

12/23/2015

Favorable Tax Extenders Enacted

On December 18, 2015, the President signed into law the *Protecting Americans from Tax Hikes Act of 2015* (PATH). The Act retroactively extends many favorable tax provisions that had expired at the end of last year. Some of the provisions are made permanent by the Act.

We have highlighted below a few features of the PATH Act that have wide application and impact.

For Individuals

- **Contributions of capital gain real property made for conservation purposes.**
There is a permanent extension that allows a higher 50% of AGI limit in place of the 30% limit otherwise imposed on qualified contributions of capital gain property made for conservation purposes. The unused excess deduction may be carried forward for 15 years.
- **Tax-free distributions from individual retirement plans for charitable purposes.**
The provision allowing an IRA owner who is 70 ½ or older to exclude from AGI up to \$100,000 per year in charitable contributions made directly to certain public charities has been permanently extended. This is applicable for distributions made after December 31, 2014.
- **100% exclusion of gain on certain small business stock.**
The Act makes permanent the exclusion of 100% of gain from the sale of certain small business stock if held by non-corporate taxpayers for more than 5 years. The AMT preference item on the sale of small business stock has also been eliminated.
- **Credit for new qualified fuel cell motor vehicles.**
The legislation extends through 2016 a credit between \$4,000 and \$40,000 for the purchase of qualified fuel cell vehicles, depending on the weight of the vehicle.

For Businesses

- **Research and development tax credit.**
The research and development (R&D) credit is now made permanent. Certain small businesses (\$50 million or less in gross receipts) can now claim the credit against AMT. There are also special rules for some small business start-ups that allow them to claim up to \$250,000 of the R&D credit against FICA tax liability.
- **15-year straight-line recovery period for certain property.**
The 15-year recovery period for qualified leasehold improvements, qualified restaurant property, and qualified retail improvement property has been made permanent.

- **Expensing property under Section 179.**
The Section 179 limitation is now permanently set at \$500,000 with a phase-out starting at \$2 million, indexed for inflation. Eligible property includes computer software, qualified leasehold improvement property, qualified restaurant property, and qualified retail improvement property. Additionally, heating and air conditioning units will be eligible for expensing within restrictions if placed in service after 2015.
- **Five-year built-in gain period for S-corporations.**
There is a permanent provision exempting an S-corporation from corporate level built-in gain tax on assets held from the date of C-corporation conversion for more than five years. The previous requirement was to hold assets for ten years or more.
- **50% bonus depreciation.**
A 50% bonus depreciation allowance is available for qualifying property placed in service in calendar years 2015, 2016 and 2017. A deduction of 40% of cost will be available for qualified property placed in service in 2018 and a 30% deduction in 2019.

What Do I Need to Do?

There are many more favorable provisions in the PATH Act that could affect you or your business. For a more in-depth discussion about the Act and your circumstances, please contact your Seiler tax advisor.

About Seiler

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