



Fact Sheet

PRESS OFFICE

Tax Breaks for Small Businesses

America's entrepreneurs and small business owners continue to grow their businesses and create jobs due to unprecedented tax cuts that have been signed into law over the past two years. This includes billions of dollars in tax relief from laws such as the Recovery Act, the Small Business Jobs Act, the HIRE Act, the Affordable Care Act, and the Tax Relief and Job Creation Act.

Zero Capital Gains Taxes on Key Investments in Small Businesses

- **Capital gains taxes have been fully eliminated on certain small business stock – providing an incentive for key investments in small businesses**
- The Recovery Act excluded 75 percent of capital gains from the sale of certain small business investments held more than five years. The Small Business Jobs Act went one step further – excluding *all* capital gains from these investments in 2010 after the passage of the Small Business Jobs Act from taxes.

Up to \$500,000 Small Business Expensing Limit

- **Small businesses can write-off a larger portion of the cost of new equipment purchases in the year of purchase rather than depreciating the cost over time. This provides an immediate tax benefit.**
- The Recovery Act increased the maximum amount that small businesses could expense – which otherwise would have been \$125,000 – to \$250,000 for 2009. For 2010 and 2011, the Small Business Jobs Act doubled that to \$500,000 and increased the phase-out threshold to \$2 million.

100% Accelerated/Bonus Depreciation

- **All businesses—large and small— are allowed to expense their investments in 2011.**
- The Recovery Act allowed businesses to write off the cost of their investments more quickly by allowing up to 50 percent deductions in the first year for investments made in 2009. The Small Business Jobs Act extended this benefit through 2010, and the Tax Relief and Job Creation Act went one step further – allowing up to 100 percent deductions in the first year for investments made between September 8, 2010, and December 31, 2011. It also extended 50 percent bonus depreciation through tax year 2012. Allowing expensing in 2011 will provide a crucial incentive to 2 million businesses—both large and small—to invest and create jobs in the U.S.

Tax Relief/Simplification for Cell Phone Deductions

- The Small Business Jobs Act simplified rules around claiming deductions for business cell phones so that – starting in 2010 – cell phones can be expensed and deducted like other property, without additional, onerous requirements.

Increased Deduction for Entrepreneurs' Start-Up Costs

- For 2010, the Small Business Jobs Act temporarily doubled to \$10,000 the deduction amount new entrepreneurs can claim for business start-up expenditures.

5-Year Carryback of General Business Credits

- **To help small businesses in these hard economic times, we're allowing them to "carryback" their business credits for five years rather than one.**
- A business's unused general business credit can usually be carried back to offset taxes paid the previous year. The remaining amount can be carried forward 20 years to offset future taxes. The Small Business Jobs Act extended the "carryback" period from one year to five years for certain small businesses in 2010. This helps businesses apply their 2010 credits to previous tax payments going back to 2005.

Limitations on Penalties for Errors in Tax Reporting

- **We've fixed penalties for errors in tax reporting so that small businesses don't face disproportionately high penalties.**
- Strict penalties apply when taxpayers fail to disclose their participation in certain "reportable transactions." For many small businesses, the penalties are disproportionately high. The Small Business Jobs Act changed the general rule for determining the amount of the appropriate penalty to achieve proportionality between the penalty and the tax savings that were the object of the transaction starting tax year 2010.

General Business Credit Not Subject to Alternative Minimum Tax (AMT)

- The Small Business Jobs Act allowed certain small businesses with \$50 million or less in average annual gross receipts for the previous three years to use all types of general business credits against their AMT liability, not only their regular tax liabilities, starting in tax year 2010.

New Health Care Tax Credits and Deductions

- **The Affordable Care Act provides small businesses with tax credits for starting or continuing to provide health insurance coverage to employees. Also, self-employed business owners are allowed to deduct health insurance costs for themselves or their families.**
- The Affordable Care Act provided tax credits up to 35 percent of employee premium costs for certain small businesses for tax years 2010 through 2013. In 2014, the maximum credit increases to up to 50 percent.
- The Small Business Jobs Act allowed self-employed individuals to deduct 100 percent of insurance costs incurred in 2010 for themselves and their families.

A New Tax Credit for Hiring Unemployed Workers

- **The HIRE Act helps businesses hire and retain unemployed workers.**
- In 2010, the HIRE Act provided a payroll tax credit for hiring employees who have been looking for work for 60 days or more days and also provides a credit of up to \$1,000 for retaining them.

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