

Quickfinder®

Tax Tables

Business Returns

2010 Tax Year

2010 Business Quick Facts Data Sheet	
Section 179 Deduction:	
Maximum deduction	\$ 500,000
Qualifying property phaseout threshold	2,000,000
SUV deduction limit	25,000
Qualified real property deduction limit	250,000
Depreciation Limits (First Year):	
Luxury autos	\$ 3,060
Luxury autos with bonus depreciation	11,060
Light trucks and vans	3,160
Light trucks and vans with bonus depreciation	11,160
Auto Business Standard Mileage Rate	\$.50
Social Security Tax Wage Base	\$ 106,800
Health Savings Accounts (HSAs):	
Plan minimum. deductible/Maximum deductible contribution:	Self coverage \$ 1,200/3,050 Family coverage 2,400/6,150
Catch-up contribution:	(Age 55 or older) 1,000
Out-of-pocket limit:	Self coverage 5,950 Family coverage 11,900
Travel per Diem Rates¹	
Lodging:	Standard \$ 70 High/low method 193/111
Meals and Incidentals:	Standard 46 Transport industry 59 High/low method 65/52

¹ U.S. rates for October 1, 2009, through September 30, 2010. Higher rates allowed for many locations. Beginning October 1, 2010, the standard rates are \$46 for meals and incidentals and \$77 for lodging.

Quick Guide to Business Expenses			
Code Section	195	248, 709	162
Nature	Start-up costs—any active trade or business	Organizational costs—corporations, partnerships and LLCs	Ordinary business expenses
Description	Incurred in investigation, creation or acquisition	Chargeable to capital; incurred in creation	Necessary in conducting business
Timing of deduction	Deduct up to \$10,000 in year in which business begins and amortize remainder over 180 months	Deduct up to \$5,000 in year in which business begins and amortize remainder over 180 months	Deduct in period paid or accrued
Deadline for deciding whether to deduct or capitalize	Due date (including extensions) of return for the tax year in which the business begins	Due date (including extensions) of return for the tax year in which the business begins	N/A
Treatment if business liquidates before costs are fully amortized	Ordinary loss deduction for unamortized balance	Ordinary loss deduction for unamortized balance	N/A

Corporation Tax Rate Schedule						
—Quick Tax Method—						
For tax years beginning after December 31, 1992						
TAXABLE INCOME	x	%	MINUS	\$	=	TAX
\$ 0 – \$ 50,000	x	15%	minus	\$ 0	=	Tax
50,001 – 75,000	x	25%	minus	5,000	=	Tax
75,001 – 100,000	x	34%	minus	11,750	=	Tax
100,001 – 335,000	x	39%	minus	16,750	=	Tax
335,001 – 10,000,000	x	34%	minus	0	=	Tax
10,000,001 – 15,000,000	x	35%	minus	100,000	=	Tax
15,000,001 – 18,333,333	x	38%	minus	550,000	=	Tax
18,333,334 and over	x	35%	minus	0	=	Tax

Note: See *Basics of Corporations* on Page C-1, for exceptions to above tax rates and an example of how to use the Quick Tax Method.

Personal Holding Company and Accumulated Earnings Tax Rates	
Tax Years Beginning	Rate
2003 – 2010	15%

Filing Information		
Tax Return	Return Due	Extension
Form 1065: Partnership/LLC	15th day of fourth month following close of tax year.	Form 7004 extends deadline five months.
Forms 1120/1120S: Corporation	15th day of third month following close of tax year.	Form 7004 extends deadline six months.

IRS Frequently Used Phone Numbers	
Business and Specialty Tax Line	800-829-4933
E-Help Desk	866-255-0654
EFTPS Hotline	800-555-4477
Forms and Publications	800-829-3676
Practitioner Priority Service	866-860-4259
Refund Hotline	800-829-1954
Report Tax Schemes	866-775-7474
Tax-Exempt Organizations	877-829-5500
Taxpayer Advocate	877-777-4778
TeleTax Topics and Refund Status	800-829-4477

Payroll Deposit Deadlines (Form 941)			
Type of Depositor	Monthly	Semiweekly	
Deposit Due Dates	15th day of following month	Payday on: Wednesday, Thursday, Friday	Due on: Following Wednesday
		Payday on: Saturday, Sunday, Monday, Tuesday	Due on: Following Friday
Reason Classified	1) Total federal payroll taxes were \$50,000 or less in the lookback period or 2) New employer.	Total federal payroll taxes were more than \$50,000 in the lookback period.	

