

# **THE 2010 TAX ACT HAS (GULP!) ARRIVED**

Presenter: Robert J. Kolasa

[robert@kolasalaw.com](mailto:robert@kolasalaw.com)

Lake County Estate Planning Council

January 13, 2010

# What Gridlock? What Deficit?

**“Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010”**

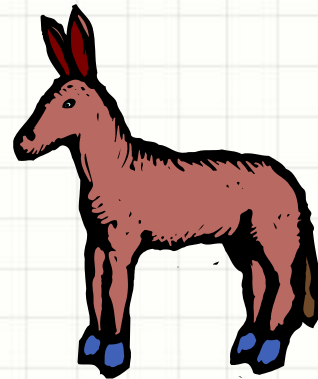
## **Tax Cuts for ALL**

(even > \$250K of Income)



## **Stimulative Spending**

- Extend Unemployment Insurance
- 2% Payroll Tax Cut



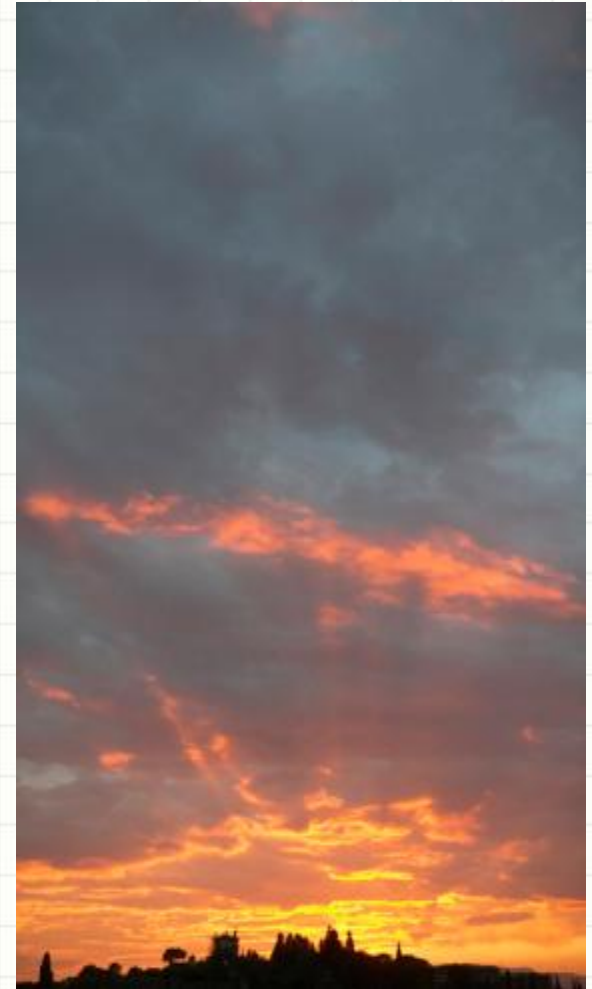
**\$858 Billion Cost of 2010 Tax Act**





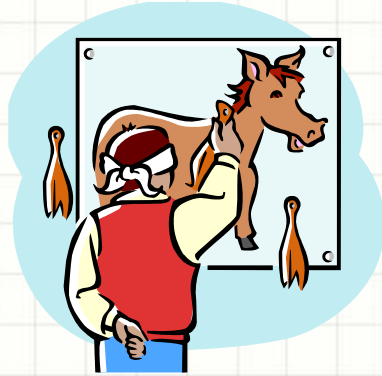
# 2010 Tax Act – Stopping A “Sunset”

- The EGTTTRA “Sunset”
  - 2000 Tax Cuts Set to Expire on 1/1/2011  
(Top 39.6% Income Tax Rate)
- 2010 Tax Act (2011 & 2012 only)
  - **Stops “Sunset” for 2 Years**  
(2000 Tax Cuts Retained)
  - **“NEW” Estate/Gift Tax Rules**
    - \$5M “Unified” Exclusion
    - Top 35% Rate
    - Estate Tax Portability
    - 2010 – “Elective” Carryover Basis



# OUR BIZARRE TAX ENVIRONMENT

## **“Temporary Tax” Provisions are the Norm**



- Maddening For Planners!
- Bad for Business Planning!
- Bad for Growth?!!

