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webcast

December 22, 2010

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

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Temporary Extension of Tax Relief

- **Temporary Extension of Tax Relief for Key Provisions of:**
 - *Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA)*
 - *Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA)*

The Headliners: Tax Rates and Unemployment Benefit Compromise

- *Income Tax Rates*—Extends until 1-1-2013 the 25%, 28%, 33%, and 35% brackets to prevent increases to 28%, 31%, 36%, and 39.6%
- *Extended unemployment benefits*—One-year reauthorization of federal UI benefits and continues 100% federal financing of extended benefits

Employee Benefits— Adoption Assistance

- *Adoption assistance programs (IRC Section 137)*—employees exclude employer-paid adoption expenses (often through the Section 125 cafeteria plans and salary reductions)
- Patient Protection and Affordable Care Act of 2010
 1. *Raised the income exclusion to \$13,170 (\$13,360 for special needs children) by amending the inflation adjustments,*
 2. *Extended these benefits to 2011, and*
 3. *Made the credit refundable*

Employee Benefits— Adoption Assistance

- The law extends through 2012, the increased adoption credit amount and the exclusion for employer-assistance programs
- Note: The income exclusion now begins to phase out for adjusted gross income in excess of \$185,210 and is completely phased out for taxpayers with adjusted gross income of \$225,210

Employee Benefits— Qualified Transportation/Mass Transit

- *Parity between mass transit and parking benefits—* the parity between the monthly exclusion for employer-provided mass transit (transit passes and vouchers) to that of the exclusion for employer-provided parking benefits (\$230 per month/\$2,760 per year).
- The mass transit exclusion would have fallen to \$120 per month and adversely affected salary reduction elections
- The inflation adjusted limitation delayed but should be announced shortly

Employee Benefits— Child Care Assistance

- *Employer credits for child care assistance expenses*—Employer credits of up to \$150,000 for acquiring, constructing, rehabilitating or expanding property which is used for a child care facility.

Employee Benefits— Educational Assistance

- *Expanded exclusion for employer-provided educational assistance*—An income and wage exclusion up to \$5,250 for income and employment tax purposes per year for educational assistance.
- Prior to 2001, the exclusion was temporary and only applied to undergraduate courses.
- This is the 11th time the exclusion has been extended (sometimes only for undergraduate education). This extension, like the law in place since 1997, applies the exclusion to graduate-level education.
- The working condition exclusion continues to apply to expenses over the 127 limit that are for job-related education.

Payroll Taxes— Payroll Tax Holiday

- *Reduction in Employee Social Security Taxes*— Employee Social Security/OASDI taxes reduced from 6.2% to 4.2% on all wages earned up to taxable wage base of \$106,800
- The payroll “holiday” applies only during 2011
- The effect is that employees will pay only 4.2 percent Social Security/OASDI taxes on wages and self-employed individuals (such as partners and sole proprietors) pay only 10.4 percent on SECA tax on self-employment income
- The maximum savings can amount to just over \$2,000

Payroll Taxes— Employer Work Credits

- *Empowerment Zones*—The law extends through 2011 the credit for hiring individuals within certain economically depressed census tracts, i.e., “empowerment zones”. Businesses and individual residents within empowerment zones remain eligible for extended special tax incentives.
- *Work Opportunity Tax Credit (WOTC)*. Businesses can claim a work opportunity tax credit equal to 40 percent of the first \$6,000 of wages paid to new hires of one of nine targeted groups. Set to expire on 8-31-11, the law extends this provision through December 31, 2011.
- HIRE Act was not extended

What's Next?

- *IRS Guidance*
- *Congressional Extensions*
- *Election Year Issues*

Senate Vote

- Senate Vote
 - 81-19
- 20 of 23 Democratic Senators Up For Reelection in 2012 voted
 - "Yes"

House Vote

- House Vote
 - 277-148 (with Democratic control)
 - ? (with Republican control)

IRS Notice 1036

- Please [click here](#) to access IRS Notice 1036*

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