

Creating Small Business Jobs Act of 2010 (Jobs Act)

Recently enacted legislation contains some key provisions that will affect companies in the construction industry. Here is a brief overview of the depreciation and built-in gains tax changes.

Bonus Depreciation

The Jobs Act extends additional first-year depreciation (bonus depreciation). Businesses may deduct 50% of the cost of qualified new property placed in service in 2010.



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Code Section 179 Expensing

The Jobs Act temporarily increases the Code Section 179 dollar and investment limits available to businesses.

- ⇒ For tax years beginning in 2010 and 2011, businesses may elect to expense up to \$500,000 of the cost of new or used depreciable property with phase-out beginning at \$2 million of investment.
- ⇒ Up to \$250,000 of the available \$500,000 limit can be applied to the cost of qualified leasehold improvement property, qualified restaurant property, and qualified retail improvement property.

Built-In Gains Tax Modified

The Jobs Act temporarily reduces the recognition period for built-in gains tax applicable to S corporations. For tax years beginning in 2011, the recognition period is reduced to five years following the election of S corporation status. The

recognition period for 2010 is seven years. If you have assets with built-in gains that you wish to dispose of, you may be able to avoid the built-in gains tax with proper planning.

About Bergan Paulsen

The construction industry team at Bergan Paulsen has over 60 years of experience in helping construction industry clients take advantage of tax planning opportunities. When you engage Bergan Paulsen, you are engaging an entire team of construction industry specialists who work year round to stay abreast of tax law changes. This unique team approach to service helps assure that you Get More with Bergan Paulsen.

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