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Georgia Southern University Faculty Expert Offers Tax Tips

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This year's new tax laws may have the most significant impact on business owners and entrepreneurs, according to Georgia Southern University faculty expert Jill Lockwood.

Small businesses that need equipment should buy now, Lockwood said, because they may continue to write off up to \$500,000 for qualified property placed in service in 2010 and/or 2011. The maximum deduction drops significantly for 2012 and 2013.

Small businesses and family farms can now claim an Estate Tax exemption of \$5 million — up from \$3.5 million in previous years. Lockwood, who is a professor in Georgia Southern University's College of Business Administration, suggests that those who want to retain a farm, property or business should consider doing so, because the maximum tax rate for gifts is now 35 percent.

Businesses may also receive a 15-year depreciation on improvements to property that is leased or used for restaurant or retail purposes if certain qualifications are met. Businesses may also gain tax breaks from donations to qualifying corporations for computer equipment, book and food inventory.

Homeowners can no longer take advantage of the additional standard deduction for real property tax and new owners will not receive the first time home buyers credit for this tax season.

Lockwood said that late December decisions to green-light existing tax breaks for two additional years benefit many citizens who expected rate hikes and less possible deductions.

Here are some additional items that citizens should be aware of:

1. Maximum tax rate for individuals remains at 35 percent.
2. Maximum tax rate for long-term capital gains remains at 15 percent with a zero percent rate for qualified small business stock purchased after September 27, 2010 and before 2012. However, the stock must be held for more than five years to get the zero percent rate.
3. American Opportunity Tax Credit for college tuition allows a credit for all undergraduate college tuition and course fees through 2012. Employer provided Educational Assistance allows an employer to provide up to \$5,250 through 2012.
4. Enhanced rules for Coverdell Education Savings Accountants allow contributions up to \$2,000. These accounts may cover tuition, room and board for elementary and secondary schools and remains in effect until 2013.

5. Student loan interest will continue to be deductible under the 2010 rules.

6. The child tax credit will remain at \$1,000.

7. Many tax incentives were not extended, including:

Additional standard deduction for real property tax

Sales tax deduction for buying a new automobile

Exclusion for unemployment benefits

First time home buyers credit

Make work pay credit

Credit for hiring unemployed veterans and "disconnected youths"

Expanded deduction for start-up expenses of a new business

Lockwood has been an accounting professor at Georgia Southern for 27 years. She is a CPA and holds an advanced degree in tax law. She suggests anyone with additional questions or concerns contact their local certified public accountant or other tax professional.

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