**ON 1/1/2013**

**HERE WE GO AGAIN AS 2010 ACT EXPIRES!!!**

- Higher Income Tax Rates (39.6% top rate);
- Pre-2000 Estate Tax Laws Reinstated  
(\$1M Exclusion Amount with top 55% rate)

**Another “Temporary” Law to the Rescue in 2013?**

# Today's Presentation

1

- Quick Overview of Income Tax Provisions

2

- New Estate, Gift & GST Rates, Exclusions & Rules

3

- Estate Tax Portability
- Carryover Basis (2010 only)

# 2011-12 Income Tax Relief

	<u>TOPIC</u>	<u>EXPLANATION</u>	<u>COST</u>
1.	<b>AMT PATCH</b> <b>Retained</b>	<b>AMT Exemptions</b> <ul style="list-style-type: none"><li>• \$72,450 - Joint Filers</li><li>• \$47,750 - Single Filers</li></ul>	<b>\$136.7 Billion</b>
2.	<b>PAYROLL TAX HOLIDAY</b> <b>(2011 only) NEW</b>	<b>2% Decrease (to 4.25%) in Employee's Portion of Social Security Taxes</b>	<b>\$111.7 Billion</b>
3.	<b>INCOME TAX RATES</b> <b>Retained</b>	<b>Rates remain at 2010 Levels (10% to 35%)</b>	<b>\$97.5 Billion</b>
4.	<b>CHILD TAX CREDIT</b> <b>Retained</b>	<b>\$1,000 Credit @ Child</b> <i>(Phase-out if AGI &gt; \$110k)</i>	<b>\$91.4 Billion</b>

**51% OF 2010 TAX ACT'S COST IN THESE FOUR ITEMS**

# 2011-12 Income Tax Relief (Con'd)

	<u>TOPIC</u>	<u>EXPLANATION</u>	<u>COST</u>
5.	<b>QUALIFIED DIVIDENDS</b> <b>Retained</b>	<b>15% Taxation</b> (Zero Tax for 10% & 15% brackets)	<b>\$27.3 Billion</b>
6.	<b>CAPITAL GAINS RELIEF</b> <b>Retained</b>	<b>15% Taxation</b> (Zero Tax for 10% & 15% brackets)	<b>\$25.9 Billion</b>
7.	<b>MARRIAGE PENALTY RELIEF</b> <b>Retained</b>	<b>Relief Retained</b> (15% Bracket & Standard Deduction Tweaks)	<b>\$26.9 Billion</b>



