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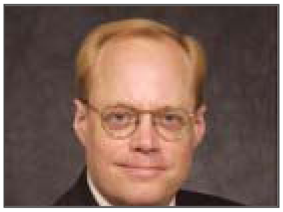

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Extended Individual Tax Benefits in Compromise Bill

We know about the 15% v. 20% capital gain rate and the top rate of 35% not 39.6%. But apart from the signature unfortunately named Bush era tax cuts and the smoking gun estate tax, there's a miscellany of ***other*** important tax provisions. Were it not for the political furor over "Bush cuts" and estate tax where the focus is on the wealthy, we'd be talking excitedly about many of these rules. Business benefits nicely, see Tax Bill's Boomerang Benefits for Business.

For individuals, here's more "2 year patch" methodology. Assuming passage in its current form, the following tax provisions will remain in place through 2012:

- Coverdell Education Saving Accounts (CESAs), formerly called education IRAs;
- Exclusion for employer-provided educational assistance under Code Sec. 127;
- Exemption from the payments-for-services rule for amounts received under certain Government health professions scholarship programs;
- Above-the-line student loan interest deduction;
- Credit for employer-provided child care facilities;

- Earned income tax credit (EITC);
- Credit for household and dependent care; and
- Child tax credit.

Somewhat less ambitiously, there's also a long list of tax breaks retroactively reinstated for 2010 and extended through the ***end of 2011 (not 2012)***:

- $250 above-the-line deduction for certain expenses of elementary and secondary school teachers;
- Election to take an itemized deduction for State and local general sales taxes in lieu of the itemized deduction permitted for State and local income taxes;
- Increased contribution limits and carry-forward period for contributions of appreciated real property (including partial interests in real property) for conservation purposes;
- Above-the-line deduction for qualified tuition and related expenses;
- Provision that permits taxpayers age 70 1/2 or older to make tax-free distributions to charity from an Individual Retirement Account (IRA) of up to $100,000 per taxpayer, per tax year (additionally, individuals will be allowed to make charitable transfers during January of 2011 and treat them as if made during 2010);
- Increase in the monthly exclusion for employer-provided transit and vanpool benefits to that of the exclusion for employer-provided parking benefits; and
- Extend through 2011 the rule allowing premiums for mortgage insurance to be deductible as interest that is qualified residence interest.

Temporary Employee Payroll Cut for 2011. Another huge 2011-only benefit for individuals is the employee payroll cut. Social Security taxes are paid one half by employers and one half by employees. But the new law would change that at least for 2011.

This is a worker's benefit, not one for the employer. Employees currently pay a 6.2% Social Security tax on all wages earned up to $106,800 (in 2011). Self-employed individuals pay 12.4% Social Security self-employment taxes on all their self-employment income up to the same threshold.

The pending tax bill provides a payroll/self-employment tax holiday during 2011 of two percentage points. As a result, employees will pay only 4.2% Social Security tax on wages; self-employed individuals will pay only 10.4% Social Security self-employment taxes on self-employment income up to the threshold.

For more, see:

CCH Tax Briefing: Tax Relief/Job Creation Act of 2010

Technical Explanation Of The Revenue Provisions Contained In The "Tax Relief, Unemployment Insurance Reauthorization, And Job Creation Act Of 2010" Scheduled For Consideration By The United States Senate

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