Exceptions:

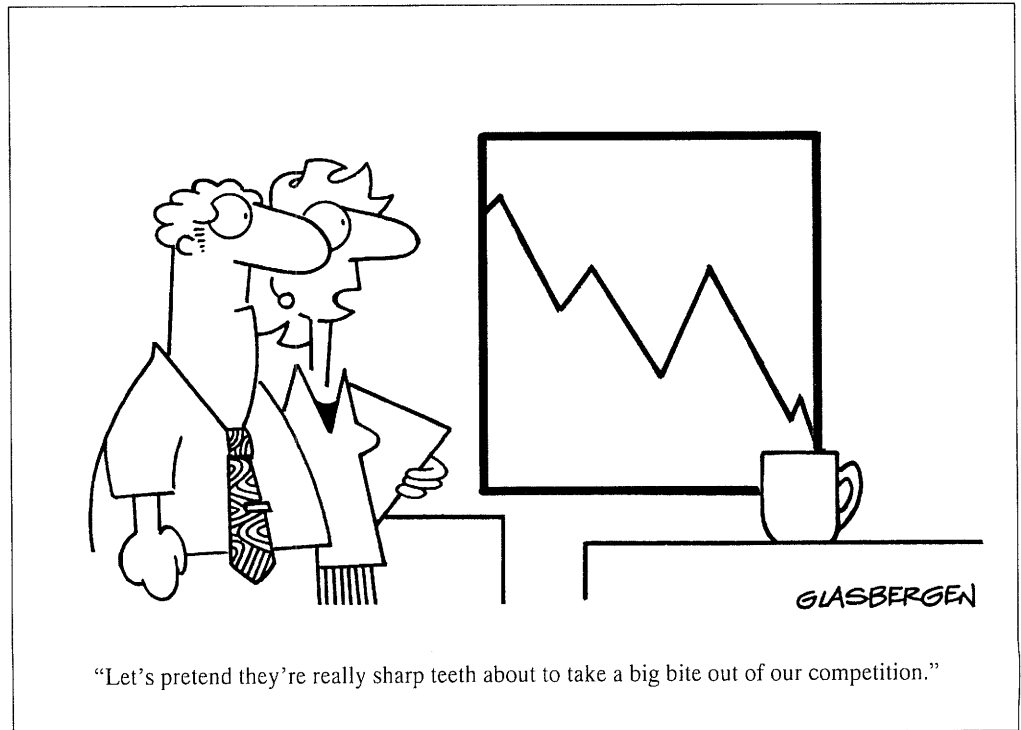
- Employer accumulates less than \$2,500 in taxes during the current or preceding quarter: Deposit as above or send payment with quarterly tax return.
- Employer accumulates more than \$100,000 in taxes during payroll period: Deposit due on next day (that is not a Saturday, Sunday or legal holiday) after the payday in which the \$100,000 threshold is reached.
- Employers notified by the IRS to file Form 944 that accumulate less than \$2,500 in taxes during the fourth quarter: Pay fourth quarter tax liability with Form 944.
- See IRS Pub. 15 for exceptions to the deposit penalties under the *Accuracy of Deposit* rules.

2010 Employer and Self-Employed Retirement Plan Chart

	SEP (Self-Employed)	SEP (Employee)	SIMPLE IRA
Eligibility to Participate	Anyone (regardless of age) with self-employment (SE) income. However, if contributions are made for self-employed, they must also be made for eligible employees.	Eligible employees include anyone at least age 21 who worked for employer any during at least three of the last five years and received at least \$550 in compensation from employer in 2010.	Employers with 100 or fewer employees (including self-employed individuals) that do not maintain another retirement plan. Must be offered to all employees who have earned at least \$5,000 from employer in any prior two years, and are reasonably expected to do so in the current year.
Maximum Contributions Allowed	20% of net SE income after SE tax deduction up to maximum contribution of \$49,000. SARSEPs established before 1997 follow 401(k) contribution limit rules.	25% of wages up to maximum contribution of \$49,000. SARSEPs established before 1997 follow 401(k) contribution limit rules.	Employee elective deferrals limited to \$11,500 (additional \$2,500 if age 50 or older). The employer can either match employee elective deferrals dollar for dollar up to 3% of wages (can be reduced to as low as 1% in any two out of five years), or contribute 2% of wages (up to \$245,000) for all employees (including nonparticipants).
Penalties for Early Withdrawal Before Age 59½	10% of distribution. (See <i>Exceptions to 10% Withdrawal Penalty Before Age 59½</i> on Page K-5.)		10% of distribution, or 25% if withdrawn less than two years from the date first participated in plan. (See <i>Exceptions to 10% Withdrawal Penalty Before Age 59½</i> on Page K-5.)
Age Withdrawals Must Begin	70½. However, contributions can be made to the account after age 70½ if the individual still has earned income. The Section 219(d) age 70½ limit on contributions only applies to traditional IRAs, not to SEPs and SIMPLEs. [IRC §219(b)(2) and (4)]		
Date to Start Plan and Make Contributions	Return due date, including extensions, for the year the plan is to be effective.		<ul style="list-style-type: none"> • Establish plan by October 1, 2010, for new plans first in effect for 2010.¹ • Make employer contributions by the return due date, including extensions.⁴
Employer Contributions Required?	No	No	Yes
Borrowing Permitted?	No	No	No
Rollover Allowed?	Yes	Yes	Yes
Penalty for Excess Contributions?²	6% excise tax for both self-employed individuals and employees if excess (plus earnings) is not withdrawn by return due date (including extensions). Employers are subject to a 10% excise tax on nondeductible (excess) contributions, unless an exception applies.		

