

Overview of 2010 Tax Law Changes

Beginning in 2010, any taxpayer can make a qualified rollover contribution to a Roth IRA. This includes taxpayers with adjusted gross incomes above \$100,000 and married taxpayers filing separately. For 2010 conversions only, one half of the income as a result of a rollover contribution will be included in your income in 2011 and the other half will be included in your 2012 income. You can elect to include the entire amount in your gross income in 2010 if you choose to. You would make this election on IRS Form 8606.

In general, the First-Time Homebuyer Credit expired for homes purchased after April 30, 2010, unless three things happened: a binding contract was in place as of May 1, 2010; the contract provided that the closing would occur before July 1, 2010; and the closing actually occurred before October 1, 2010. The closing extension to September 30 is new, however your original contract still has to provide that closing would occur before July 1, 2010.

Changes have been made to available tax credits. The maximum amount of qualified adoption expenses that can be taken into account to figure the adoption credit has increased to \$13,170, and the adoption credit is now refundable. You will be required to file the revised Form 8839 to make sure that you figure and claim the maximum amount of the refundable credit for your qualified adoption expenses.

For decedents dying in 2010, there is no estate tax. Another difference for 2010 only is that there is no increase in the basis of inherited property to the fair market value of the property at the time of the decedent's death. Inherited property will be treated as a gift, and the basis of the inherited property is equal to the lesser of the decedent's basis in the property or the property's fair market value at the time of the decedent's death. The executor of the estate may allocate limited basis increase to some property.

Section 45R has been added to the Tax Code, to provide a new general business credit to certain small businesses for their employee health insurance expenses. Eligible businesses who may claim the credit include businesses with 25 or fewer full-time equivalent employees, with average annual wages per employee in 2010 not greater than \$50,000, and the employer pays the non-elective contributions for each employee who enrolls in the qualified health plan offered to the employee by the employer. There are phase out provisions as well. For 2010, the credit is equal to 35 percent of the healthcare premiums for most eligible small businesses, and 25 percent of the healthcare premiums for eligible tax-exempt organizations.

If you have any questions regarding these or other tax issues, please contact me for a free consultation at 1-877-LAW-2555.

Mary K. Lemmon
Attorney-At-Law
Scaringi & Scaringi, PC
mlemmon@scaringilaw.com

© Scaringi & Scaringi, PC

