% on lesser of:
- Net investment income, or
  - Excess MAGI over \$250,000 (MFJ), \$125,000 (MFS), and \$200,000 (all others)
- Begins after Dec. 31, 2012



## Additional Medicare Tax on High-Income Taxpayers



- Employee portion increased by 0.9% on wages in excess of threshold
  - \$250,000 MFJ
  - \$125,000 MFS
  - \$200,000 all others
- Based on combined wage of employee and spouse
- Begins after Dec. 31, 2012

## IRC §179 Expensing



- ~~Remains \$250,000~~ for 2010  
Increased to \$500,000
- ~~Retains \$800,000~~ purchase limit  
Increased to \$2,000,000



## Bonus Depreciation

- Retroactive to Jan. 1, 2010.
- Expires Dec. 31, 2010.
- Increased first year depreciation on automobiles

## Cell Phones

- Listed property



## SE Health Insurance Deduction



Reduces self-employment income.

For 2010 only.

## §401(k) Rollover to Roth Account



Tax deferred until 2011 and 2012 returns if converted in 2010.

Consider pros and cons of deferring tax.

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