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Certified Public Accountants

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Dear Client,

On December 18, 2015, Congress passed into law the Protecting Americans from Tax Hikes Act of 2015 (PATH Act). The new law extends several tax provisions retroactive to the beginning of 2015, and also makes some provisions permanent.

Individual extenders

The following provisions, which affect individual taxpayers, are extended through 2015:

…the refundable portion of the Child Tax Credit had an income threshold amount of $10,000, indexed for inflation. The extender legislation permanently sets the threshold at an unindexed $3,000, which will allow for a higher credit for taxpayers who qualify;

…the American Opportunity Tax Credit (AOTC) is an enhanced version of the Hope Credit, allowing a credit of up to $2,500 for four years of post-secondary education. The new law makes the enhanced AOTC permanent;

…as an extender item, the EIC credit amount was temporarily increased for taxpayers with three or more children, and the marriage penalty was reduced by increasing phaseout ranges. The new law makes the enhanced EIC permanent;

…the new law makes the adjustment to income for qualified expenses of elementary and secondary school teachers permanent. The law also indexes the current expense cap of $250 for inflation beginning in 2016;

…the provision allowing an itemized deduction for state and local general sales taxes instead of state and local income taxes on Schedule A, Form 1040, expired and was extended several times in the past. The new law makes the provision permanent;

…the provision allowing exclusion from income for discharge of qualified principal residence indebtedness was extended;

…the provision allowing mortgage insurance premiums to be deducted as an itemized deduction on Schedule A of Form 1040 was extended;

…the provision allowing an above-the-line deduction for tuition and fees paid for the taxpayer, spouse, or dependents and claimed as an adjustment to income, was extended; and

Business extenders

The following business credits and special rules are generally extended through 2015:

…a temporary Section 179 expense limit of $500,000 and investment limit of $2 million before phaseout was made permanent. *Note:* Beginning in 2016, the $250,000 cap on the Section 179 expense for qualified real property was eliminated. The provision allowing a Section 179 expense for off-the-shelf computer software was also made permanent; and

…the provision extends the special depreciation allowance for property acquired and placed in service during 2015 through 2019. The special depreciation percentage is 50% for property placed in service during 2015, 2016, and 2017, and phases down to 40% in 2018 and 30% in 2019.

I hope this information is helpful. If you would like more details about these changes or any other aspect of the new law, please do not hesitate to call.

Very truly yours,

Daniel B. Muzljakovich

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