The Good, Bad, and Ugly of 2010 Tax Legislation

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2010 Illinois Farm Economics Summit
The Profitability of Illinois Agriculture: Managing in a Strong Ag Economy

<table>
<thead>
<tr>
<th>Year</th>
<th>Highest Rate</th>
<th>Exclusion</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>50%</td>
<td>$1 million</td>
<td>$345,800</td>
</tr>
<tr>
<td>2003</td>
<td>49%</td>
<td>1 million</td>
<td>348,800</td>
</tr>
<tr>
<td>2004</td>
<td>48%</td>
<td>1.5 million</td>
<td>555,800</td>
</tr>
<tr>
<td>2005</td>
<td>47%</td>
<td>1.5 million</td>
<td>555,800</td>
</tr>
<tr>
<td>2006</td>
<td>46%</td>
<td>2 million</td>
<td>780,800</td>
</tr>
<tr>
<td>2007</td>
<td>45%</td>
<td>2 million</td>
<td>780,800</td>
</tr>
<tr>
<td>2008</td>
<td>45%</td>
<td>2 million</td>
<td>780,800</td>
</tr>
<tr>
<td>2009</td>
<td>45%</td>
<td>3.5 million</td>
<td>1,455,800</td>
</tr>
<tr>
<td>2010</td>
<td>0%</td>
<td>--------</td>
<td>--------</td>
</tr>
<tr>
<td>2011</td>
<td>55%</td>
<td>1 million</td>
<td>345,800</td>
</tr>
</tbody>
</table>
HIRE Act

- Payroll tax exemption
- New hire retention credit

Patient Protection and Affordable Care Act
Health Benefit Exchanges

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

Small Business Tax Credit

- 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

<table>
<thead>
<tr>
<th></th>
<th>Annual Income (family of 4)</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$29,326</td>
<td>$29,328</td>
</tr>
<tr>
<td>FPL</td>
<td>$22,050</td>
<td>$22,050</td>
</tr>
<tr>
<td>Income as % of FPL</td>
<td>132.99%</td>
<td>133%</td>
</tr>
<tr>
<td>Premium percentage</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>Premium credit</td>
<td>$587</td>
<td>$880</td>
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</table>
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

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

- 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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