# 2011-12 Income Tax Relief (Con'd)

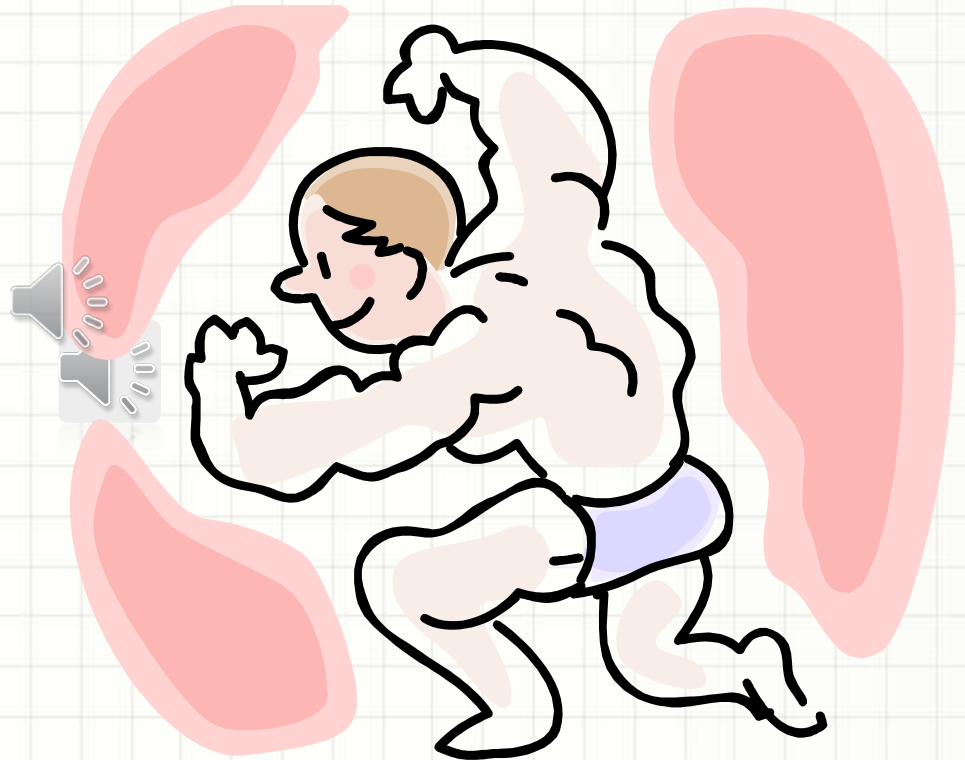
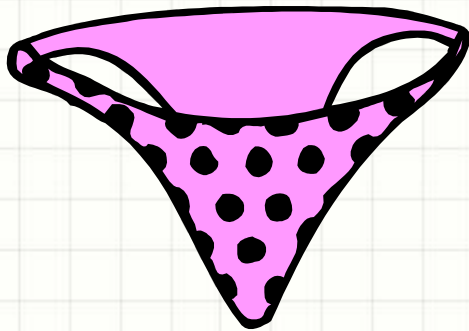
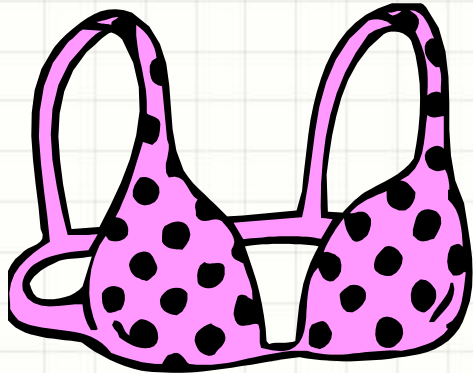
	<u>TOPIC</u>	<u>EXPLANATION</u>	<u>COST</u>
8	<b>BONUS DEPRECIATION</b> <b>Retained</b>		<b>\$20.9 Billion</b>
9.	<b>ITEMIZED DEDUCTINON</b> <b>&amp; PERSONAL</b> <b>EXEMPTION PHASE-OUT</b> <b>RELIEF Retained</b>		<b>\$20.7 Billion</b>
10.	<b>AOTC (formerly HOPE)</b> <b>EDUCATION CREDIT</b> <b>Retained</b>		<b>\$17.6 Billion</b>
11.	<b>ENERGY IMPROVEMENT</b> <b>CREDIT Retained 2011</b>	<i>Lower benefits than 2010</i>	<b><i>Undisclosed</i></b>

# 2011-12 Income Tax Relief (Con'd)

- **IRA CHARITABLE ROLLOVERS - Reenacted**
  - 2009 Law: Up to \$100,000 Tax Free Distributions allowable from IRAs to Charities
  - New Law reenacts for 2010 & 2011 only
    - Strange Twist: 1/31/2011 Deadline for 2010 IRA Charitable Rollovers
- **Miscellaneous Other Income Tax Relief**

Employer provided education assistance; sales tax deduction; higher education tuition deduction; teacher's classroom expense deduction enhanced 179 expensing; research tax credit; work opportunity tax credit [additional minor provisions herein intentionally omitted...]

# SEXY ESTATE, GIFT & GST TAX CHANGES



# Simplified Estate Tax Summary

## ESTATE TAX

**Exclusion  
Amount**

## 2010

\$5 Million

## 2011-2012

\$5 Million

**Plus**

“DSUES”

## 2013

“Sunset”

\$1 Million

**Maximum  
Tax Rate**

35%

35%

55%

**Carryover  
Basis**

Option to  
Elect in lieu  
of Estate Tax

N/A

N/A





**NEW WORK**

# New Work

The technology learning curve



# Who's Who

---

**Lead****Contact information**

Jim

[Jim@company.com](mailto:Jim@company.com)

Dee

[Dee@gcompany.com](mailto:Dee@gcompany.com)

