



Recent Changes to Tax Rules Affecting Small Businesses

**Helping Virginia Small Businesses
Survive the Economic Downturn
June 17, 2009**



Recent Tax Laws

- American Recovery and Reinvestment Tax Act of 2009
- Worker, Retiree, and Employer Recovery Act of 2008
- Tax Extenders and AMT Relief Acts of 2008
- Housing Assistance Tax Act of 2008
- Heartland, Habitat, Harvest, and Horticulture Act of 2008
- Heroes Earnings Assistance and Relief Tax Act of 2008
- Economic Stimulus Act of 2008



American Recovery and Reinvestment Tax Act of 2009

■ Individual Provisions

- First-time Home-buyer Credit - \$8,000
 - Can amend 2008 for 2009 purchase
 - Purchase by November 30, 2009
- Estimated Tax Relief
 - 90% vs. 100% or 110% requirement
- Sales or Excise Tax Deduction on New Vehicle
 - Standard and itemized filers



American Recovery and Reinvestment Tax Act of 2009

- Individual Provisions (continued)
 - Expanded HOPE credit now the American Opportunity Tax Credit
 - All four years and up to \$2,500/yr
 - “Making Work Pay” Refundable Credit
 - Reduced federal withholding for employees
 - Max of \$400 for individuals and \$800 for married
 - Residential Energy Credits Expanded and Increased



American Recovery and Reinvestment Tax Act of 2009

■ Business Provisions

- NOL Carryback 2, 3, 4, or 5 years for 2008 losses
 - Definition of “small business”
 - Election on timely filed return
 - Interim relief if missed election
 - Form 1045 or 1139 due within 6 months of due date
 - Implications on Virginia returns



American Recovery and Reinvestment Tax Act of 2009

- **Business Provisions** (continued)
 - Property and Equipment
 - Extended higher section 179 limit
 - Extended bonus depreciation
 - Luxury auto expanded depreciation



American Recovery and Reinvestment Tax Act of 2009

- S-Corporations Subject to Built-in Gains Get Some Relief
- Work Opportunity Tax Credit
 - Unemployed veterans and disconnected youth
- COBRA Premium Assistance
 - Involuntarily terminated
 - 65% of premium reimbursed by Federal government for 9 months maximum



President Obama's Income Tax Proposals

- Increased Tax Rates (2011)
 - 33% to 36%
 - 35% to 39.6%
- Itemized Deduction Phase-Out
 - Restore the 3% phase-out
 - Limit certain items to 28%
- Long-Term Capital Gains Rate
 - 15% to 20%

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