

# Wright Ford Young & Co.

*Certified Public Accountants and Consultants, Inc.*

Dear friends and colleagues,

The recently enacted 2010 Small Business Jobs Act includes a wide-ranging assortment of tax breaks and incentives for small business. Here's a brief overview of the tax changes in the new law.

*Enhanced small business expensing (Section 179 expensing).* Under pre-2010 Small Business Jobs Act law, taxpayers could expense up to \$250,000 of qualifying property—generally, machinery, equipment and certain software—placed in service in tax years beginning in 2010. This annual expensing limit was reduced (but not below zero) by the amount by which the cost of qualifying property placed in service in tax years beginning in 2010 exceeded \$800,000 (the investment ceiling). **Under the new law, for tax years beginning in 2010 and 2011, the \$250,000 limit is increased to \$500,000 and the investment ceiling to \$2,000,000.**

**The new law also makes certain real property eligible for expensing.** For property placed in service in any tax year beginning in 2010 or 2011, the up-to-\$500,000 of property expensed can include up to \$250,000 of qualified real property (qualified leasehold improvement property, qualified restaurant property, and qualified retail improvement property).

*Extension of 50% bonus first-year depreciation.* Businesses are allowed to deduct the cost of capital expenditures over time according to depreciation schedules. In previous legislation, Congress allowed businesses to more rapidly deduct capital expenditures of most new tangible personal property, and certain other new property, placed in service in 2008 or 2009, by permitting the first-year write-off of 50% of the cost. **The new law extends the first-year 50% write-off to apply to qualifying property placed in service in 2010.**

**Under the new law, beginning in 2010, eligible small businesses can carry back unused general business credits including research and development credits for five years.** Eligible small businesses consist of sole proprietorships, partnerships and non-publicly traded corporations with \$50 million or less in average annual gross receipts for the prior three years.

*General business credits of eligible small businesses in 2010 aren't subject to AMT.* Under the AMT, taxpayers can generally only claim allowable general business credits against their regular tax liability, and only to the extent that their regular tax liability exceeds their AMT liability. **The new law allows eligible small businesses, as defined above, to use all types of general business credits to offset their AMT in tax years beginning in 2010.**

Please keep in mind that these are only the highlights of the most important changes in the new law. Please contact us if you would like to discuss what actions you should take before year end to benefit from the new law.