Footnotes:

- 1 New employers that come into existence after October 1 may establish a plan as soon as administratively possible.
- 2 Excess contribution penalties are cumulative each year until corrected. The penalty is reported on IRS Form 5330 (for employer plans).
- 3 Nondiscrimination rules may reduce contributions for highly compensated employees.
- 4 Employee and self-employed elective deferrals must be deposited as soon as reasonably possible, but no later than 30 days after the end of the month in which the amounts would otherwise have been payable to the employee in cash.
- 5 The Tax Code does not specify when the employer is required to deposit employee elective deferrals into the employee's account. However, under ERISA regulations, employee elective deferrals must be contributed to the employee's 401(k) plan account as soon as reasonably can be segregated from the employer's general assets, but not later than the 15th business day of the month immediately after the month in which the contributions either were withheld or received by the employer.



“Let’s pretend they’re really sharp teeth about to take a big bite out of our competition.”

2010 Employer and Self-Employed Retirement Plan Chart

Defined-Benefit	Defined-Contribution (Profit-Sharing)	401(k)	403(b)
Corporations can set up qualified pension plans as either a defined-benefit plan, defined-contribution plan, or combination of both for the benefit of their employees. Employees at least age 21 with one year of service (1,000 hours) must be eligible. Sole proprietors and partnerships can also set up qualified plans, for themselves and their employees.		Employees at least age 21 with one year of service (1,000 hours).	An employee of a tax-exempt religious, charitable or educational organization is eligible, including a self-employed minister of a church.
Actuarially determined contribution. Maximum benefit payout limited to 100% of average compensation for the three consecutive years of highest compensation (limited to \$245,000), but not to exceed \$195,000.	Contributions per participant up to lesser of 100% of compensation or \$49,000. Employer deduction limited to 25% of aggregate compensation (limited to \$245,000 per employee) for all participants (20% of net SE income after SE tax deduction for self-employed).	Employee elective deferrals limited to \$16,500 (additional \$5,500 for employees age 50 or older). Employer deduction limited to 25% of combined wages of all employees (elective deferrals do not reduce wages for the 25% limit). Combined employer contributions and employee elective deferrals per employee limited to lesser of 100% of wages or \$49,000 (additional \$5,500 for employees age 50 or older). ³	Employee elective deferrals limited to \$16,500 (additional \$5,500 for employees age 50 or older). Special formula applies to additional contributions by employer based on years of service. Combined employer contributions and employee elective deferrals per employee limited to lesser of 100% of wages or \$49,000 (additional \$5,500 for employees age 50 or older). ³
10% of distribution. (See <i>Exceptions to 10% Withdrawal Penalty Before Age 59½</i> on Page K-5.)			
70½ for self-employed and > 5% owners; 70½ or year of retirement, whichever is later, for all other employees.			
December 31, to establish plan. Return due date, including extensions for profit-sharing plan contributions. 8½ months after year-end for defined benefit plan contributions.		December 31 to establish plan. For employer contributions, return due date including extensions. ⁵	
Yes	No	Generally no.	
Yes, if plan permits. Must pay back in five years (unless used to buy a principal residence).			
Yes	Yes	Yes	Yes
Employers are subject to a 10% excise tax on nondeductible (excess) contributions, unless an exception applies.		<p><i>Employee's elective deferral:</i> No penalty or tax if 20% excess is withdrawn by 4/15/11 (but allocable earnings are taxable in year withdrawn). If not withdrawn by 4/15/11, excess is effectively taxed twice—once in the year of deferral and again when eventually distributed because no cost basis is allowed for excess contribution.</p> <p><i>Employer's contribution:</i> 10% penalty on excess contributions (resulting from plan failing average deferral percentage test) unless distributed (with earnings) to highly compensated employee(s) within 2½ months after the close of the plan year (taxable to employee in year of deferral). Failure to distribute excess within 12 months after close of plan year results in plan failing to qualify for that plan year and all subsequent plan years for which the excess contributions remain uncorrected.</p>	

