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# Tax Relief Act of 2010: Quick Guide Part 2

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 was signed into law on December 17, 2010. Here's a quick guide to some of the changes.

## Tax Credits

	Before Act	After Act
Making Work Pay tax credit	For 2009 and 2010 only, a refundable tax credit equal to the lesser of 6.2% of an individual's earned income or \$400 (\$800 for married couples filing joint returns); phased out for higher incomes	Not extended to 2011, but new one-year 2% reduction in employee Social Security payroll taxes in effect (applies to self-employment tax of self-employed individuals as well)
Earned income tax credit (EITC)	Increased 45% credit percentage for families with three or more qualifying children, and increased phaseout amounts for married couples filing joint returns expired at end of 2010	2010 EITC provisions extended through 2012
American Opportunity tax credit (Hope tax credit)	For 2010, a credit for up to \$2,500 of a student's qualified tuition and related expenses for each of the first four years of post-secondary education; up to 40% of credit is refundable	2010 limits and rules extended through 2012
	Beginning in 2011, credit reduced to maximum \$1,800 for first two years of post-secondary education; no portion refundable; lower income phaseout thresholds would apply	
Child tax credit	For 2010: \$1,000 maximum per child; refundable to the extent of 15% of earned income in excess of \$3,000	2010 rules extended through 2012
	Beginning in 2011: \$500 maximum per child; separate, limited rules apply in determining if portion of credit is refundable	
Child and dependent care credit	Increased limit on eligible expenses and maximum credit percentage would have expired at end of 2010	2010 rules extended through 2012
Adoption tax credit and employer-paid adoption assistance	Increased adoption tax credit and exclusion amount for employer-paid adoption assistance would have expired at the end of 2011, as would the refundable nature of credit	2011 rules extended through 2012



## Deductions

	Before Act	After Act
Deduction for educator classroom expenses	\$250 above-the-line deduction expired at end of 2009	Deduction retroactively reinstated for 2010 and extended through 2011
Deduction for qualified higher-education expenses	Maximum \$4,000 deduction, phased out for individuals with higher income, expired at the end of 2009	Deduction retroactively reinstated for 2010 and extended through 2011
Student loan interest deduction	Student loan interest deductible (maximum \$2,500), subject to phaseout for higher incomes; starting in 2011, deduction would be limited to interest paid in first 60 months in which interest payments required	2010 limits and rules extended through 2012
Deduction for state and local sales tax	Ability to deduct state and local sales tax in lieu of the itemized deduction for state and local income taxes expired at the end of 2009	Deduction retroactively reinstated for 2010 and extended through 2011
Additional standard deduction for real estate property taxes	Ability of individuals who do not itemize to claim an additional standard deduction of up to \$500 (\$1,000 if married filing jointly) for real estate property taxes expired at the end of 2009	This provision was not extended
Itemized deductions and personal and dependency exemptions	Beginning in 2011, these items would once again be phased out for higher income individuals	2010 rules (no phaseout of items for higher income individuals) extended through 2012
Mortgage insurance premiums	Ability to deduct as qualified residence interest, subject to phaseout for higher incomes, expired at the end of 2010	2010 rules extended through 2011

## Other

Charitable IRA distributions	Ability of IRA holders over age 70½ to exclude from income up to \$100,000 in qualified distributions made to charitable organizations expired at the end of 2009	Retroactively reinstated for 2010 and extended through 2011
Coverdell education savings accounts	For 2010, a \$2,000 maximum annual contribution phased out for higher incomes, but effective 2011, maximum annual contribution reduced to \$500 with a lower phaseout range for married couples filing jointly	2010 rules extended through 2012

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