

# TAX ALERT

## Pending Year-End Tax Legislation with Surprising Permanent Implications

Some may recall this time last year, when a large number of expired tax provisions came down to mid-December before they were extended retroactively through the end of 2014 only. This means that many popular provisions such as the R&D credit, enhanced Section 179 write-offs of asset acquisitions, bonus depreciation, and the child care credit expired on December 31st, 2014. Unlike last year, however, it appears that many of these same expired tax provisions this year will be extended permanently, with others extended for two to five years.

On Wednesday, the Consolidated Appropriations Act 2016 was introduced in Congress, which includes the “Protecting Americans from Tax Hikes (PATH) Act of 2015” in the bill. Congress is expected to vote on the bill by Friday, and the White House has indicated that the president will sign it. If passed, this will provide taxpayers with the ability to plan ahead using the provisions in the bill, rather than waiting until the end of the year to see what will pass and what may get left out.

### Provisions made permanent include:

- R&D credit, with enhanced limits for certain smaller businesses
- Enhanced Section 179 deduction at \$500,000 on \$2M of additions, with provisions to index for inflation
- Teacher’s supply deduction of \$250
- Enhanced Child Tax Credit (CTC)
- Enhanced American Opportunity Tax Credit for college expenses
- Certain charitable giving incentives, including tax-free distributions from IRAs up to \$100,000 per taxpayer for individuals at least 70 ½ years old
- Reduction of S-Corporation recognition period for built-in gains from ten years to five years



## Pending Year-End Tax Legislation with Surprising Permanent Implications (cont.)

### Provisions extended through December 31, 2019 include:

- Bonus depreciation will be permitted at 50% for 2015, 2016, and 2017 before dropping to 40% in 2018 and 30% in 2019
- Work Opportunity Tax Credit (WOTC)
- New markets tax credit

### Provisions extended through December 31, 2016 include:

- Empowerment Zone tax incentives
- Mortgage insurance premiums treated as qualified residence interest
- Deduction for qualified tuition and related expenses

To read more about the proposed tax legislation, click [here](#).

As noted above, keep in mind that this legislation has not yet been passed. If there are any substantial changes once passed, we will send out a follow up alert. Please contact your GBQ representative if you have any questions concerning this pending legislation.