

These are Notes from Barbara Holmes Desk Regarding Tax Changes That May Apply to YOU!

Businesses

Section 45L Energy Efficiency Credits Extended for Multifamily & Residential Developers through 2016

- Low-rise apartment developers and homebuilders are eligible for a \$2,000 tax credit for each new or rehabbed energy efficient dwelling unit that is first leased or sold by the end of 2016. Taxpayers also have the ability to amend returns to claim missed tax credits from previous years.

Bonus Depreciation Extended & Phased Down through 2019

- 50% Bonus Depreciation provisions would be extended through the end of 2017 and phases down to 40% in 2018 and 30% in 2019.

179 Expensing Thresholds & 15-Year Life for Qualified Real Property Made Permanent

- Section 179's increased expensing amounts for small businesses have been made permanent. Additionally the 15-year recovery period for qualified leasehold improvement property, qualified restaurant property, and qualified retail improvement property, and qualified retail improvement property has been made permanent, and qualified property here may be eligible for expensing under the special rules of Section 179.

Hiring & Employment Credits Extended

- Work Opportunity Tax Credits are extended through 2019. Empowerment Zone Tax Incentives would be extended through the end of 2016.

Employer Wage Credit for Employees in the Military

- Some employers continue to pay all or a portion of the wages of employees who are called to active military service. The amount of the credit is equal to 20% of the first \$20,000 of differential wage payments to each employee for the taxable year. The credit was set to expire at the end of 2014; however, the tax deal permanently extended this credit. For 2015, if the employer has fewer than 50 employees and has a written plan for providing such differential wage payments, the employer is eligible for a credit. Beginning in 2016, employers of any size are eligible for the credit.

Work Opportunity Credit

- The work opportunity credit is an incentive provided to employers who hire individuals in groups whose members historically have had difficulty obtaining employment. The credit gives a business an expanded opportunity to employ new workers and to be eligible for a tax credit based on the wages paid. The Credit is available for first-year wages paid or incurred for employees hired and who began work during certain years the credit was available. The credit was set to expire at the end of 2014, however, the tax deal extended the credit through 2019. Beginning in 2016, employers who hire qualified long-term unemployed individuals will be entitled to an increased credit amount.

Home Office Deduction

- Expenses attributable to using the home office as a business office are deductible if the home office is used regularly and exclusively:
 1. As a taxpayer's principal place of business for any trade or business
 2. As a place where patients, clients, or customers regularly meet or deal with the taxpayer in the normal course of business
 3. In the case of a separate structure not attached to the office, we should talk about the amount of any deduction you would like to take because an IRS safe harbor could be used to minimize audit risk.

Estimated Tax Payments

- A corporation or an individual using the cash method of accounting may want to consider paying their fourth quarter state estimated taxes before December 31, rather than in the first quarter of next year, if they are able to use a state income tax deduction for the current year. We would need to run an income tax projection to determine the best option.

Credits for Jobs, Investments, and Innovation

- Energy credits – business and personal
- Depreciation – bonus and additional first- year

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Individual

First-Time Homebuyers

- An individual may withdraw up to \$10,000 (during the individual's lifetime) from his or her IRA for expenses of purchasing a home for the first time without incurring the 10% early withdrawal penalty. The withdrawal must be used within 120 days to pay costs (such as any reasonable settlement, financing or other closing costs) of acquiring, constructing, or reconstructing a principal residence of a first-time homebuyer. The 10% additional income tax on early withdrawals applies to any amount not so used. If the 120-day rule cannot be satisfied due to a delay or cancellation of the acquisition or construction of the residence, the taxpayer may recontribute the amount withdrawn to an IRA before the end of the 120-day period without incurring adverse tax consequences.

Individual Retirement Accounts and Annuities

- You may open or contribute to an IRA even after the end of your taxable year, but still take a deduction on your tax return for that year for any contributions you actually make on or before April 15. For example, in computing your taxes early in the year you may find you will owe the government addition money. You may be able to use savings or other funds to place up to the maximum dollar amount limit in an IRA by April 15, thereby generating a deduction for use on the tax return in lowering taxable income, which reduces or even eliminates your taxes. Further, the deduction can be taken on a return even before the actual IRA contribution is made, so long as it actually is made on or before April 15.
- The maximum amount that can be contributed to an IRA and deducted on your income tax return is the lesser of your compensation or \$5,500 for 2016, 2015, 2014. Individuals who have attained age 50 may make additional catch-up IRA contributions. The otherwise maximum contribution limit for an individual who has attained age 50 before

the end of the taxable year is increased by \$1,000. Thus, the deductible limit for such individuals is \$6,500 for 2016, 2015, 2014.

Self-Employed Health Insurance Premiums

- Self-employed individuals are allowed to claim 100% of the amount paid during the taxable year for insurance that constitutes medical care for themselves, their spouses, and their dependents as an above-the-line deduction, without regard to the general 10% - of-AGI floor. Self Employed Health Insurance includes eligible long term health care premiums.

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Charitable Contributions

- You can use a credit card to charge donations in 2015 even though you will not pay the bill until 2016. A mere pledge to make a donation is not deductible.

Credit for Adoption Expenses

- For 2015, the adoption credit limitation is \$13,400 of aggregate expenditures for each child, except that the credit for an adoption of a child with special needs is deemed to be \$13,400 regardless of the amount of expenses. The credit ratably phases out for taxpayers whose income is between \$201,010 and \$241,010.

Some Provisions were permanently extended

Permanent and Extended Tax Provisions

- Child tax credit

- EITC (Earned Income Tax Credit)
- K-12 teacher expenses (\$250 above the line made permanent)
- State and local general sales tax – choice of state income on sales tax within is higher

Charitable giving

- Food inventory donations
- Retirement plan's distribution for charity

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Discharge of Indebtedness

- The exclusion from gross income of imputed income from the discharge of acquisition indebtedness for a principal residence is extended through 2016.

For more information please call the office at 401-247-0787