

O'MALLEY NEWS & VIEWS

a publication by



O'MALLEY & O'MALLEY, LLP ■ Certified Public Accountants
A Family Business since 1945 ■ Certified Financial Planners
AICPA + AAA-CPA + NATP Members ■ Licensed in NJ & PA
Accounting and Tax Preparation for Today ■ Financial Planning for Tomorrow
Website: www.omalleycpa.com ■ E-mail: omalleycpa@comcast.net
3112 Woodhaven Drive ■ Cinnaminson, NJ 08077
TEL (856) 829-9100 or (856) 235-0495 ■ Fax (856) 829-4422

©Copyright 2015

Washington Watch.....by Charles K. O'Malley, CPA, CFP®

THE EXPIRED "TEMPORARY" TAX PROVISIONS HAVE ALL BEEN EXTENDED FOR 2015 AND BEYOND

Finally, on Friday afternoon, December 18th, Congress did what they could have done and should have done last year, and then went on Christmas recess until January 4, 2016. One news commentator likened Congress to college students who wait until the last week of the semester to turn in their homework. As expected, the annual extension of popular "temporary" tax deductions have been retroactively extended for all of 2015, and will be in effect for 2016 and beyond. Some have even been made permanent. At last we can do some short-term and maybe even some mid-term tax planning, at least until the long awaited and promised tax reform becomes a reality, perhaps after the next presidential election. I know you have heard that before. Tax Reform, and "The Grand Bargain" have been frequent political promises that never seem to materialize. Maybe Friday afternoon's GOP controlled Congress bipartisan vote, with 316 "Yes" votes in the House ("No" votes were 18 Dem's and 95 GOP), and 65 "Yes" votes in the Senate ("No" votes were 6 Dem's and 26 GOP, plus Marco Rubio did not vote), which avoided a twice postponed, expected government shut down (12/11 and 12/16), is a start in this direction.

However, the 2,000 page *Protecting Americans from Tax Hikes (PATH) Act of 2015* combined an end of year bill that included a \$1.1 Trillion spending package for 2016, plus an estimated \$760 Billion in not-offset (unpaid) tax reductions. It is costly! The Committee for a Responsible Federal Budget claimed that all of the budget savings from either the "fiscal cliff" and/or "sequestration" (\$1.7 trillion in total) have been squandered, but possibly this is an indication that Congress can make divided government work, as many believed that The Tea Party forced agreements for both the "fiscal cliff" and "sequestration" may have been too restrictive. The Act delays requiring future votes on taxation, budgeting and government agencies funding until after the 2016 Presidential Election.

WHAT WAS EXTENDED?

Made Permanent For Businesses:

- The Section 179 direct write-off of new and/or used fixed assets (equipment) purchases of up to \$500,000 per year (a \$2 million acquisition limit applies), and beginning in 2016 it is indexed for inflation, plus heating and air-conditioning units will qualify for expensing and now up to \$250,000 of certain qualifying real property can be expensed.
- The 15 year depreciation for qualified leasehold improvements, restaurant renovations and retail locations.
- Research and development tax credits.
- The wage credit for hiring activated military reservists, and beginning in 2016, it is available for companies with more than 50 employees.
- The tax free commuting subsidies to employees of up to \$250 per month for either mass transit, van pooling, or parking lot costs.

Made Permanent For Individuals:

- The American Opportunity (education) Tax Credits of up to \$2,500.
- The teacher's \$250 expense deduction, and beginning in 2016, it will be indexed for inflation, plus it will include professional development expenses.
- The option to deduct sales tax on Schedule A (Itemized Deductions) when it exceeds state and local income tax.
- The Individual Retirement Account direct payments to charities of up to \$100,000 per year for individuals over age 70½ to offset their Required Minimum Distribution.
- A 100% capital gains tax exclusion for qualified sale of small business stock.
- The Earned Income Tax and Child Tax Credits were enhanced and are refundable.

Temporary Extensions Through 2016 and Beyond For Businesses:

- The bonus depreciation for "new only" fixed asset (equipment) purchases (eligibility expanded) at 50% through 2017 and then 40% for 2018 and 30% in 2019.
- The 2.3% Medical Device Tax on the manufacturer's selling price (value added type tax) was suspended through 2017.
- The 40% Excise Tax on Employer Sponsored Cadillac Health Insurance Plans (included some union benefit plans) was suspended through 2019.
- The Work Opportunity Tax Credit for hiring economically challenged workers, and beginning in 2016, expanded the eligibility through 2019.

Temporary Extensions Through 2016 and Beyond For Individuals:

- The up to \$4,000 tuition deduction through 2016.
- The 30% residential solar tax credit through 2019 with the phase-out period extended to the end of 2022.
- Allowing the mortgage loan insurance premium deduction on the original primary residence's mortgage through 2016.
- The \$2 million taxable exclusion for debt forgiveness on your primary residence through 2016.

The PATH Act extends energy credits for alternative fuels such as wind and solar, and repeals a 40 year ban on exporting American produced crude oil. It also included the re-authorization of the World Trade Center Health Program, which provides service for 9/11 responders (former Daily Show comedian, Jon Stewart, made several personal appearances for this cause); some long awaited cybersecurity legislation; plus additional funding for NASA and the National Parks. Additionally, the Act restricts the Internal Revenue Service's ability to explore politically active non-profit groups who can raise and spend unlimited amounts of money without disclosing their donor's names. This is a very controversial political issue that tends to protect Super PAC's and their "dark money."

The 2,000 page "Omnibus Bill" contained a lot of provisions, some quietly slipped in for limited preferential benefit. Unfortunately, that is how divided government works, something is in it for everyone.

This newsletter is designed to provide general information about the subject matter. It does not constitute professional advice. As required by United States Treasury Regulations, you should be aware that this communication is not intended to be used, and it cannot be used, for the purposes of avoiding penalties under the United States federal tax laws.