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OBJECTIVE ADVICE ON THE ROAD OF LIFE

Dear Client,

As seems to be the case in recent times, Congress has waited until year-end (December 17, 2014) to enact the "Tax Increase Prevention Act of 2014," which again extends 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.

We are writing to give you an overview of the key tax breaks that were extended by the new law. Please refer to the list below for a summary of the extenders that may relate to your income tax scenarios. **Please notice that Congress extended all accelerated depreciation tax breaks including the 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 this expensing; the 15-year straight line cost recovery for qualified leasehold improvements, qualified restaurant buildings and improvements, and qualified retail improvements and the 50% bonus depreciation tax breaks.**

#### **Individual extenders**

The following provisions which affect individual taxpayers are extended through 2014:

... the \$250 above-the-line deduction 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;

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- ... the exclusion of up to \$2 million (\$1 million if married filing separately) of discharged principal residence indebtedness from gross income;
- ... parity for the exclusions for employer-provided mass transit and parking benefits;
- ... the deduction for mortgage insurance premiums deductible as qualified residence interest;
- ... the 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;
- ... the increased contribution limits and carryforward period for contributions of appreciated real property (including partial interests in real property) for conservation purposes;
- ... the above-the-line deduction for qualified tuition and related expenses; and
- ... the 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 taxpayer's age 70 and ½ or older.

### **Business extenders**

The following business credits and special rules are generally extended through 2014:

- ... the research credit;
- ... the temporary minimum low-income housing tax credit rate for nonfederal subsidized new buildings;
- ... the new markets tax credit;
- ... the employer wages credit for activated military reservists;
- ... the work opportunity tax credit;
- ... qualified zone academy bond program;
- ... three-year depreciation for racehorses;
- ... 15-year straight line cost recovery for qualified leasehold improvements, qualified restaurant buildings and improvements, and qualified retail improvements;
- ... 50% bonus depreciation (extended before Jan. 1, 2016 for certain longer-lived and transportation assets);
- ... the election to accelerate alternative minimum tax (AMT) credits in lieu of additional first-year depreciation;
- ... the enhanced charitable deduction for contributions of food inventory;
- ... the 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;

... special expensing rules for certain film and television productions;

... the exclusion of 100% of gain on certain small business stock;

... the basis adjustment to stock of S corporations making charitable contributions of property;

... the reduction in S corporation recognition period for built-in gains tax;

... the empowerment zone tax incentives;

### **Energy-related extenders**

The following energy provisions are retroactively extended through 2014:

... the credit for nonbusiness energy property;

... the second generation biofuel producer credit (formerly cellulosic biofuels producer tax credit);

... the incentives for biodiesel and renewable diesel;

... the renewable electricity production credit and the election to claim the energy credit in lieu of the renewable electricity production credit;

... the credit for construction of energy efficient new homes;

... second generation biofuels bonus depreciation;

... the energy efficient commercial buildings deduction;

... the incentives for alternative fuel and alternative fuel mixtures; and

... the alternative fuel vehicle refueling property credit.

We hope this information is helpful. If you would like more details about these changes or any other aspect of the new law, please do not hesitate to call.

Very truly yours,

*Roback, Kumlander & Pehl*

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