IRS Publications for Businesses

Title	Publication	Title	Publication
<i>Accounting Periods and Methods</i>	538	<i>Information for Taxpayers Affected by the May 4, 2007, Kansas Storms and Tornadoes</i>	4492-A
<i>Bankruptcy Tax Guide</i>	908		
<i>Basis of Assets</i>	551	<i>Information for Affected Taxpayers in the Midwestern Disaster Areas</i>	4492-B
<i>Business Expenses</i>	535	<i>Information on the United States-Canada Income Tax Treaty</i>	597
<i>Business Use of Your Home (Including Use by Day-Care Providers)</i>	587	<i>Installment Sales</i>	537
<i>Casualties, Disasters, and Thefts</i>	547	<i>The IRS Collection Process</i>	594
<i>Circular A, Agricultural Employer's Tax Guide</i>	51	<i>Partnerships</i>	541
<i>Circular E, Employer's Tax Guide</i>	15	<i>Passive Activity and At-Risk Rules</i>	925
<i>Corporations</i>	542	<i>Per Diem Rates</i>	1542
<i>Disaster Losses Kit for Businesses</i>	2194-B	<i>Reporting Back Pay and Special Wage Payments to the Social Security Administration</i>	957
<i>Employer's Supplemental Tax Guide</i>	15-A		
<i>Employer's Tax Guide to Fringe Benefits</i>	15-B	<i>Reporting Cash Payments of Over \$10,000</i>	1544
<i>Excise Taxes</i>	510	<i>Reporting Tip Income</i>	531
<i>Farmer's Tax Guide</i>	225	<i>Residential Rental Property (Including Rental of Vacation Homes)</i>	527
<i>Federal Employment Tax Forms</i>	393	<i>Retirement Plans for Small Business</i>	560
<i>Health Savings Accounts and Other Tax-Favored Health Plans</i>	969	<i>Sales and other Dispositions of Assets</i>	544
<i>Highlights of Tax Changes</i>	553	<i>Starting a Business and Keeping Records</i>	583
<i>Household Employer's Tax Guide</i>	926	<i>Tax Calendars</i>	509
<i>How to Depreciate Property</i>	946	<i>Travel, Entertainment, Gift, and Car Expenses</i>	463
<i>Information for Taxpayers Affected by Hurricanes Katrina, Rita, and Wilma</i>	4492	<i>U.S. Tax Treaties</i>	901
		<i>Withholding of Tax on Nonresident Aliens and Foreign Corporations</i>	515

Annual Lease Value (ALV)*			
Automobile FMV	ALV	Automobile FMV	ALV
\$ 10,000 – 10,999	\$ 3,100	\$ 28,000 – 29,999	\$ 7,750
11,000 – 11,999	3,350	30,000 – 31,999	8,250
12,000 – 12,999	3,600	32,000 – 33,999	8,750
13,000 – 13,999	3,850	34,000 – 35,999	9,250
14,000 – 14,999	4,100	36,000 – 37,999	9,750
15,000 – 15,999	4,350	38,000 – 39,999	10,250
16,000 – 16,999	4,600	40,000 – 41,999	10,750
17,000 – 17,999	4,850	42,000 – 43,999	11,250
18,000 – 18,999	5,100	44,000 – 45,999	11,750
19,000 – 19,999	5,350	46,000 – 47,999	12,250
20,000 – 20,999	5,600	48,000 – 49,999	12,750
21,000 – 21,999	5,850	50,000 – 51,999	13,250
22,000 – 22,999	6,100	52,000 – 53,999	13,750
23,000 – 23,999	6,350	54,000 – 55,999	14,250
24,000 – 24,999	6,600	56,000 – 57,999	14,750
25,000 – 25,999	6,850	58,000 – 59,999	15,250
26,000 – 27,999	7,250		

* For valuing personal use of employer-provided vehicle; add FMV or 5.5¢ per mile for employer-provided fuel. See Page K-14 for complete table.

