

2014 Tax Increase Prevention Act

December 18, 2014

In the recently enacted "Tax Increase Prevention Act of 2014," Congress has once again extended a package of expired or expiring individual, business, and energy provisions known as "extenders." The extenders are a varied assortment of more than 50 individual and business tax deductions, tax credits, and other tax-saving laws which have been on the books for years but which technically are temporary because they have a specific end date. Congress has repeatedly temporarily extended the tax breaks for short periods of time (e.g., one or two years), which is why they are referred to as "extenders." The new legislation generally extends the tax breaks retroactively, most of which expired at the end of 2013, for one year through 2014.

We are providing you an overview of the key tax breaks that were impacted by the new law.

Individual extenders

The following provisions which affect individual taxpayers are **retroactively extended** through 2014:

- ... the \$250 above-the-line deduction for teachers and other school professionals for expenses paid or incurred for books, certain supplies, equipment, and supplementary material used by the educator in the classroom;
- ... the exclusion of up to \$2 million (\$1 million if married filing separately) of discharged principal residence indebtedness from gross income;
- ... the deduction for mortgage insurance premiums deductible as qualified residence interest;
- ... the option to take an itemized deduction for State and local general sales taxes instead of the itemized deduction permitted for State and local income taxes;
- ... the above-the-line deduction for qualified tuition and related expenses; and
- ... the provision that permits tax-free distributions to charity from an individual retirement account (IRA) of up to \$100,000 per taxpayer per tax year, by taxpayers age 70 and ½ or older.

Business extenders

The following business credits and special rules are generally **retroactively extended** through 2014:

- ... the research credit;
- ... the Indian employment tax credit;
- ... the employer wage credit for activated military reservists;
- ... the work opportunity tax credit;
- ... 15-year straight line cost recovery for qualified leasehold improvements, qualified restaurant buildings and improvements, and qualified retail improvements;
- ... accelerated depreciation for business property on an Indian reservation;
- ... 50% bonus depreciation (extended before Jan. 1, 2016 for certain longer-lived and transportation assets);
- ... the election to accelerate alternative minimum tax (AMT) credits in lieu of additional first-year depreciation;
- ... the enhanced charitable deduction for contributions of food inventory;
- ... the increase in expensing (Section 179 up to \$500,000 write-off of capital expenditures subject to a gradual reduction once capital expenditures exceed \$2,000,000) and an expanded definition of property eligible for expensing;
- ... the exclusion of 100% of gain on certain small business stock;
- ... the reduction in S corporation recognition period for built-in gains tax;
- ... the empowerment zone tax incentives;

Energy-related extenders

The following energy provisions are **retroactively extended** through 2014:

- ... the credit for nonbusiness energy property;
- ... the incentives for biodiesel and renewable diesel;
- ... the credit for construction of energy efficient new homes;
- ... the energy efficient commercial buildings deduction;
- ... the incentives for alternative fuel and alternative fuel mixtures; and
- ... the alternative fuel vehicle refueling property credit.

For more information on how you or your business may be impacted by these changes or any other aspect of the new law, please do not hesitate to call our office at (480) 424-7855.