

Tennessee Society of CPAs

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What You Need to Know About Last-Minute Tax Changes

Everyone likes a little bit of nail-biting suspense, don't they? Well, not always, and especially when their taxes are involved. But most people have gotten used to the idea that Congress often waits until the final weeks—or hours—of the year to finalize some tax laws that could have a big impact on taxpayers' wallets. They did it again at the end of 2015, but don't despair. These details provided by the Tennessee Society of CPAs can help you understand what the changes mean to you.

Some Popular Provisions Remain Available

You'll be happy to hear that the law containing the tax changes—the Protecting Americans from Tax Hikes Act—made permanent many provisions that had been temporary in the past, which means you can now incorporate them into your long-term tax planning. They include provisions that will have an impact on families, such as the enhanced earned income tax credit for low- and moderate-income families, the enhanced child tax credit and the enhanced American Opportunity Tax Credit for various tuition and related expenses for the first two years of post-secondary education. Also on the education front, the law expanded the kinds of expenses that you can pay for with distributions from a 529 college savings plan, including computer equipment and technology, and it extended for one more year an above-the-line deduction for qualified tuition and related expenses. And your kids' teachers will be happy to hear that the deduction for eligible expenses paid by elementary and secondary teachers is now permanent. Taxpayers can also count on continuing to have the option to deduct state and local general sales taxes in future years. Another popular tax provision that will now be available permanently allows those who are 70½ or older to make qualified charitable distributions of up to \$100,000 a year directly from their IRAs.

Benefits for Small Business

There's also good news for small businesses in the legislation. For example, companies will now be better able to plan their spending on certain equipment since expensing of computer software and qualified real property under Section 179 of the Internal Revenue Code has been permanently extended. The limit for what can be expensed in the current year is set at \$500,000 and the phase-out at \$2 million. That provision of the tax law had expired at the end of 2014, so the limit for businesses might have remained as low as \$25,000 with the phase-out at \$200,000 if the new law wasn't passed. The law also permanently extends a research and development tax credit and, beginning in 2016, allows eligible small businesses the chance to claim the credit against their alternative minimum tax liability and—in the case of certain small business employers—against their payroll tax bill. A few other business tax breaks are still available but have only been extended through 2019. The list includes bonus

depreciation, which gives companies the ability to depreciate a higher percentage of the cost of an eligible asset, and the Work Opportunity Tax Credit, which offers a benefit for businesses that hire workers from certain minority groups that tend to have higher unemployment rates.

Your CPA Can Help

While tax changes can be challenging, the 2015 legislation is estimated to provide roughly \$650 billion in tax relief. That's good news, but it's important to understand how you can best put the law's provisions to work for you. As always, your local CPA can help you make sense of new tax developments. Contact him or her with any questions on these provisions and for advice on the impact they may have on your tax situation.

About Money Management

Money Management is a column on personal finance that is a joint effort of the AICPA and the Tennessee Society of CPAs, as part of the profession's nationwide 360 Degrees of Financial Literacy program. Members of TSCPA are CPAs residing and practicing primarily in Tennessee in all areas of public accounting, education, government, business and industry. TSCPA offers a speakers bureau for many types of business and educational engagements. For details, visit www.tscpa.com. TSCPA is headquartered in Brentwood, Tenn.