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Dear friends and colleagues,

The recently enacted “Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010” is a sweeping tax package that includes, among many other items, an extension of the Bush-era tax cuts for two years, estate tax relief, a two-year “patch” of the alternative minimum tax (AMT), a two-percentage-point cut in employee-paid payroll taxes and in self-employment tax for 2011, new incentives to invest in machinery and equipment, and a host of retroactively resuscitated and extended tax breaks for individuals and businesses. Here's a look at the key business and estate tax elements of the package:

- Businesses can write off 100% of their qualified equipment and machinery purchases (depreciable property with a recovery period of 20 years or less), effective for property placed in service after September 8, 2010 and through December 31, 2011, without limit. For property placed in service in 2012, the new law provides for 50% additional first-year depreciation.
- Employees and self-employed workers will receive a reduction of two percentage points in Social Security payroll tax in 2011, bringing the rate down from 6.2% to 4.2% for employees, and from 12.4% to 10.4% for the self-employed.
- Extension of the research credit for two years until December 31, 2011.
- Extends for an additional year (i.e., through 2011) the temporary exclusion of 100% of gain on the sale of certain small business stock.
- After a one-year hiatus, the estate tax will be reinstated for 2011 and 2012, with a top rate of 35%. The exemption amount will be \$5 million per individual in 2011 and will be indexed for inflation in the following years. Estates of people who died in 2010 can choose to follow either 2010's or 2011's rules.
- Omitted from the new law: Repeal of a controversial expansion of Form 1099 reporting requirements.

If you would like more details about these provisions or any other aspect of the new law, please do not hesitate to call.