



HANSEN HUNTER & CO. P.C.
Certified Public Accountants

NEWSLETTER

January 5, 2015

2014 TAX UPDATES

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

The following will give you an overview of the key tax breaks that were extended by the new law.

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;
- ... 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;



HANSEN HUNTER & CO. P.C.
Certified Public Accountants

... 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 taxpayers 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 nonfederally subsidized new buildings;
... the military housing allowance exclusion for determining whether a tenant in certain counties is low-income;
... the Indian employment tax credit;
... the new markets tax credit;
... the railroad track maintenance credit;
... the mine rescue team training credit;
... the employer wage 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;
... 7-year recovery period for motorsports entertainment complexes;
... accelerated depreciation for business property on an Indian reservation;
... 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;



HANSEN HUNTER & CO. P.C.
Certified Public Accountants

... 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;

... the election to expense mine safety equipment;

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

... the deduction allowable with respect to income attributable to domestic production activities in Puerto Rico;

... the 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;

... the special treatment of certain dividends of regulated investment companies (RICs);

... the definition of RICs as qualified investment entities under the Foreign Investment in Real Property Tax Act;

... exceptions under subpart F for active financing income;

... look-through treatment for payments between related controlled foreign corporations (CFCs) under the foreign personal holding company rules;

... 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;

... the American Samoa economic development credit; and

... 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.

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



HANSEN HUNTER & CO. P.C.
Certified Public Accountants

credit);

... the incentives for biodiesel and renewable diesel;

... the Indian country coal production tax credit;

... 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 special rule for sale or disposition to implement federal energy regulatory commission (FERC) or State electric restructuring policy for qualified electric utilities;

... 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.

The tax laws referred to above include many complex rules and definitions; therefore, each person should consult their tax advisor regarding the proper application of these laws to their individual tax situation.