

## New and Updated Tax Provisions

On December 18, Congress passed and the President signed into law the “Consolidated Appropriations Act, 2016” and “Protecting Americans from Tax Hikes (PATH) Act of 2015,” funding the government and providing a number of significant tax changes.

With over 100 separate provisions, the following lists include the more significant changes that affect our clients. Please contact our office to determine specific changes that affect you.

### Business

- Makes permanent the:
  - o Research and development tax credit
  - o Reduced S Corp recognition period for built-in gains
  - o Exclusion of 100% gain on certain small business stock
- Work opportunity tax credit extended through 2019
- Empowerment zone tax breaks extended through 2016
- Two year moratorium on the 2.3% medical device excise tax (2016-2017)
- Changes the due date of Forms W-2, W-3 and non-employee compensation (e.g. Form 1099-MISC) to January 31 (beginning with 2016 tax year)
- Delays the 40% Cadillac Excise tax on high cost employer-sponsored health coverage to 2020 and changes it to a deductible tax.
- One year moratorium on the health insurance provider fee (2017)

### Depreciation

- The Act makes the following changes to the Code Sec. 179 expensing election:
  - o The \$500,000 expensing limitation and \$2 million phase-out amounts are retroactively extended and made permanent.
  - o For any tax year beginning after 2015, both the \$500,000 and \$2 million limits are indexed for inflation.
  - o The rule that allows expensing for computer software is retroactively extended and made permanent.
- The Act retroactively extends and makes permanent the inclusion of qualified leasehold improvement property, qualified restaurant property and qualified retail improvement property in the 15-year MACRS class.
- The Act extends bonus depreciation for qualified property acquired and placed in service during 2015 through 2019 (through 2020 for certain longer-lived and transportation property). Eligible taxpayers will be able to claim:
  - o 50% bonus depreciation allowance for qualified property placed in service in 2015 through 2017 ;
  - o 40% bonus depreciation allowance for qualified property placed in service in 2018; and
  - o 30% bonus depreciation allowance for qualified property placed in service in 2019.
- The Act provides that the Code Sec. 280F limitation for a passenger auto or light truck or van that is qualified property is increased by \$8,000 and limits the amounts in later years.

## **Individual**

- Makes permanent the:
  - o child tax credit
  - o American Opportunity tax credit
  - o Earned income tax credit
  - o Above the line deduction for educator expenses
  - o Excluded employer-provided mass transit and parking benefits
  - o Sales and local sales tax deduction
  - o Nontaxable IRA transfers to eligible charities
  - o Purchase of computer equipment and technology with a distribution from a Section 529 Plan is a qualified expense
- Retroactively extended through 2016
  - o Mortgage insurance premiums as deductible qualified residence interest
  - o Above the line deduction for higher education expenses
  - o \$500 tax credit for nonbusiness energy property