



Updated: January 10, 2011

When President Obama signed the 2010 Tax Act, more formally named the **Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010**; it included several provisions that will affect all US taxpayers. Provisions under the new law, will impact both you and your clients in several key areas of payroll, tax and benefits administration. Here is the information you and your clients need to know now about this legislation:

### **Impacting Your Family And Your Clients' Families:**

The Act extends several expired or expiring provisions affecting families, including:

- **Federal Income Tax & Withholding Rates** – No higher income taxes for any income-level taxpayer. The 2001 and 2003 tax cuts have been extended through 2012; foregoing substantial withholding increases originally planned to take effect January 1.
  - The increased standard deduction for married taxpayers filing jointly was extended for two years.
- **Employer-provided Child Care Tax Credit** – Employers' tax credit for eligible employer-provided child care is now extended through 2012; meaning that the \$1,000 Child Care Tax Credit amount continues for two more years, instead of reverting to \$500.
- **Extended Tax Credits and Incentives** – The Earned Income Tax Credit (EITC), Coverdell Education Savings Accounts, Employer-Provided Educational Assistance, State and Local Sales Tax Deductions, and the American Opportunity Tax Credit are all extended through 2012.
- **Social Security & Medicare** – The employer tax rate for social security remains unchanged at 6.2%, and social security wage base remains at \$106,800.
  - The share for self-employed individuals is reduced 2% to 10.4 % of income up to the threshold.
  - The Medicare tax rate remains unchanged from 2010 at 1.45% for both employers and employees.
- The \$3,000 amount for the **Child & Dependent Care Tax Credit**, which was scheduled to revert to \$2,400 after 2010, will now be extended through 2012.
- The **American Opportunity Tax Credit** was extended for two years.
- **Alternative Minimum Tax (AMT) Extended** – In 2011, the AMT exemption amounts increased to \$48,450 for single persons and \$74,450 for couples. The AMT patch allows bigger exemptions and various personal tax credits to offset the AMT.

### **Impacting Your Employees And Your Clients' Employees:**

The Act includes several provisions that will impact your clients' employees, such as:

- **Making Work Pay Tax Credit** – Provisions under the Making Work Pay credit expired December 31, 2010; with that come changes to income tax withholding tables for 2011. Employees will see an increase in their withholding taxes once the final rates have been released by the IRS.
- **Social Security & Medicare** – Employees will benefit from a 2% reduction on Social Security taxes - decreasing taxes to 4.2%, therefore putting more money in the paychecks of employees.
  - The Medicare tax rate remains unchanged from 2010 at 1.45% for both employers and employees.
- **Extended Tax Credits and Incentives** – The Earned Income Tax Credit (EITC), Coverdell Education Savings Accounts, Employer-Provided Educational Assistance, State and Local Sales Tax Deductions, and the American Opportunity Tax Credit are all extended through 2012.
- **American Recovery and Reinvestment Act** – The law also extends through 2011 certain qualified transportation benefits under "ARRA" which were set to expire on December 31, 2010.



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**Impacting Your Business:**

Finally, the Act includes several provisions that may impact your business, such as:

- ***The Hiring Incentives to Restore Employment (HIRE) Act*** – The recently passed tax bill includes a 2% employee payroll tax holiday; which does not replace the incentive to businesses to hire new employees. The HIRE Act, enacted for 2010, which provides payroll tax savings and income tax credits to both for-profit and non-profit employers that hire people who have been unemployed, expired at the end 2010.
- ***Existing Tax Rates Extended*** – The new law extends the current tax-rate brackets through 2012. The current rates on most long-term capital gains and dividends are also extended through 2012.
- The Act extends the 100% bonus depreciation for business property acquired after September 8, 2010, before January 1, 2012, and placed in service before January 1, 2012 (or before January 1, 2013, in the case of certain property).

GTM will continue to monitor any changes that impact employers. For more updated information, please visit [www.GTM.com](http://www.GTM.com).

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