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November 2010

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Criser, Gough, & Parrish

# Small Business Alert

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## Small Business Jobs Act

On September 27, 2010 President Obama signed the Small Business Jobs Act. The bill includes **eight new small business tax cuts – all applying to small businesses’ taxes for this year** – providing an immediate incentive for businesses to make new investments and expand.

### **Eight Small Business Tax Cuts – Providing Immediate Incentives to Invest:**

**1. Zero Taxes on Capital Gains from Key Small Business Investments:** Under the Recovery Act, 75 percent of capital gains on key small business investments this year were excluded from taxes. The Small Business Jobs Act temporarily puts in place for the rest of 2010 a provision called for by the President – elimination of all capital gains taxes on these investments if held for five years.

**2. Extension and Expansion of Small Businesses’ Ability to Immediately Expense Capital Investments:** The bill increases for 2010 and 2011 the amount of investments that businesses would be eligible to immediately write off to \$500,000, while raising the level of investments at which the write-off phases out to \$2 million. Prior to the passage of the bill, the expensing limit would have been \$250,000 this year, and only \$25,000 next year.

**3. Extension of 50% Bonus Depreciation:** The bill extends – as the President proposed in his budget – a Recovery Act provision for 50 percent “bonus depreciation” through 2010.

**4. A New Deduction of Health Insurance Costs for Self-Employed:** The bill allows *2 million self-*

*employed to get a deduction for the cost of health insurance* for themselves and their family members in calculating their self-employment taxes.

**5. Tax Relief and Simplification for Cell Phone Deductions:** The bill changes rules so that the business use of cell phones can be deducted without burdensome extra documentation.

**6. An Increase in the Deduction for Entrepreneurs’ Start-Up Expenses:** The bill *temporarily increases the amount of start-up expenditures entrepreneurs can deduct from their taxes for this year* from \$5,000 to \$10,000 (with a phase-out threshold of \$60,000 in expenditures).

**7. A Five-Year Carryback of General Business Credits:** The bill would allow certain small businesses to “carry back” their general business credits to offset five years of taxes.

**8. Limitations on Penalties for Errors in Tax Reporting That Disproportionately Affect Small Business:** The bill would change the penalty for failing to report certain tax transactions from a fixed dollar amount – which was criticized for imposing a disproportionately large penalty on small businesses in certain circumstances – to a percentage of the tax benefits from the transaction.

To read the entire White House press release, please go to <http://bit.ly/9nX7EB>.

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## EFTPS Scam

The Electronic Federal Tax Payment System (EFTPS) tax payment site is available to make direct tax payments online to the U.S. Treasury, including personal taxes and estimated business taxes.

The IRS recently became aware of a fraudulent scheme targeting EFTPS users. The scheme uses an e-mail that claims your tax payment was rejected and directs you to a website for additional information. The website contains malware that will attempt to infect your computer.

If you receive a message claiming to be from the IRS or EFTPS, please:

1. Do **not** reply to the sender. Do **not** open any attachments. Do **not** click on any links.
2. Forward the message as-is immediately to the IRS at [phishing@irg.gov](mailto:phishing@irg.gov).

3. To report and identify phishing, e-mail scams and bogus IRS websites, please visit <http://bit.ly/afWggz>.
4. If you receive a suspicious e-mail or discover a website posing as the IRS, please forward the e-mail or URL information to the IRS at [phishing@irg.gov](mailto:phishing@irg.gov).

EFTPS is a tax payment system provided free by the U.S. Department of Treasury. Pay federal taxes electronically via the Internet or phone 24/7. To enroll, please go to <https://www.eftps.gov/eftps>.

### **Remember:**

The IRS does **not** initiate taxpayer communications through e-mail. Ever.

Pursuant to federal regulations imposed on practitioners who render tax advice ("Circular 230"), we are required to advise you that any tax advice contained herein is not intended or written to be used for the purpose of avoiding tax penalties that may be imposed by the IRS.

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