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Tax Bill's Boomerang Benefits For Business

Most taxpayers are focused on the signature [“Bush” tax rate](#) and estate tax provisions of the tax bill that hopefully will pass before year end. Yet there is a host of now-expired business tax breaks that would be ***retroactively*** reinstated for the 2010 tax year and extended through the end of 2011. In these waning days of 2010 (assuming the bill passes!) there's still time to take action now to claim tax dollars.

The resuscitated provisions with significant tax benefits for business include:

- [Research credit](#);
- [Indian employment credit](#);
- [New markets tax credit](#);
- [Railroad track maintenance credit](#);
- [Mine rescue team training credit](#);
- Employer wage credit for activated reservists;
- 15-year write-off for qualifying leasehold improvements, restaurant buildings and improvements, and retail improvements;
- 7-year write-off for motorsports entertainment facilities;

- Accelerated depreciation for business property on an Indian reservation;
- Enhanced charitable deductions for contributions of food inventory, for contributions of book inventories to public schools and for corporate contributions of computer equipment for educational purposes;
- Expensing of environmental remediation costs;
- Allowance of the Code Section 199 domestic production activities deduction for activities in Puerto Rico; and
- [Work opportunity tax credit](#).

Energy Too. The energy-related provisions slated to be extended through 2011 include:

- The \$1.00 per gallon production tax credit for biodiesel, as well as the small agri-biodiesel producer credit of 10 cents per gallon;
- The \$1.00 per gallon production tax credit for diesel fuel created from biomass;
- The placed-in-service deadline for qualifying refined coal facilities;
- The credit for manufacturers of energy-efficient residential homes;
- The \$0.50 per gallon alternative fuel tax credit (but the credit will not be extended for any liquid fuel derived from a pulp or paper manufacturing process);
- The suspension on the taxable income limit for purposes of depleting a marginal oil or gas well;
- The Code Section 45M credit for US-based manufacture of energy-efficient clothes washers, dishwashers and refrigerators (with modified standards);

- The Code Section 25C credit for energy-efficient improvements to existing homes (reinstating the credit as it existed before passage of the American Recovery and Reinvestment Act (standards for property eligible under Code Section 25C are updated to reflect improvements in energy efficiency); and
- The 30% investment tax credit for alternative vehicle refueling property.

Disaster Relief. Disaster relief provisions set to be extended through 2011 include:

- The time for issuing New York Liberty Zone bonds, effective for bonds issued after Dec. 31, 2009;
- The increased rehabilitation credit for qualified expenditures in the Gulf Opportunity Zone; and
- The additional depreciation deduction claimed by businesses equal to 50% of the cost of new property investments made in the Gulf Opportunity Zone (expenditures in 2011 will be eligible if the property is placed in service by Dec. 31, 2011).

Incentives for Businesses to Invest in Machinery and Equipment. Apart from these numerous extenders, the bill tries to jump start business investments in machinery and equipment with:

- A 100% bonus first-year depreciation allowance under Code Section 168(k) for property acquired and placed in service after Sept. 8, 2010, and before Jan. 1, 2012;
- A 50% bonus first-year depreciation allowance under Code Section 168(k) for property placed in service after Dec. 31, 2011, and before Jan. 1, 2013;
- Extending through Dec. 31, 2012 the election to accelerate the AMT credit instead of claiming additional first-year depreciation; and
- For tax years beginning after Dec. 31, 2011, setting the maximum expensing amount under Code Section 179 at

\$125,000 and the investment-based phase-out amount at \$500,000 (under current law, the expensing figures drop from \$500,000/\$2 million for 2010 and 2011 to \$25,000/\$200,000 after 2011).

For more, see:

[Business Tax Credits](#)

[Hire By Year-End For Tax Breaks](#)

[CCH Tax Briefing: Tax Relief/Job Creation Act 2010](#)

[The Joint Committee On Taxation](#)

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