



TAX EXTENDER BILL PASSED!

As we had hoped, the Senate passed, and President Obama signed into law, the tax extender package. This bill means that we won't be dealing with uncertainty at this time next year! Several of the expired provisions are extended through 2016 – some will be extended permanently.

There are 22 provisions in this bill that will cost over \$680 billion over a 10-year period. Here are the few of the provisions that likely affect you and your business:

Business Extender Provisions:

- Section 179 increased “small business” expensing limits to \$500,000 with a \$2 million phase-out threshold. Starting in 2016 these amounts will be adjusted for inflation.
- The S-Corp recognition period for built-in gains is reduced from 10 to 5 years (following a conversion from a C-Corp).
- For qualified leasehold improvement property, qualified restaurant property and qualified retail improvement property: 15-year straight-line cost recovery.
- Starting in 2016, the Research & Development Credit will be modified: eligible businesses with \$50 million or less in gross receipts can claim the credit against their alternative minimum tax liability.
- Small business with less than \$5 million in gross receipts can use the R&D credit against their payroll tax liability.

Additional 2-year provisions extended through 2016:

- Above-the-line deduction for qualified tuition and related higher education expenses up to \$4000. (This deduction is limited by filing status and adjusted gross income.)

- 10+ energy-related tax incentives for things like energy-efficient commercial buildings, energy-efficient new home credit, excise tax credit for alternative fuels, etc.
- A 2-year delay on the 2.3% medical device excise tax for sales during 2016 and 2017.
- A modified exclusion from gross income for discharges of qualified principal residence indebtedness income.

Extended through 2019:

- Bonus depreciation will be extended to allow:
 - depreciation of 50% of the cost of new property acquired and placed into service from 2015 – 2017
 - depreciation of 40% in 2018
 - depreciation of 30% in 2019

Modified AMT rules in 2016 increase the amount of unused AMT credits that can be claimed in lieu of bonus depreciation: Trees, vines and fruit/nut plants are now eligible for bonus depreciation when planted rather than when placed in service.

Individual Extender Provisions:

- Individual income tax deductions will be made for state & local sales taxes rather than state & local income taxes.
- Certain tax-free charitable distributions up to \$100k from IRA's will be allowed for people ages 70½ or older.
- Child tax credit of \$3000 will continue permanently. Taxpayers will not be allowed to amend a return or file an original return for any prior year in which the qualifying child did not have a taxpayer ID # (preventing retroactive claims).
- For elementary & secondary school teachers: above-the-line deduction for eligible expenses with a \$250 cap (indexed for inflation) starting in 2016. Professional Development costs ARE eligible expenses.

Information here is for informational purposes only. To learn more about all of the provisions in this Tax Extender bill and how they impact your business, contact Rafalski Hare P.C. at 248-598-5030 or info@rhcpas.com!

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