

The Bankler Report

November 20, 2014

INTRODUCTION

With the Republican party taking control of the Senate, and both the President and Senator leaders promising cooperation, I am now cautiously optimistic that Congress will pass an extender package before year end. In addition, Congress will probably enact business tax reforms in 2015.

Tax Extender Package.

We expect Congress to retroactively extend various tax provisions that expired December 31, 2013. These would include:

1. Effective January 1, 2014, the election to expense qualifying assets was reduced from \$500,000 to \$25,000 per year. We expect Congress to increase this provision to at least \$250,000 with a strong possibility of increasing to \$500,000.
2. 50% Bonus Depreciation for **NEW EQUIPMENT** also expired January 1, 2014. We expect that Congress will also restore this provision for **NEW EQUIPMENT** bought and placed into service by December 31, 2014. Under this provision, 50% of the cost of the **NEW EQUIPMENT** can be deducted in the year of purchase.
3. Generally, businesses must depreciate Nonresidential Real Estate (including leasehold improvements) over 39 years. However, 15 year depreciation was allowed (and expired) for qualified leasehold improvements (retail, restaurant, and other qualified improvements) and also qualified for 50% bonus depreciation. We expect that Congress will restore this provision for **NEW EQUIPMENT** bought and placed into service by December 31, 2014. Under this provision, 50% of the cost of the **NEW EQUIPMENT** can be deducted in the year of purchase.
4. Tax free distributions from IRA accounts for charitable distributions.
5. Deductions for state and local sales taxes.

Business Tax Reforms.

Both the President and the Republican controlled Congress want to reduce the maximum tax on businesses from the current 39.6% to 25%. If enacted in 2015, it may be effective in 2015, 2016, or some phased in dates. Businesses should consider strategies that would accelerate deductions and/or defer income in such a manner to minimize the tax rate incurred.

Naturally we will stay abreast of these developments. Please contact us **BEFORE** making year end business/tax decisions.