Availability of Special Valuation Rules			
	Annual Lease Value	Commuting Value	Cents-per-Mile
Car Provided to Control Employee	OK	Can't Use	OK
Car's FMV over \$15,300 (\$16,000 for light trucks and vans) in 2010	OK	OK	Can't Use
Non-de minimis personal use other than commuting	OK	Can't Use	OK
Car driven less than 10,000 miles/year	OK	OK	See Page K-15

Uniform Premiums for \$1,000 of Group Term-Life Insurance*			
—Monthly Cost per \$1,000 of Coverage—			
Age Bracket	Amount	Age Bracket	Amount
Under 25	\$ 0.05	50 to 54	\$ 0.23
25 to 29	0.06	55 to 59	0.43
30 to 34	0.08	60 to 64	0.66
35 to 39	0.09	65 to 69	1.27
40 to 44	0.10	70 and above	2.06
45 to 49	0.15		

Example: The cost of \$100,000 of group term-life insurance coverage over \$50,000 for a 40-year-old taxpayer is \$120 per year (100 × \$0.10 × 12 = \$120).

* For computing employee's taxable amount when group term-life insurance coverage exceeds \$50,000.

Special Types of Employment and Payments			
The employees listed below receive special treatment for purposes of payroll tax withholding. This is not an exclusive list and there are exceptions to the ones listed. For a complete list and possible exceptions, see IRS Publication 15.			
For federal income tax (FIT) only, exempt means the employer is not required to withhold federal income taxes. The employee, however, is still generally subject to income tax on wages paid (there are some exceptions). Exempt for FICA and FUTA purposes means neither the employer nor the employee is subject to the tax.			
	FIT	FICA	FUTA
Decedent—year of death	Exempt	Taxable	Taxable
Decedent—year after death	Exempt	Exempt	Exempt
Child under 18 employed by parent ¹	Taxable	Exempt	Exempt
Child under 21 employed by parent ¹	Taxable	Taxable	Exempt
Child under 21 employed by parent for domestic work	Exempt	Exempt	Exempt
Parent employed by child	Taxable	Taxable	Exempt
Spouse employed by spouse	Taxable	Taxable	Exempt
Statutory employee	Exempt	Taxable	— ²
Household employee ³	Exempt	Taxable	Taxable
Hospital intern	Taxable	Taxable	Exempt
Newspaper carrier under 18	Exempt	Exempt	Exempt
Noncash payments to household employees	Exempt	Exempt	Exempt
Noncash payments to farm labor	Exempt	Exempt	Exempt
Railroad employees	Taxable	Exempt	Exempt
Employer contributions to a qualified retirement plan	Exempt	Exempt	Exempt
Elective contributions and deferrals to a 401(k) plan up to Section 402(g) limit	Exempt	Taxable	Taxable
Distributions from qualified retirement plans	Taxable	Exempt	Exempt
Students working for their school (generally) ⁴	Taxable	Exempt	Exempt
Unemployment compensation	Taxable	Exempt	Exempt
Severance pay	Taxable	Taxable	Taxable
Tips—less than \$20 per month	Exempt	Exempt	Exempt
Workers' compensation	Exempt	Exempt	Exempt
Back pay for discrimination suits	Taxable	Taxable	Taxable
Outplacement services provided by employers for terminated employees ⁵	Exempt	Exempt	Exempt

Notes:

- ¹ If in sole proprietorship or parent-owned partnership (not corporation).
- ² FUTA exempt only if full-time life insurance salesperson or homemaker.
- ³ FICA exempt if employee's wage is under \$1,700 (in 2010). Exempt from FUTA if employer paid less than \$1,000 in total household wages per quarter.
- ⁴ Safe harbor: the student must be enrolled in at least one half of the normal full-time load as gauged by the individual undergraduate, graduate or professional program. Additional restrictions apply. (Rev. Proc. 2005-11)
- ⁵ Excludable as a working-condition fringe benefit only if terminated employee is seeking employment in the same line of work. (Rev. Rul. 92-69)

Small Businesses Eligible for Cash Method		
Exceptions for taxpayers who would otherwise be required to use the accrual method of accounting		
Average Annual Gross Receipts ¹	Description	Citation
\$1 million or less average annual gross receipts	Taxpayers with average annual gross receipts of \$1 million or less are allowed to use the cash method. The exception is available for tax years ending on or after December 17, 1999. Taxpayers that meet this exception may use the cash method to account for inventory, subject to the rules for materials and supplies.	Rev. Proc. 2001-10
C corporations with \$5 million or less average annual gross receipts	C corporations and partnerships with C corporation partners generally are prohibited from using the cash method, even if the business is primarily of a service type. <i>Exception:</i> If the corporation (or partnership) has \$5 million or less in average annual gross receipts, the corporation (or partnership) is allowed to use the cash method. This exception does not apply to farming corporations. Even if the taxpayer has \$5 million or less in average annual gross receipts, the taxpayer may still be required to account for inventory under the accrual method if no other exceptions apply.	IRC §448
\$10 million or less average annual gross receipts	Individuals, S corporations, qualified PSCs and individually owned partnerships primarily engaged in service activities are allowed to use the cash method of accounting when average annual gross receipts are \$10 million or less. This exception applies to tax years ending on or after December 31, 2001. Taxpayers that meet this exception may use the cash method to account for inventory, subject to the rules for materials and supplies.	Rev. Proc. 2002-28 Also see <i>\$10 Million Gross Receipts Exception</i> on Page L-1

