

## Certified Public Accountants

On Wednesday, December 17, we issued a newsletter for year-end planning which contained the law as it was at that time. Two days later on December 19, President Obama finally signed into law an extenders package which *retroactively* reinstates many of the provisions that expired December 31, 2013. The extended legislation will again expire at the end of 2014. A summary of the more important provisions are as follows:

### Individual extenders

- Deduction for state and local sales tax in lieu of the state income tax deduction.
- Above-the-line deduction for higher education subject to phase-out for taxpayers above certain income amounts.
- Exclusion from income for the cancellation of mortgage debt on a principal residence of up to \$2 million (\$1 million for a married taxpayer filing separately).
- Ability for individuals age 70 ½ and older to make tax-free distributions from their IRA to a qualified charitable organization. The maximum amount is capped at \$100,000 per taxpayer.

### Business Extenders

- Bonus depreciation allowing businesses to expense 50% of the cost of new assets placed in service during the year, plus regular depreciation on the remaining cost of the asset.
- Reinstatement of higher section 179 limits allowing taxpayers to immediately deduct up to \$500,000 worth of asset purchases during 2014 with a \$2 million overall investment limit.
- Reinstatement of the research tax credit through 2014.
- Work Opportunity Credit for employers that hire military veterans and other qualified individuals for employees who begin work before January 1, 2015.
- For qualified small business stock purchased in 2014, 100-percent exclusion is allowed for gain on the sale or exchange of the stock if it is held for more than five years by non-corporate taxpayers. Small business stock acquired after 2014 will be entitled to the previous 50 percent exclusion.
- For C Corporations that converted to S Corporations, the 10-year recognition period for built-in gains tax for sales of assets has been reduced to 5-years through 2014. The former 10-year recognition period will resume effective January 1, 2015.
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There is not much time left for taxpayers to implement the above extenders. If you would like to discuss any of the above, feel free to call our office at 775)882-3201.