

Job Creation and Worker Assistance Act of 2002 Frequently Asked Questions and Answers

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Q: *Am I limited to 30 percent first-year depreciation in total on the adjusted basis of qualified property placed in service after September 10, 2001?*

A: No, you are entitled to 30 percent additional first-year depreciation. You are also entitled to regular depreciation on the remaining adjusted basis of the qualifying property.

Q: *Can I qualify for expensing under Election to Expense Certain Depreciable Business Assets (section 179) and also claim the 30 percent first-year depreciation?*

A: Yes, you are entitled to claim expensing under section 179 and the 30 percent first year depreciation. Assuming you purchased and placed in service qualified property that costs \$50,000, you would first be allowed a \$24,000 deduction under section 179. In addition, you would be entitled to an additional first-year depreciation deduction of \$7,800 based on 30 percent of \$26,000 (\$50,000 original cost less the section 179 deduction of \$24,000) of adjusted basis. Finally, the remaining adjusted basis of \$18,200 is recovered pursuant to the depreciation rules of present law.

Q: *I filed my return before the Act was passed. I purchased and placed in service qualifying property after September 10, 2001. Can I claim the 30 percent first year depreciation?*

A: Yes, you should file an amended return claiming the additional 30 percent first-year depreciation on the qualifying property on or before the due date of your next years tax return.

Q: *My corporation paid no income taxes in 1999 and 2000 but paid income taxes in 1997 and 1998. Can I file a net operating loss for my corporation that incurred a loss in 2001?*

A: Yes, the Act extends the general net operating losses (NOL) carryback period to five years for NOL's arising in taxable years ending in 2001 and 2002. You can carry back your net operating loss and receive a refund.

Q: *Can I obtain a refund of the alternative minimum tax my corporation paid in 1998 and 1999? Minimum tax exceeded regular tax in those tax years.*

A: Yes, the Act allows a NOL arising in 2001 or 2002, to offset 100 percent of a taxpayer's AMTI. (Alternative Minimum Taxable Income). You can carry back your net operating loss and receive a refund of the minimum tax paid.

Q: *Can my bank issue an electronic form 1099 reporting my interest and dividend income?*

A: Yes, the Act permits the forms to be furnished electronically if you consent to receiving your 1099's in this manner.

Q: *I was laid off in October 2001 and have been unable to find employment. My benefits have expired. Can I collect unemployment benefits?*

A: Yes, the Act extends for up to 13 weeks extended unemployment benefits for eligible displaced workers who filed an initial claim for unemployment benefits on or after March 15, 2001.

Q: *Can I claim the work opportunity credit? I hire qualified summer youth employees but was told the credit had expired.*

A: Yes, the Act extended for two years the work opportunity tax credit (through December 31, 2003). With respect to qualified summer youth employees, the maximum credit is \$1,200 per employee (40 percent of the first \$3,000 of qualified first-year wages). Other targeted groups eligible for the credit are:

1. families eligible to receive benefits under the Temporary Assistance for Needy Families Program;
2. high-risk youth;
3. qualified ex-felons;
4. vocational rehabilitation referrals;
5. qualified veterans;
6. families receiving food stamps and
7. persons receiving Supplemental Security Income ("SSI") benefits.

The maximum credit per employee is \$2,400 for these groups.