¹ Average annual gross receipts are computed for the three-year period prior to the year to which the test applies. For example, to compute average annual gross receipts to apply to 2010, add gross receipts for years 2007, 2008 and 2009, and divide by three. If the taxpayer has been in existence for less than three years, short years are used to compute the average. If average annual gross receipts were above the limit for any prior year, the cash basis is not allowed. If at any time average annual gross receipts exceed the limit, the exception no longer applies, even if receipts decrease in future years.

General Business Tax Credit Summary¹

Tax Credit	IRC §	For	Rate	IRS Pubs	Tax Forms
Agricultural Chemicals Security	45O	Retailers, distributors, formulators, aerial applicators and manufacturers of specified agricultural chemicals.	30% of qualified expenditures subject to facility and annual limitations.	334	8931
Alcohol and Cellulosic Biofuel Fuels	40	Sale of straight alcohol or mixture as fuel at retail or use in business.	Rate varies depending on mixture.	334	6478 ²
Biodiesel and Renewable Diesel Used as Fuel ³	40A	Use in the production of biodiesel mixture; use of biodiesel in a trade or business or sale at retail; production of qualified agri-biodiesel. For biodiesel mixture and biodiesel components, \$1 rate applies if agri-biodiesel or renewable diesel (may include certain aviation fuel) is used.	Biodiesel mixture: \$1 per gallon used. Biodiesel: \$1 per gallon used or sold at retail. Agri-biodiesel: 10¢ for each gallon produced.	334	8864
Carbon Dioxide Sequestration	45Q	The capture of carbon dioxide from an industrial source that would otherwise be released into the atmosphere as greenhouse gas.	For 2010, \$20.24 per metric ton of qualified carbon dioxide captured at a qualified facility (\$10.12 per metric ton if used as a tertiary injectant in oil/gas recovery).	334	8933
Differential Wage Payment ⁴	45P	Small business employers paying differential wage payments to qualified employees that are active duty uniformed service members.	20% of eligible differential wage payments; \$20,000 maximum wage payments per year per employee.	334	8932
Disabled Access	44	Expenses to make business accessible to or usable by disabled.	50%; \$5,000 maximum credit.	334	8826
Distilled Spirits	5011	Wholesalers and warehouse of distilled spirits.	For 2010, 13.756¢ per case of distilled spirits purchased or stored.	334	8906
Employer-Paid FICA on Tips	45B	Amount paid on tips above minimum wage.	100% of eligible amounts.	334	8846 ²
Employer-Provided Child Care	45F	Employers who provide child care and related services to employees.	25% of qualified child care facility plus 10% of resource and referral costs.	551	8882
Empowerment Zone and Renewal Community Employment	1396 and 1400H	Wages paid to employees working in selected geographic areas.	Empowerment zone: 20% of wages up to \$15,000; Renewal community: 15% of wages up to \$10,000.	954	8844 ²
Energy Credits	Var.	See <i>Selected Energy Tax Incentives for Businesses</i> on Page O-8.	Varies	334	Var.
Indian Employment ³	45A	Wages and health insurance costs paid to members of an Indian tribe or spouse for services performed on a reservation.	20% of increase over amount paid in 1993.	334 954	8845
Investment Credit: • Rehabilitation Property • Energy Credit • Qualifying Advanced Coal Project • Qualifying Gasification Project • Qualified Advanced Energy Project • Therapeutic Discovery	47 48 48A 48B 48C(d) 48D	<ul style="list-style-type: none"> • Pre-1936 nonresidential buildings/certified historic structures. • Equipment that uses solar energy to generate electricity, to heat or cool or provide hot water for use in a structure, or to provide solar process heat. Also, equipment used to produce or use energy derived from a geothermal deposit. • Investment in qualifying advanced coal project. • Investment in qualifying gasification project. • Investment in qualifying advanced energy project. • Investment in qualifying therapeutic discovery project. 	<ul style="list-style-type: none"> • 10% for pre-1936 buildings; 20% for historic structures. • 10%; 30% for qualified fuel cell and certain solar energy property. • 15% or 20% of qualified investment. • 20% of qualified investment. • Up to 30% of qualified investment. • Up to 50% of qualified investment. 	334	3468
Low-Income Housing ³	42	Owners of residential rental buildings providing qualified low-income housing.	70% (or 30%) of qualified building basis over 10 years.	334	8586 8609-A
Low-Sulfur Diesel Fuel	45H	Production of low-sulfur diesel fuel by a small business refiner.	5¢ for each gallon produced.	334	8896
Mine Rescue Team Training ³	45N	Training program costs for qualified employees.	20% of up to \$50,000/employee.	334	8923
New Markets ³	45D	Investment in community development entities.	5% – 6% per year over seven years.	954	8874
Nonconventional Source Fuel	45K	Production of fuel from a nonconventional source.	\$3 per barrel-of-oil equivalent sold, subject to inflation adjustment and phase out. ⁵	334	8907
Nuclear Power Facility	45J	Production of electricity at an advanced nuclear power facility.	1.8¢ per kwh of electricity sold.	4	4
Orphan Drug ³	45C	Expenses in testing certain drugs for rare diseases or conditions.	50% of qualified clinical testing costs.	334	8820
Pension Plan Start-Up Costs	45E	Credit for start-up costs of new employer retirement plans. Employer cannot have more than 100 employees.	50% of eligible costs up to a maximum credit of \$500, for first 3 years of plan.	560	8881
Railroad Track Maintenance ³	45G	Costs to maintain certain railroad track, roadbed, bridges, etc.	50%; not over \$3,500 × track miles.	4	8900 ²
Renewable Electricity Refined Coal and Indian Coal Production	45	<ul style="list-style-type: none"> • Electricity sold that was produced using wind, closed-loop biomass, geothermal, and solar sources or marine and hydrokinetic renewables. • Steel industry fuel produced at a qualified refined coal production facility. • Refined coal or Indian coal produced at qualified facilities. 	<ul style="list-style-type: none"> • 2.2¢ per kwh of electricity sold (wind, etc.) or 1.1¢ per kwh (marine, etc.). • \$6.27 (refined) or \$2.2 (Indian) per ton of coal sold. • \$2.87 per barrel-of-oil equivalent produced and sold. • Phaseout rules may apply to electricity and refined coal. 	334	8835
Research Credit ³	41	Business research and experimental expenditures.	20% of expenses over base amount.	334	6765
Retained Worker	–	Employers that retain workers that qualified for the payroll tax holiday for new employees provided by the HIRE Act §102.	6.2% of the wages paid during a 52-consecutive-week period; \$1,000 maximum credit per retained worker.	5	5884-B
Small Employer Health Insurance	45R	Qualified small employers that pay at least 50% of a qualified health arrangement for their employees.	Up to 35% (25% for tax-exempt organizations) of the lesser of: (1) the amount contributed or (2) the small business benchmark premium.	5	8941 ²
Work Opportunity	51	Effective for work begun before 9/1/11. Employment of specially targeted group of individuals.	Generally, 40% of \$6,000 of first-year wages; 25%/0% if worked under 400/120 hrs. Rates vary for certain targeted groups.	954	5884 ² 8850

