



Current Tax Legislation

A couple of bills are making their way through Congress below is an update on current legislation.

In the House H.R. 4438 was passed earlier this month. This bill permanently extends the research credit. The bill is now in the Senate. The Senate has not released a time for debate on this bill. The White House has announced that this bill would be vetoed if it did make it to the President's desk.

In the Senate, S 2260 (The Expire Act) has been passed and attached to H.R. 3474 (a bill that has a minor adjustment to the health care plan). This bill is currently up for debate in the Senate and a motion to invoke cloture on the bill has passed, which means a vote should be taken shortly. The bill would have to go back to the house before it could be sent to the President. Below is a list of the extenders this bill contains and some of the items left out.

Business provisions. The following business provisions would be extended for two years (unless otherwise noted):

- ... research and experimentation credit;
- ... low-income housing 9% credit rate freeze (extended for allocations made before Jan. 1, 2016) (Code Sec. 42);
- ... treatment of military basic housing allowances under low-income housing credit (Code Sec. 42, Code Sec. 142);
- ... Indian employment tax credit (Code Sec. 45A);
- ... new markets tax credit (Code Sec. 45D);
- ... employer wage credit for activated military reservists (Code Sec. 45P);
- ... work opportunity tax credit (Code Sec. 51, Code Sec. 52);
- ... allocation of limits for qualified zone academy bonds (Code Sec. 54E);
- ... three-year depreciation for racehorses (Code Sec. 168(e)(3)(A));
- ... 15-year straight line cost recovery for qualified leasehold, restaurant, and retail improvements (Code Sec. 168(e)(3)(E));

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... accelerated depreciation for business property on Indian reservations (Code Sec. 168(j));

... enhanced charitable deduction for contributions of food inventory (Code Sec. 170);

... 50% bonus depreciation (extended before Jan. 1, 2017 for certain longer-lived and transportation assets) (Code Sec. 168(k));

... election to accelerate alternative minimum tax (AMT) credits in lieu of additional first-year depreciation (Code Sec. 168(k));

... increase in expensing to \$500,000/\$2,000,000 in 2014, and expanded definition of Section 179 property (Code Sec. 179);

... deduction allowable with respect to income attributable to domestic production activities in Puerto Rico (Code Sec. 199);

... modification of tax treatment of certain payments to controlling exempt organizations (Code Sec. 512);

... special treatment of certain dividends of regulated investment companies (RICs) (Code Sec. 871(k));

... definition of RICs as qualified investment entities under the Foreign Investment in Real Property Tax Act (Code Sec. 897, Code Sec. 1445);

... exceptions under Subpart F for active financing income (Code Sec. 953, Code Sec. 954);

... special 100% gain exclusion for qualified small business stock (Code Sec. 1202);

... basis adjustment to stock of S corporations making charitable contributions of property (Code Sec. 1367);

... reduction in S corporation recognition period for built-in gains tax (Code Sec. 1374);

... American Samoa economic development credit; and

... multiemployer pension plan funding rules under the PPA covering the funding of plans in "endangered status" or "critical status" (extended one year through 2015).

Individual provisions. The following individual provisions would be extended for two years, through 2015:

... \$250 above-the-line deduction for certain expenses of elementary and secondary teachers (Code Sec. 62(a)(2)(D));

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... exclusion of up to \$2 million (\$1 million if married filing separately) of discharged principal residence indebtedness from gross income (Code Sec. 108);

... parity for exclusion for employer-provided mass transit and parking benefits (increasing monthly exclusion for employer-provided transit and vanpool benefits from \$130 to \$250) (Code Sec. 132(f));

... deduction for mortgage insurance premiums deductible as qualified interest (Code Sec. 163);

... deduction for state and local sales taxes (Code Sec. 164(b)(5));

... above-the-line deduction for qualified tuition and related expenses (Code Sec. 222); and

... tax-free distributions from individual retirement accounts (IRAs) of taxpayers age 70 1/2 or older for charitable purposes. (Code Sec. 408(d)(8))

Energy provisions. The following energy provisions would be extended for two years (except for the Code Sec. 30B credit for fuel cell motor vehicles and the Code Sec. 30C credit for hydrogen refueling property, which would be extended for one year), through 2015:

... alternative fuel vehicle refueling property credit (Code Sec. 30C);

... credit for plug-in electric motorcycles and three-wheeled vehicles (Code Sec. 30D);

... second generation biofuel producer credit (formerly cellulosic biofuels producer tax credit) (Code Sec. 40(b)(6));

... incentives for biodiesel and renewable diesel (Code Sec. 40A, Code Sec. 6426);

... Indian country coal production tax credit (Code Sec. 45(e)(10));

... credit for construction of energy efficient new homes (Code Sec. 45L);

... cellulosic biofuels bonus depreciation (Code Sec. 168(l));

... incentives for alternative fuel and alternative fuel mixtures (Code Sec. 6426); and

... credit for fuel cell motor vehicles. (Code Sec. 30B)

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Extenders not in EXPIRE Act. Although additional provisions are likely to be added, the following extender provisions do not appear to be under consideration in the EXPIRE Act as it was originally released:

- ... credit for health insurance costs (Code Sec. 35(a));
- ... credit for nonbusiness energy property (Code Sec. 25C(g));
- ... beginning-of-construction date for renewable power facilities eligible to claim the electricity production credit or investment credit in lieu of the production credit (Code Sec. 45(d), (Code Sec. 48(a)(5));
- ... credit for energy efficient appliances (Code Sec. 45M(b));
- ... seven-year recovery period for motorsports entertainment complexes (Code Sec. 168(i)(15), (Code Sec. 168(e)(3)(C)(ii));
- ... special rules for contributions of capital gain real property made for conservation purposes (Code Sec. 170(b)(1)(E), (Code Sec. 170(b)(2)(B));
- ... placed-in-service date for partial expensing of certain refinery property (Code Sec. 179C(c)(1));
- ... energy efficient commercial buildings deduction (Code Sec. 179D(h));
- ... special expensing rules for certain film and television productions (Code Sec. 181(f));
- ... special rule for sales or dispositions to implement Federal Energy Regulatory Commission ("FERC") or State electric restructuring policy (Code Sec. 451(i));
- ... look-through treatment of payments between related controlled foreign corporations under the foreign personal holding company rules (Code Sec. 954(c)(6)); and
- ... various empowerment zone tax incentives. (Code Sec. 1391, Code Sec. 1396, Code Sec. 1397A, Code Sec. 1397B)

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