Mavis

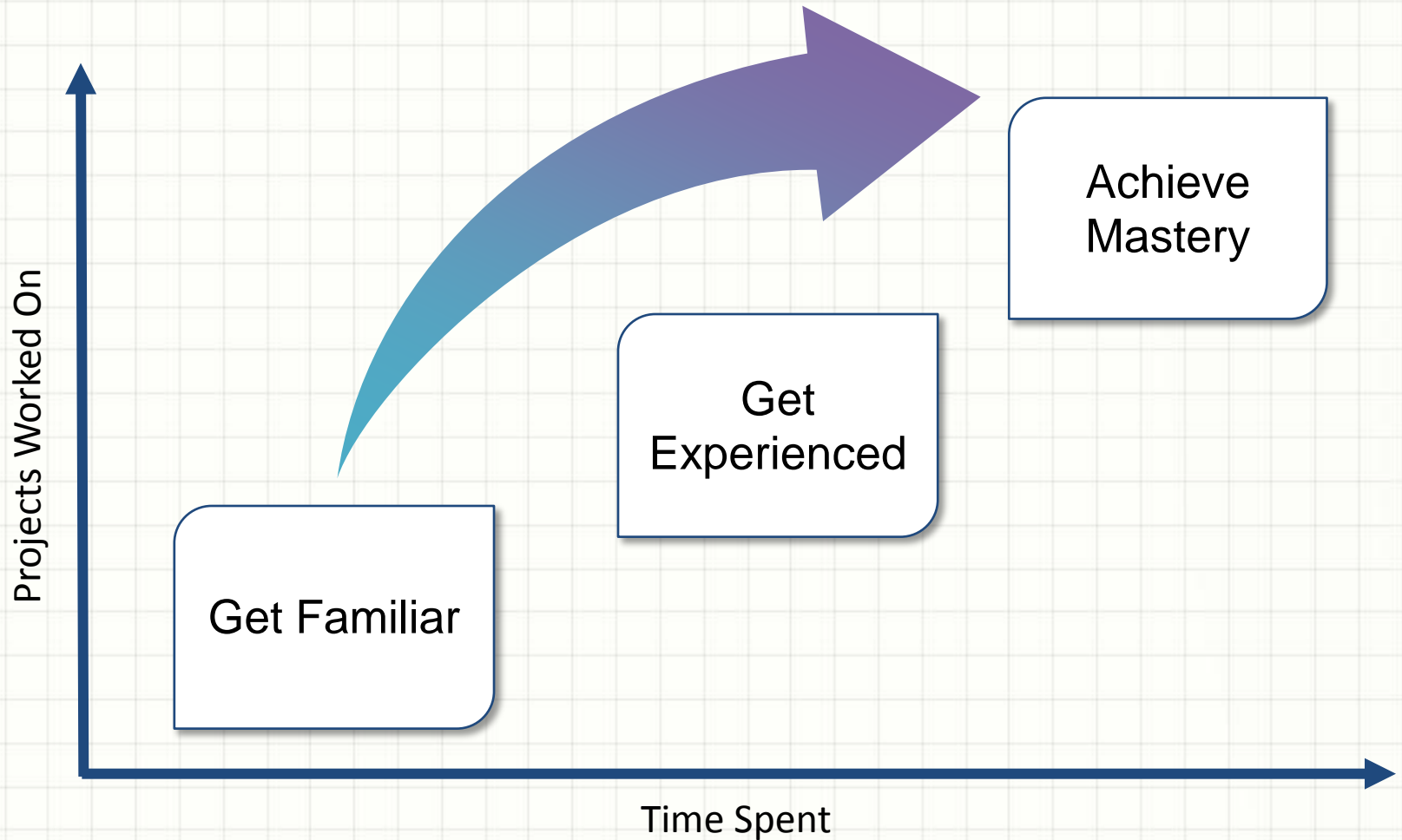
[Mavis@company.com](mailto:Mavis@company.com)

Doug

[Doug@company.com](mailto:Doug@company.com)

