

Doron F. Eghbali Business Law

New Tax Breaks for Businesses as Part of New Business Jobs Act of 2010

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The Small Business Jobs Act of 2010 (the Act) encompasses tax breaks for businesses of relatively all sizes despite its title. There are tax breaks ranging from cell phone usage for business workers to accelerated write offs for businesses to some burdens for landlords. Let us further analyze this.

1. BONUS DEPRECIATION EXTENDED FOR ONE YEAR

This tax deduction enables businesses of ANY SIZE to deduct up to 50% of the costs of their NEW and QUALIFIED equipment in the year of purchase. Note, the equipment MUST be NEW and QUALIFIED to take advantage of this bonus depreciation. Some of the examples of QUALIFIED equipments are computers and software.

Note, also, ONLY 50% of such expenses are deducted in the year of purchase. The other 50% is depreciated or spread out over the normal life of the equipment.

This bonus was supposed to be effective until the end of December 31, 2009. However, this Act extends this tax break through purchases made and USED in 2010.

2. SECTION 179 EXTENSION DEDUCTION

a) Some Background on Section 179 Deductions

Section 179 deductions allow businesses to take deductions for certain assets in one year, often the year of purchase, instead of spreading the cost over several years. Taking a deduction on a qualified asset is called Section 179 Deduction.

Section 179 Deduction asset MUST BE "Tangible, depreciable, personal Property which is acquired for use in the active conduct of a trade or business."

Generally, in a given year, there are limitations to how much Section 179 Deduction a business owner could claim. Now, the Act explained shortly, somewhat relaxes these limitations.

b) Section 179 Deductions for Years 2010 and 2011 (Small Businesses Only)

Section 179 deductions for smaller businesses, in the years 2010 and 2011, have been extended to 100% cost of qualified assets for a given year to up to \$500,000. This is important to note

these deductions are 100% deductible up to the \$500,000 limit for assets such as computers, software, delivery trucks and machinery.

One caveat is you have to spend the money to buy the equipment to be able to claim Section 179 Deduction.

3. BREAK FROM PAYING TAXES ON PERSONAL USE OF EMPLOYER-PROVIDED CELL PHONES

Business workers are no longer required to log their personal use of employer-provided cell phones or "other equipment" and pay tax on . Although many people either did not know or did not comply with this requirement, there is no longer any such requirement and business workers are officially exempt.

4. START UP EXPENSE DEDUCTION EXTENSION FOR 2010 ONLY

Start ups have long depended on Start-Up Expense Deduction to secure some solace before they actually launch their businesses. Start-up Expense Deduction usually provides up to \$5,000 for expenses incurred before a business is fully launched. These deductions can be made to the limit allowed all at once instead of spreading them over some years. Now, the Act extends such deduction to \$10,000.

5. SOME EXTRA BURDEN FOR RENTAL INCOME RECIPIENTS

Not all of the Act is good news for businesses. In fact, starting next year, rental income recipients, that is landlords, must give 1099 IRS Form to service providers who receive \$600 or more. This means the service provider MUST have social security AND be legal residents.

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