

Boomerang Business Benefits

By Robert W. Wood • Wood & Porter • San Francisco

A host of business tax breaks were retroactively reinstated for the 2010 tax year and extended through the end of 2011 by the 2010 Tax Relief Act passed in December. The resuscitated provisions with significant tax benefits for business include the following:

- Research credit
- Indian employment credit
- New markets tax credit
- Railroad track maintenance credit
- Mine rescue team training credit
- Employer wage credit for activated reservists
- Fifteen-year write-off for qualifying leasehold improvements, restaurant buildings and improvements, and retail improvements
- Seven-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 Sec. 199 domestic production activities deduction for activities in Puerto Rico
- Work opportunity tax credit

Energy Too

A number of energy-related provisions were also extended through 2011, including the following:

- 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 was not 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 Sec. 45M credit for U.S.-based manufacture of energy-efficient clothes washers, dishwashers and refrigerators (with modified standards)
- The Code Sec. 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 Sec. 25C are updated to reflect improvements in energy efficiency)
- The 30-percent investment tax credit for alternative vehicle refueling property

Investment Incentives

Apart from numerous extenders, the Act promotes investments in machinery and equipment with the following:

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

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