¹ At the time of publication, only a draft version of the 2010 Form 3800 was available. See the final version of Form 3800, the other referenced forms and their instructions for details of these credits and others that may be required 2010 Form 3800 entries.

² Credit does not carry to page 1 of Form 3800.

³ Although these credits expired December 31, 2009, at the time of publication Congress was considering legislation that would extend them to 2010. See *Tax Extenders Legislation* on Page Q-1.


⁴ No IRS Publication and/or Form addressed these particular tax credits at the time this material went to print.

⁵ Notice 2010-31 contains the 2009 amounts—\$56.39 reference price; \$3.40 credit amount for coke or coke gas only. The IRS will publish the 2010 amounts by April 2011 in a Notice.

See Tab 12 in the *1040 Quickfinder® Handbook* for information on personal tax credits.

MACRS					
Five-Year Personal Property					
Year	Half-Year Convention	Mid-Quarter Convention—Quarter in Which Acquired			
		1	2	3	4
1.....	20.00%	35.00%	25.00%	15.00%	5.00%
2.....	32.00	26.00	30.00	34.00	38.00
3.....	19.20	15.60	18.00	20.40	22.80
4.....	11.52	11.01	11.37	12.24	13.68
5.....	11.52	11.01	11.37	11.30	10.94
6.....	5.76	1.38	4.26	7.06	9.58

Seven-Year Personal Property					
Year	Half-Year Convention	Mid-Quarter Convention—Quarter in Which Acquired			
		1	2	3	4
1.....	14.29%	25.00%	17.85%	10.71%	3.57%
2.....	24.49	21.43	23.47	25.51	27.55
3.....	17.49	15.31	16.76	18.22	19.68
4.....	12.49	10.93	11.97	13.02	14.06
5.....	8.93	8.75	8.87	9.30	10.04
6.....	8.92	8.74	8.87	8.85	8.73
7.....	8.93	8.75	8.87	8.86	8.73
8.....	4.46	1.09	3.34	5.53	7.64

 **Note:** For early disposition, multiply the depreciation obtained from these tables by 1/2 for the half-year convention. These percentages incorporate the switch from 200% DB to SL method when SL yields a larger deduction.

