SB 301
TESTIMONY BY OREGON SOCIETY OF CPAs
February 7, 2011

TOP 10 FEDERAL TAX LAW CHANGES IN 2010
AN OREGON PERSPECTIVE

1. Bonus depreciation: 50% 1/1 through 9/8/2010; 100% 9/9/2010 through 12/31/2011

2. Sec 179 expensing: $500,000 limit for 2010 and 2011; limit raised to $125,000 for 2012 and beyond

3. Qualified real property: extension through 2011 of 15-yr depreciation and new §179 up to $250k for 2010-2011. Applies to leasehold improvements, retail and restaurant improvements.

4. Individual net operating loss (NOL) carryback where bonus or excess §179 depreciation claimed in loss year. This can result in a double-deduction if a taxpayer mistakenly claims the subtraction in subsequent years.

5. Enhanced NOL carrybacks: no longer limited only to small businesses. The carryback is also available for individuals in 2009. Oregon automatically conforms to Fed NOL rules for individuals if we tie to federal provisions.

6. Income tax issues as a result of disconnect from federal estate laws. If a personal representative does not elect out of the federal estate tax, then for federal purposes there is a carry-over tax basis. Even though Oregon estate taxes will be paid, there is no mechanism for increasing the basis on those assets for Oregon income tax purposes. Results in a double taxation. Filing deadlines for estate tax returns also need to be coordinated.

7. Tax-free health benefits are now allowed for adult children under age 27, even if the individual is not considered a dependent of the taxpayer/employee.

8. Startup costs: expensing threshold raised from $5,000 to $10,000

9. Earned income credit enhancements: Oregon EIC has been equal to 6% of federal EIC

10. $250 above-the-line deduction for teachers' classroom expenses