

***Recent Changes in  
Federal Tax Laws  
Affecting Individuals,  
Businesses, and Estates***<sup>1</sup>

**Part 1  
Introduction and References**

**Introduction**

Major changes have been made in Federal tax law over the past year affecting all U.S. taxpayers. The most significant of these were sweeping revisions, primarily extensions of past provisions, of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (2010 TRA), signed into law by the President on December 17, 2010. Other legislative actions during 2010, also included important tax provisions, including the Small Business Jobs Act of 2010 (2010 SBJA), which was signed September 27, 2010. The 2010 TRA was particularly important, however, because of the pending expiration of many provisions of the 2001, 2003, and 2009 tax bills at the end of 2010.<sup>2</sup> The expiration of this legislation, which had reduced taxes for most individuals, businesses, and estates, would have generally resulted in federal tax increases in 2011.

The 2010 TRA extends many, but not all, of the tax reductions in these three pieces of tax legislation. A few provisions are retroactive to 2010. Others are effective in 2011. Most expire at the end of 2012. Some new tax features are introduced, as well. The purpose here is to outline those various extensions and changes expected to be of general interest to individual taxpayers, small businesses, and estate administrators. Some background is included on previous tax treatment in each area to put the changes in perspective. The publication is organized in four parts:

- Part 1. Introduction and References
- Part 2. Changes Affecting Individuals
- Part 3. Changes Affecting Businesses
- Part 4. Changes Affecting Estates

The IRS is still issuing regulations covering the provisions of the new law. **Future rulings will also change the interpretations of these laws.** So this publication is no substitute for professional advice from tax professionals familiar with the latest rulings and their application to individual business decisions.

A few of the more important provisions of the 2010 TRA include:

1. The social security tax paid by employees and self-employed is reduced by 2% in 2011.
2. The 2010 individual income tax rates and capital gains and dividend rates are extended for 2011 and 2012.

---

<sup>1</sup> Prepared by [A. Gene Nelson](#), Professor, Department of Agricultural Economics, [nelsong@tamu.edu](mailto:nelsong@tamu.edu), April 2011. Appreciation is expressed to the reviewers of this report: [Ashley Lovell](#), Professor of Agricultural Economics, Tarleton State University; [Wayne Hayenga](#), Professor and Extension Economist-Emeritus; [Jose G. Peña](#), Professor and Extension Economist; and [Mark Waller](#), Professor and Associate Head for Extension Economics. Hayenga, Any errors or omissions are the author's responsibility.

<sup>2</sup> These bills were the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001, the Jobs and Growth Tax Relief Reconciliation Act (JGTRRA) of 2003, and the American Recovery and Reinvestment Act (ARRA) of 2009.

3. The impact of the Alternative Minimum Tax (AMT) is temporarily decreased for 2010 and 2011 by raising the AMT exemptions.
4. Business investment incentives are continued with bonus depreciation and expensing options. The 50% bonus depreciation was increased to 100% for qualifying property purchases September 9, 2010, through December 31, 2011. The 50% bonus depreciation will be available for 2012 purchases. The \$500,000 Section 179 expensing deduction is extended through 2011, and then decreases to \$125,000 in 2012 and \$25,000 thereafter.
5. The federal estate tax exemption was set at \$5 million at a rate of 35% for taxpayers dying after December 31, 2009, and estate assets will receive a stepped-up basis. However, estates resulting from 2010 deaths may elect to use the old 2010 law with no estate tax and be subject to the modified carryover basis instead.

For most taxpayers, the new law means that the income tax situation for 2010, 2011 and 2012 will be very similar to 2009. This is because the 2010 Tax Reform Act extended most of the tax provisions that expired at the end of 2009 and 2010.<sup>3</sup>

The other important point is that most of the provisions are temporary extensions for two years, through 2012. Unless Congress acts before then, taxpayers in 2012 will again be facing the prospects for tax law to revert to earlier provisions with higher tax rates in 2013 – similar to the situation they faced in 2010.

***Remember...***

*Interpretations and regulations are subject to change.* For the most recent rules, contact the IRS or a tax professional.

---

<sup>3</sup> The 2010 TRA also included some important non-tax provisions. Unemployment benefits were extended at their current level for 13 months. The ethanol tax credit and the import tariff on imported ethanol were extended through 2011, and the production tax credit for biodiesel and diesel from biomass were extended through 2011.

## **References**

Harris, Philip E., and Linda E. Curry, "2010 National Income Tax Workbook™ Update," Land Grant University Tax Education Foundation, Inc., January 31, 2011.

Hoff, Gary J., and Ruby Ward on Agriculture Tax Issues, "Ag and the Tax Relief Act of 2010 – Key Changes for Farmers and Ranchers," Webinar Recording, February 7, 2011.

<http://www.farmmanagement.org/aginuncertaintimesenglish/?p=2130>

Internal Revenue Service, *Farmer's Tax Guide*, Publication 225, October 28, 2010.

<http://www.irs.gov/pub/irs-pdf/p225.pdf>

National Farm Income Tax Extension Committee, "Rural Tax Education," Website hosted Utah State University Cooperative Extension. <http://www.ruraltax.org/>

Patrick, George F. "Depreciation and Expensing Options," *Rural Tax Education*, RTE/2011-24, Jan. 2011.

[https://ruraltax.org/files/uploads/Depreciation%20and%20Expensing%20Options%20for%20Farmers%20\(RTE%202011-24\).pdf](https://ruraltax.org/files/uploads/Depreciation%20and%20Expensing%20Options%20for%20Farmers%20(RTE%202011-24).pdf)

Schimpler, Carolyn, "What's New Supplement," University of Illinois Tax School, January 20, 2011.

<http://www.taxschool.illinois.edu/PDF/2011Whatsnew.pdf>

Senate Finance Committee, "Summary of the Reid Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010," December 9, 2010.

<http://finance.senate.gov/legislation/details/?id=10874ed6-5056-a032-52cd-99708697eff0>

### **Tax Education programs:**

The Land Grant University Tax Education Foundation, Inc.: <http://www.taxworkbook.com/>

University of Illinois Tax School: <http://www.taxschool.illinois.edu/index.html>

For information about the Tax Practitioner Workshops offered annually across Texas, go to:

<http://www.taxworkshop.com/index.php>