2010 Deduction Limits for Vehicles		
Description	\$280F Depreciation Limit ¹	Maximum \$179 Deduction
Car—GVW (unloaded) up to 6,000 lbs. • 50% special depreciation claimed. • No special depreciation claimed.	\$11,060 3,060	\$11,060 3,060
Truck or van (including SUVs and minivans on a truck chassis)—GVW (loaded) up to 6,000 lbs. • 50% special depreciation claimed. • No special depreciation claimed.	\$11,160 3,160	\$11,160 3,160
Car, truck or van (including SUVs and minivans), GVW over 6,000 but not over 14,000 lbs.	N/A	\$25,000 ²
Vehicles—GVW over 6,000 but not over 14,000 lbs that: • Are designed to seat more than nine passengers behind the driver seat (for example, a hotel shuttle van); • Have an open cargo area or covered box that is at least six feet long and not readily accessible from the passenger compartment (for example, a pick-up with full-size cargo bed) or • Have an enclosure fully enclosing the driver compartment and load carrying device, do not have seating behind the driver's seat and have no body section protruding more than 30 inches ahead of the windshield (for example a delivery van).	N/A	\$500,000 ³
Truck or van, GVW (loaded) over 14,000 lbs.	N/A	\$500,000 ³

¹ First year limit; reduce by any \$179 expense claimed.
² Per vehicle limit. Also subject to overall Section 179 limit (\$500,000 for 2010).
³ Annual limit for all assets expensed.

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Recovery Periods for Common Assets Placed in Service in 2010


	Recovery Period (Years)	
	MACRS/AMT	ADS
Assets Used in All Business Activities		
Office furniture and equipment	7	10
Computers and peripheral equipment	5	5
Typewriters, calculators, copiers	5	6
Airplanes (noncommercial) and helicopters	5	6
Automobiles	5	5
Light general purpose trucks (less than 13,000 lbs.)	5	5
Heavy general purpose trucks (13,000 lbs. or more)	5	6
Tractor units (for over-the-road use)	3	4
Trailers	5	6
Assets Used in Agricultural Activities		
Agricultural machinery and equipment (new)	7*	10
Agricultural machinery and equipment (used)	7	10
Breeding or dairy cattle	5	7
Breeding or work horses, 12 years old or less	7	10
Farm buildings, other than single purpose	20	25
Single-purpose agricultural or horticultural structures	10	15
Assets Used in Oil and Gas Industry		
Assets used in drilling oil and gas wells	5	6
Assets used in exploring and producing oil and gas	7	14
Specialized Assets		
Assets unique to wholesale and retail trade, and personal and professional services	5	9
Section 1245 assets used in marketing petroleum and petroleum products	5	9
High technology medical equipment	5	5
Real Property		
Qualified leasehold improvements	39*	40*
Qualified restaurant property	39*	40*
Qualified retail improvement property	39*	40*
Land improvements (sidewalks, roads, drainage facilities, bridges, fences, landscaping, radio towers)	15	20
Retail motor fuel outlets	15	20
Billboards	15	20
Residential rental real property	27.5	40
Nonresidential real property	39	40
Other		
Assets used in construction activities by general building contractors, real estate subdividers and developers	5	6
Appliances, carpet and furniture used in a residential rental property	5	9

* At the time of publication, Congress was considering legislation that would reduce the recovery period for 2010. Tax preparers should watch for developments.

Tax Treatment of Computer Software

Method of Acquisition	Tax Treatment
Purchased off the shelf or cost is separately stated from any related hardware purchase	Straight-line (SL) over 36 months or expense under Section 179
Purchased as part of the computer hardware—cost is not separately stated	Treated as hardware cost—depreciate over five years or expense under Section 179
Purchased with a useful life of less than one year	Deduct currently
Developed internally by research or experimentation	Expense, or capitalize and amortize as R&D (over 36 or 60 months)
Leased or licensed	Deduct currently
Purchased in the acquisition of a trade or business*	SL over 15 years

* Treat as off-the-shelf if readily available to the public, subject to a non-exclusive license and no substantial modifications.

 **Note:** Unless noted, all references are to the *Small Business Quickfinder® Handbook*.