

**Summary.** Several tax provisions are scheduled to expire on December 31, 2011. Following is a list and brief overview of some of the commonly used provisions that are scheduled to change:

### Individual Tax Provisions

**Deduction for state and local general sales taxes** - The itemized deduction for residents in Nevada and six other states without income taxes are to expire on December 31, 2011.

**Above-the-line deduction for qualified tuition and related expenses** - Through 2011 taxpayers are allowed up to a \$4,000 above-the-line deduction for qualified higher education tuition and related expenses. No above the line deduction is allowed for 2012.

**Teacher's classroom expense deduction** - Through 2011, if you are a teacher, you can claim up to \$250 of classroom expenses for supplies, materials, books, software, and so forth even if you do not itemize deductions on Schedule A, Form 1040. This above the line deduction is due to expire at the end of 2011.

**Credit for energy efficient appliances** – For 2011, this credit reverted back to the levels in effect in 2006 and 2007, which were 10% of the cost of the improvement, up to \$500, with a maximum lifetime credit of \$500. Not all Energy Star products qualify for this credit. This credit is due to expire December 31, 2011.

**Credit for certain nonbusiness energy property** – This credit was set to expire at the end of 2010, but was extended for one year by the Tax Relief and Job Creation Act of 2010. This nonrefundable personal tax credit can be claimed for making a primary residence more energy efficient.

**Expansion of adoption credit and adoption assistance programs** – In 2010 and 2011, a taxpayer may be able to take a refundable tax credit for qualifying expenses paid to adopt an eligible child. This means the tax payer could qualify for a tax refund even if the taxpayer did not have federal income tax withheld.



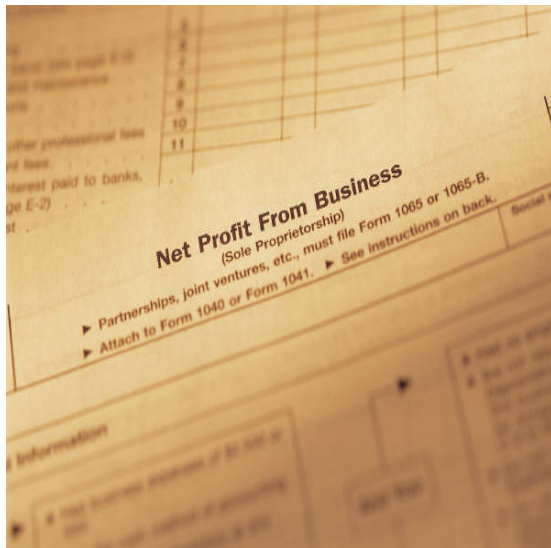
**Premiums for mortgage insurance deductible as qualified residence mortgage interest** – Through 2011, the cost of premiums paid for mortgage insurance on a qualified personal residence is treated as deductible home mortgage interest as long as the mortgage insurance contract was entered into after December 31, 2006.

**Payroll tax cut** – In 2011, the 2010 Tax Relief Act reduced the employee-share of old age, survivors and disability (OASDI) taxes to 4.2 percent (10.4 percent for self-employed individuals). As of the date of this printing, Congress has passed and the president has signed a two month extension of this payroll tax cut (through February 2012).

**Tax-free distributions from IRAs for charitable purposes** – Through 2011 tax payers age 70½ or over can exclude from their gross income up to \$100,000 that is paid directly from their IRA to a qualified charity. The excluded amount can be used to satisfy any required minimum distributions that the taxpayer must otherwise receive from their IRA.

### Company Tax Provisions

**Bonus depreciation** – The 2010 Tax Relief Act increases 50% bonus depreciation to 100% for qualified investments made after September 8, 2010, and before January 1, 2012. It also makes 50% bonus depreciation available for qualified property placed in service after December 31, 2011 and before January 1, 2013.



**Code Sec. 179 small business expense** – The dollar limit for 2011 is \$500,000 with an investment limit of \$2,000,000. Beginning in 2012 the dollar limit is reduced to \$139,000 with an investment limit of \$560,000.

**Expanded Work Opportunity Credit** – This credit was expanded on November 21, 2011 when the President signed into law the VOW to Hire Heroes Act of 2011. In addition to the original focus to enable self-sufficiency of nine unemployed target groups, the VOW to Hire Heroes Act of 2011 provides tax credits to employers that hire unemployed military veterans. This incentive is available to individuals who begin work after November 21, 2011 and sunset after December 31, 2012.

**Tax credit for research and experimental expenses** – This credit is intended to reward companies for incurring expenses to develop new and improved products and processes. Through 2011 entities can claim this credit for qualified research and experimental expenses.

**Credit for construction of new energy efficient homes** – Scheduled to expire at the end of 2011, eligible contractors may claim this credit (\$2,000 or \$1,000 based on energy saving requirements of the home) for new energy efficient homes that are sold or leased to an individual for use as a residence.

**Gain exclusion from sale of small business stock** – Non-corporate taxpayers can exclude up to 100% of gross income from capital gains of qualified small business stock that is sold or exchanged if the stock is held for more than five years and the stock is issued after August 10, 1993. The final day the small business stock could be purchased to qualify for the future gain exclusion is December 31, 2011. Keep in mind that there are many limitations to this expiring tax holiday.

The IRS has not announced a change to the tax rates for 2012. The President and Congress are still working out a deal and therefore the tax rates for 2012 are unknown.

*Please feel free to contact our office if you would like more information or to discuss your particular situation.*

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