

## Tax breaks extended retroactively; some are permanent

In mid-December, Congress renewed a long list of tax breaks known as "extenders" that have been expiring on an annual basis. This year many of the rules are retroactive to the beginning of 2015. You may be able to benefit from some of them as you prepare your 2015 federal income tax return.

In addition, the Protecting Americans from Tax Hikes Act of 2015, which was signed into law on December 18, 2015, makes some of the rules effective through December 31, 2016. Others are effective through 2019, and some are effective permanently. Provisions in the Act also make changes to existing tax rules that were not part of the extenders. All of these changes will affect your tax planning for 2016 and future years.

### Here's an overview of selected provisions.

- The rule allowing tax-free distributions from IRAs to charities is now permanent. When you're age 70½ and over, this break lets you make a qualified distribution of up to \$100,000 from your IRA to a charity.
- If you or a family member is an eligible student, you may be able to claim a tuition and fees above-the-line deduction for qualified higher education expenses for 2015 and 2016.
- The deduction for up to \$250 of out-of-pocket educator expenses is now permanent. It will be indexed for inflation beginning with 2016 tax returns. You claim this deduction "above the line," meaning it's available even if you don't itemize.
- The optional itemized deduction for state and local sales taxes in lieu of deducting state and local income taxes is now permanent.
- The maximum Section 179 deduction for qualified business property, including off-the-shelf software, is now permanently set at \$500,000 (subject to a taxable income limitation). The deduction is phased out above a \$2,000,000 threshold.
- The additional first-year depreciation deduction, known as "bonus depreciation," is generally extended through 2019 when you buy qualified business property. You can claim this deduction in conjunction with Section 179.

Please call our office at (888) 388-1040 for additional information about the new law.

NOTE: This article is written to provide you with information about minimizing your taxes. Do not apply this general information to your specific situation without additional details. Be aware that the tax laws contain varying effective dates and numerous limitations and exceptions that cannot be summarized easily. For details and guidance in applying the tax rules to your individual circumstances, please contact us.

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