# Expiring 2011 Tax Provisions

There are a number of federal income tax provisions expiring at the end of 2011. Below is a list of some common ones that are of concern to many of small businesses. The Joint Committee on Taxation has a full document JCX-2-11 which lists all expiring tax provisions from 2010 through 2020.

**Payroll Tax Reduction**

For 2011 only, the amount of social security withheld from employees' paychecks was 4.2 percent. For self-employed persons, the amount withheld was 10.4 percent up to a maximum wage of $106,800. For 2012, social security withholding will revert back to 6.2 percent for employees and 12.4 percent for self-employed persons up to a maximum wage of $110,100.

**100 Percent Bonus Depreciation**

A special 100 percent bonus depreciation is allowed for the purchase of new equipment placed in service in 2011. In 2012, bonus depreciation reverts to being 50 percent of the purchase price of newly acquired equipment, and after 2012 bonus depreciation goes away entirely.

**Section 179 Expensing**

The Section 179 expensing deduction can be taken on newly acquired equipment (both brand new and used) worth up to $500,000. This higher dollar amount expires in 2011. For 2012, the dollar limit for section 179 expensing will be $125,000. For 2013 and later years, the dollar limit will revert to $25,000.

**Alternative Minimum Tax**

Two separate provisions impacting the alternative minimum tax (AMT) will expire at the end of 2011. First, 2011 will be the last year when personal tax credits will be allowed to offset both the regular tax and the AMT. For 2012 and future years, tax credits will offset the regular income tax, but not any alternative minimum tax.

Secondly, the temporarily patched exemptions for the alternative minimum tax will end in 2011. For 2012 and future years, the AMT exemption amounts will revert to a lower statutory amounts ranging from $22,500 to $45,000. This will result in more taxpayers being subject to the AMT, and will increase the adjustments for taxpayers already subject to the AMT.

**15-Year Write-off for Certain Qualified Leasehold Property**

For tax years 2010 and 2011 only, up to $250,000 of qualified leasehold improvement property, qualified restaurant property and qualified retail improvement property may be expensed. After Dec. 31, 2011 the 15-year depreciation write-off will no longer be available, and such properties will be depreciated over 39 years.

**Research and Development Credit**

The 20 percent credit for excess qualified research expenses is scheduled to end for amounts paid or incurred after 2011.

**Work Opportunity Tax Credit**
The credit available to employers equal to 40 percent of qualified first-year wages earned by individuals within specified targeted group's sunsets in connection with amounts paid to individuals who begin work for the employer after Dec. 31, 2011.

**Exclusion on Capital Gains of Small C Corporation Stock Acquired in 2011**
If one acquired stock in a small C corporation in 2011 and hold those shares of stock for a minimum of five years, the capital gains on those shares can be excluded 100 percent from taxes. That exclusion will go to 50 percent in 2012. Capital gains are simply the wealth you build on capital assets or those assets you hold for longer than one year.

**Sales Tax Deduction**
If filing taxes as a sole proprietorship or as a LLC, after 2011 one will no longer be able to take the sales tax deduction instead of the deduction of state and local income taxes as itemized deductions. This particularly hurts small businesses in states with no state or local income taxes and will significantly lower their deductions.

**Mortgage Insurance Premiums**
Specifically relevant to sole proprietorships and LLC's because if they have mortgage insurance on their mortgage, after the end of 2011, they can no longer count mortgage insurance as an itemized deduction.