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[Congress Enacts 2010 Small Business Jobs Act](#)

Congress recently enacted the "2010 Small Business Jobs Act," which includes an assortment of tax breaks and incentives for small businesses (as well as a few revenue raisers).

Continue reading for a summary of some of the tax breaks and incentives provided by the act.

S corporation "built-in gains" recognition period shortened. Generally, a C corporation that converts to an S corporation must hold onto any appreciated assets for 10 years following its conversion or face a corporate-level tax imposed on the built-in appreciation at the highest corporate rate. Under prior legislation, this holding period is reduced where the seventh tax year in the holding period preceded the tax year beginning in 2009 or 2010. The Act temporarily shortens the holding period of assets subject to this "built-in gains tax" to five years if the fifth tax year in the holding period precedes the tax year beginning in 2011.

Sale of small business stock. Under the Act, 100% of the gain from the sale of qualified small business stock acquired after September 27, 2010 and before January 1, 2011 (and held for more than five years) is excluded from income. In addition, the Act eliminates the alternative minimum tax (AMT) preference item attributable to that sale.

Extension of 50% bonus depreciation. In previous legislation, Congress allowed businesses to deduct a portion of their capital expenditures for most new tangible personal property, and certain other new property, placed in service in 2008 or 2009 (2010 for certain property), by permitting the first-year write-off of 50% of the cost. The Act extends this first-year 50% write-off for qualifying property placed in service in 2010 (2011 for certain property). In addition, the Act increases the expensing limits in 2010 and 2011, and allows expensing of a portion of the costs for certain real property (i.e., qualified leasehold improvement property, qualified restaurant property, and qualified retail improvement property).

Carry back of business credits. For the first tax year of the taxpayer beginning in 2010, eligible small businesses can carry back unused general business credits five years. Further, small businesses are allowed to use all types of general business credits to offset their AMT in tax years beginning in 2010

Deductibility of health insurance for self-employment tax purposes. The Act allows business owners to deduct the cost of health insurance incurred in 2010 for themselves and their family members in determining

2010 self-employment tax.

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