



TAX ALERT

DECEMBER 27, 2011

Temporary Payroll Tax Cut Approved and Signed Into Law

After a prolonged debate, the Senate and the House approved the “Temporary Payroll Tax Cut Continuation Act of 2011” on the morning of December 23, 2011. The bill was signed into law by President Obama shortly thereafter.

The new law extends the payroll tax cut through February 29, 2012. The payroll tax cut was set to expire on December 31, 2011. Thus, the payroll tax rate paid into Social Security will remain 4.2%, two percentage points below the normal tax rate of 6.2%.

The Act also extends emergency federal unemployment benefits through February 29, 2012. These benefits were also set to expire on December 31, 2011, which would have resulted in a stoppage of benefits (averaging \$296 a week) to an estimated 1.8 million unemployed workers.

The debate over these tax provisions is still not settled and will continue until 2012. The House and Senate will return in January to begin negotiations to further extend these provisions until December 31, 2012. Based on the difficulty in passing the current Act, that task will not be easy.

Illinois Tax Breaks Signed Into Law

On December 16, 2011, Illinois Governor Pat Quinn signed legislation which was primarily aimed at keeping two large employers, Sears Holding Company and CME Group, in Illinois, but also included several incentives for other taxpayers. Among those incentives are:

Research Development Credit

The new legislation extends the Illinois Research and Development Credit through 2015. It also allows for a five-year carry forward for any credits not currently used to offset future tax liabilities.

Net Operating Losses for Corporations

The new law reinstates the net operating loss carry forward for corporations beginning with the 2012 tax year. A corporation can now carry forward up to \$100,000 of its net operating loss to tax years ending on December 31, 2012 through December 31, 2014.



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Estate Tax

The new law increases Illinois' current estate tax exemption of \$2 million to \$3.5 million in 2012 and \$4 million in 2013.

There is further legislation pending that has not yet been signed into law by Governor Quinn. We will keep you updated on any new developments as they occur.

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