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Sunset of the 2001 & 2003 Tax Relief Acts: BUSINESS AND INVESTMENT

Capital Gains Tax Rates. General reductions in the maximum tax rates for noncorporate taxpayers' capital gains are scheduled to expire for tax years beginning after 2010, so that the maximum rate will be 20 percent (10 percent for taxpayers in the 15-percent income tax bracket). These rates will be reduced to 18 percent and 8 percent, respectively, for qualified five-year gain (Code Secs. 1(h) and 55(b)(3)(C)).

AMT Preference for Small Business Stock. The amount of excluded gain on small business stock that is treated as an alternative minimum tax (AMT) preference item is scheduled to increase for tax years beginning after 2010 (Code Sec. 57(a)(7)).

Dividends. Dividends received by noncorporate taxpayers (including dividends received through mutual funds, REITs and other pass-through entities) are scheduled to be taxed as ordinary income, rather than as capital gains, for tax years beginning after 2010 (Code Sec. 1(h)(11)).

Credit for Employer-Provided Child Care Facilities. The income tax credit for qualified expenses incurred by an employer in providing child care for employees is scheduled to expire for tax years beginning after 2010 (Code Sec. 45F).

Accumulated Earnings Tax Rate. The tax rate on corporate accumulated earnings is scheduled to revert to 39.6 percent from 15 percent for tax years beginning after 2010 (Code Sec. 531).

Personal Holding Company Tax Rate. The tax rate on personal holding companies is scheduled to revert to 39.6 percent from 15 percent for tax years beginning after 2010 (Code Sec. 541).



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Collapsible Corporations. The collapsible corporation rules are scheduled to take effect again for tax years beginning after 2010, so that shareholders' distributions and gain on stock sales may constitute ordinary income rather than capital gain (Code Sec. 341).

Alaska Native Settlement Trusts. Several special rules for calculating, taxing and reporting the income of Alaska Settlement Trusts and their beneficiaries are scheduled to expire for tax years beginning after 2010 (Code Secs. 646 and 6039H).

Rebate Exception for School Construction Bonds. The amount of public schools bonds that small governmental units may issue without being subject to arbitrage rebate requirements is scheduled to revert to \$10 million from \$15 million for tax years beginning after 2010 (Code Sec. 148).

Exempt Facility Bonds. The treatment of public school bonds as exempt facility bonds is scheduled to expire for tax years beginning after 2010 (Code Sec. 142(a)(13)).