



AN ALERT FROM SMITH LEONARD PLLC:

Congress Extends 2013 Tax Breaks



 **Subject**

2014 TAX YEAR WILL BENEFIT FROM ADDITIONAL TAX BREAKS

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CONGRESS EXTENDS 2013 TAX BREAKS

INTRODUCTION

In the recently enacted "Tax Increase Prevention Act of 2014 (TIPA)," 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.

Take a moment to review the below highlights of the key tax breaks that were extended by the new law. We will certainly be proactive in incorporating these changes into your tax planning, but if you have any specific questions about how your end of year activities (charitable giving, buying equipment, etc.) may affect you or your business, please call our office at 336.883.0181 or email contactus@smithleonardcpas.com.

TIPA would extend the following individual provisions through 2014:

- \$250 above-the-line deduction for 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
- Exclusion of up to \$2 million (\$1 million if married filing separately) of discharged principal residence indebtedness from gross income
- Parity for exclusion for employer-provided mass transit and parking benefits
- Deduction for mortgage insurance premiums treated as qualified interest
- 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
- Increased contribution limits and carryforward period for contributions of appreciated real property (including partial interests in real property) for conservation purposes
- Above-the-line deduction for qualified tuition and related expenses
- 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

TIPA would extend the following business provisions through 2014:

- 50% bonus depreciation (extended before Jan. 1, 2016 for certain longer-lived and transportation assets)
- Increase in expensing (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
- Research and experimentation credit
- Temporary minimum low-income housing tax credit rate for non-federally subsidized new buildings



- Military housing allowance exclusion for determining whether a tenant in certain counties is low-income
- Indian employment credit
- New markets tax credit
- Railroad track maintenance credit
- Mine rescue team training credit
- Employer wage credit for activated military reservists
- Work opportunity tax credit
- Qualified zone academy bonds
- Classification of certain race horses as 3-year property
- 15-year straight line cost recovery for qualified leasehold property, qualified restaurant property, and qualified retail improvements
- 7-year recovery period for motorsports entertainment complexes
- Accelerated depreciation for business property on Indian reservations
- Election to accelerate alternative minimum tax (AMT) credits in lieu of additional first year depreciation
- Enhanced charitable deduction for contributions of food inventory
- Election to expense mine safety equipment
- Special expensing rules for film and television production
- Deduction allowable with respect to income attributable to domestic production activities in Puerto Rico
- Exclusion from a tax-exempt organization's unrelated business taxable income (UBTI) of interest, rent, royalties, and annuities paid to it from a controlled entity
- Special treatment of certain dividends of regulated investment companies (RICs)
- RIC qualified investment entity treatment under FIRPTA
- Exceptions under Subpart F for active financing income
- Look-through treatment of payments between controlled foreign corporations
- Special 100% gain exclusion for qualified small business stock
- Reduction in S corporation recognition period for built-in gains tax
- Empowerment zone tax incentives
- American Samoa economic development credit
- Two provisions dealing with multiemployer defined benefit pension plans (dealing with an automatic extension of amortization periods and shortfall funding method and endangered and critical rules), are extended through 2015

TIPA would extend the following charitable provisions through 2014:

- Enhanced charitable deduction for contributions of food inventory
- Basis adjustment to stock of S corporations making charitable contributions of property
- Special rules for contributions of capital gain real property for conservation purposes
- Tax-free distributions for charitable purposes from individual retirement account (IRA) accounts of taxpayers age 70 1/2 or older



TIPA would extend the following energy provisions through 2014:

- Credit for nonbusiness energy property
- Credit for second generation biofuel producer credit
- Incentives for biodiesel and renewable diesel
- Production credit for Indian coal facilities placed in service before 2009
- Credits with respect to facilities producing energy from certain renewable resources
- Credit for construction of energy efficient new homes
- Special allowance for second generation biofuel bonus depreciation
- Energy efficient commercial building deduction
- Special rule for sales or dispositions to implement FERC or State electric restructuring policy for qualified electric utilities
- Incentives for alternative fuel and alternative fuel mixtures
- Alternative fuel vehicle refueling property credit

TIPA would extend the following provisions on multiemployer defined benefit pension plans through 2015:

- Automatic extension of amortization periods for multiemployer defined benefit pension plans
- Shortfall funding method for plans in endangered or critical status

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