---

# Working Toward Mastery





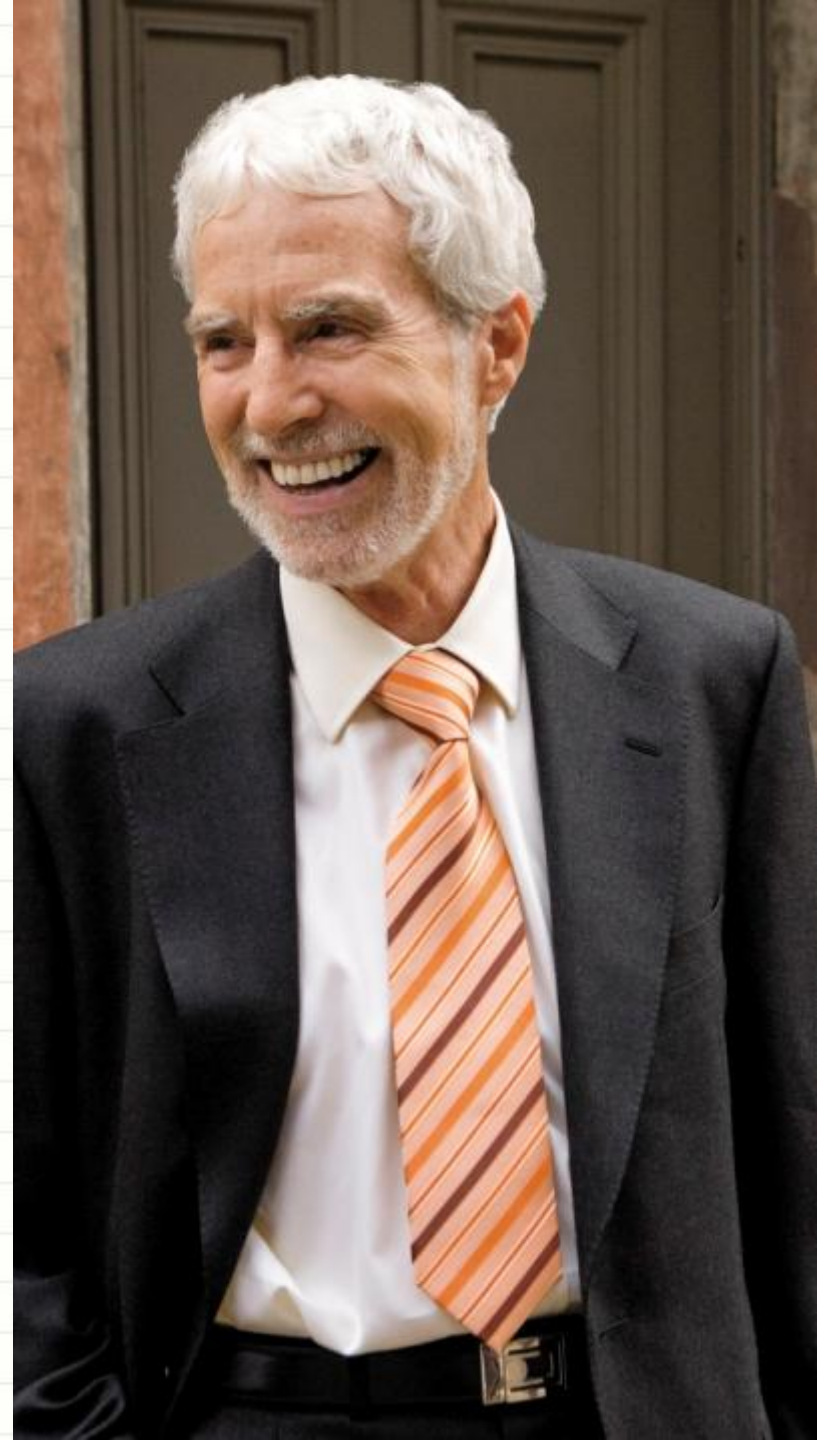
# Doing Your Best Work



- Working from home
- Working offsite
- Technology requirements

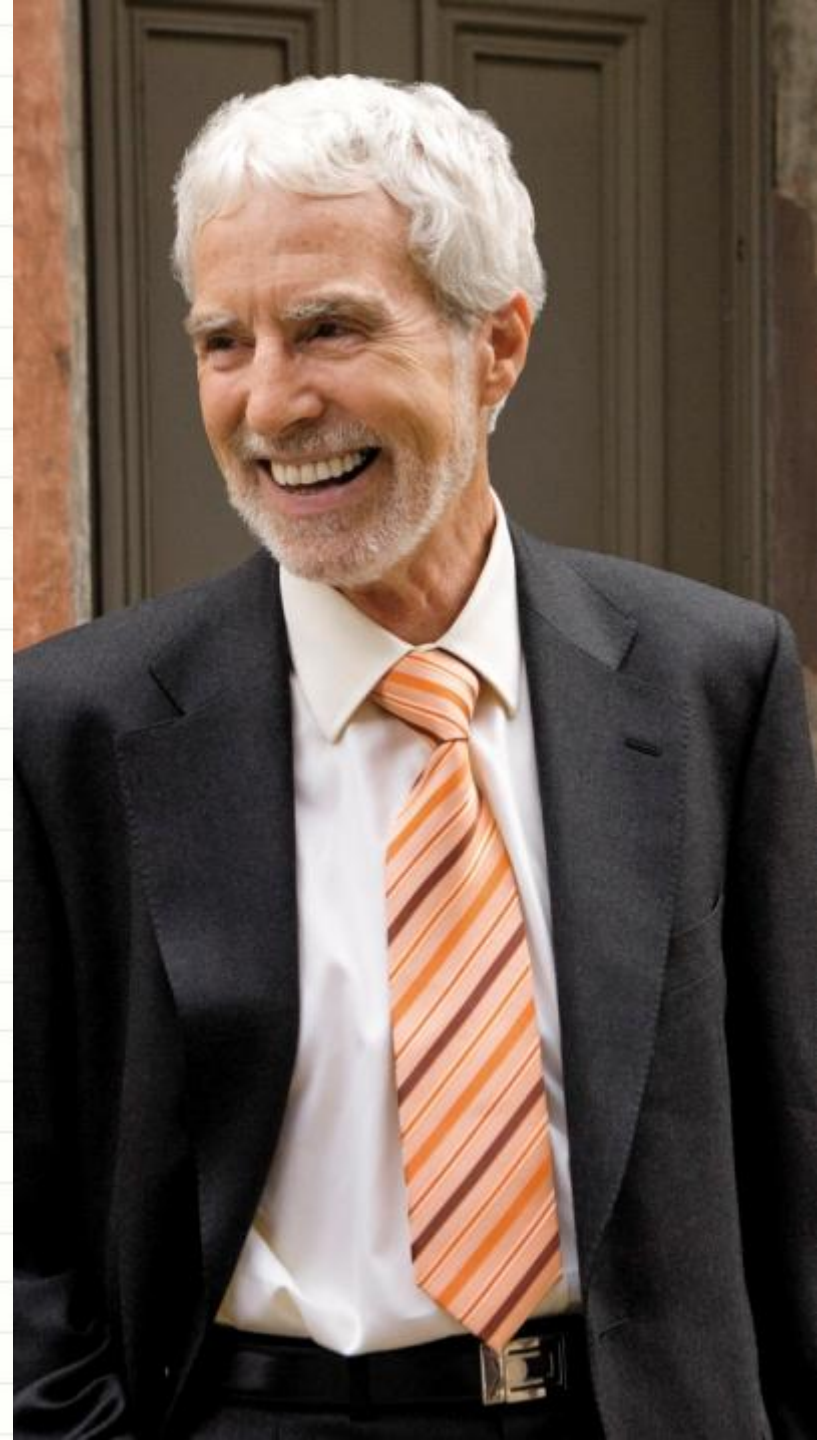
# Case Study

- Jeremy
  - His first day
  - Mistakes made
  - Successes achieved
  - The moral of the story



# Discussion

- What we can learn from Jeremy
- Best practices
- Take-aways



# Summary

- Define your challenges
  - Technological as well as personal
- Set realistic expectation
  - Mastery is not achieved overnight
- Keep your eye on the goal
  - Mentorship programs



# Resources

- <Intranet site text here>  
[<hyperlink here>](#)
- <Additional reading material text here>  
[<hyperlink here>](#)
- This slide deck and related resources:  
[<hyperlink here>](#)



**QUESTIONS?**



# APPENDIX