

The Bankler Report

December 17, 2015

INTRODUCTION

Early Wednesday, December 16, 2015, Congressional leaders reached a compromise on a tax and spending bill. It is currently anticipated that this will become law.

The following “Extenders” are being made permanent:

Business.

1. The bill retroactively increases and makes permanent the Section 179 expensing provision from \$25,000 to \$500,000. The phase out remains at \$2,000,000. Following the 2016 tax year, both of these amounts are indexed for inflation.
2. Beginning in 2016, air conditioning and heating units will also be eligible for full expensing in the year purchased.
3. The bill makes permanent the 15 year straight line cost recovery for qualified leasehold improvements, qualified restaurant buildings and improvements, and qualified retail improvements.
4. Permanent exclusion of the 100% gain on certain small business stock.
5. Permanent reduction in S corporation recognition period for built in gain from 10 years to 5 years.

Individuals.

1. The bill retroactively increases and makes permanent the ability for individuals at least 70 1/2 years old to make up to \$100,000 tax-free distributions to qualified charities from their IRA accounts.
2. The bill permanently extends the option to claim an itemized deduction of state and local general sales taxes in lieu of an itemized deduction for state and local income taxes.
3. The refundable child tax credit of \$1,000 per qualifying child is made permanent.
4. The college tax credits (Hope Scholarship Credit and American Opportunity Tax Credit) are made permanent.
5. The deduction for certain expenses of elementary and secondary school teachers are also made permanent.

The following “Extenders” are being extended through 2019:

Business.

1. The bill retroactively extends bonus depreciation for qualifying property. The 50% bonus depreciation is extended for property placed into service during 2015, 2016, and 2017. It is then reduced to 40% for 2018 and 30% for 2019.
2. The work opportunity tax credit is also extended through 2019. It is also modified in 2016 for employers that hire qualified long-term (27 weeks or more) unemployed individuals and increases the credit to 40% of the first \$6,000 of wages.

The following “Extenders” are being extended through 2016:

Business.

1. The bill retroactively extends the railroad track maintenance credit.
2. The bill also extends the classification of certain race horses as 3 year property.
3. The bill extends the special expensing rules relating to certain films and television productions.
4. There is a two year moratorium on the 2.3% tax on medical devices. There will be no excise tax imposed on sales of medical devices in 2016 and 2017.
5. The bill also extends the deduction for energy efficiency improvements to lighting, heating, cooling, and ventilation and hot water systems of commercial buildings.

Individuals.

1. The bill continues the exclusion from gross income of the amounts of discharge of qualified principal residence indebtedness. The exclusion applies if it is pursuant to a written agreement executed in 2016, even if the discharge occurs in 2017.
2. The amount incurred as mortgage insurance will be deductible as qualified residence interest through 2016.
3. The provision also extends the “above-the-line” deduction for qualified tuition and related expenses for higher education.

Contact us should you have any questions or if we can assist in addressing these issues.