



National Association
of Tax Professionals

Protecting Americans from Tax Hikes Act of 2015
H.R. 2029

The *Protecting Americans from Tax Hikes Act (The Act) of 2015*, signed by the President, contains numerous extensions. The length of the extensions varies, as some tax provisions were extended through 2016, some through 2019 and some **permanently**. Following are the most notable extensions.

Individuals

Permanent

- The \$250 deduction for educator expenses.
 - The amount now adjusts for inflation.
- The state and local sales tax deduction.
- Qualified charitable distribution (QCD) from an IRA of up to \$100,000 per year.
- The 100% §1202 exclusion on qualified small business stock.
- Earned Income Credit.
 - The EIC "marriage penalty" relief and credit increase for those with three or more children.
 - Taxpayers are no longer allowed to claim EIC for years in which a social security number was not obtained by the due date of the tax return.
- The American Opportunity Tax Credit.
 - Taxpayers are no longer allowed to claim the American opportunity tax credit for years in which a taxpayer identification number was not obtained by the due date of the tax return.
 - Institutions are now required to report the amount paid for education expenses for years beginning after 2015.
 - Claims for the American opportunity tax credit requires an EIN from the institution.

- Child Tax Credit.
 - Instead of increasing the threshold for the additional child tax credit to \$10,000, The Act keeps the threshold at \$3,000 permanently.
 - Taxpayers are no longer allowed to claim the child tax credit for years in which a taxpayer identification number was not obtained by the due date of the tax return.
- Section 529 plans now allow expenditures for computers, peripheral equipment and software, provided they are to be used primarily by the beneficiary during years of academic study.

Note: The \$500 penalty for failure to comply with EIC due diligence is now expanded to include the child tax credit and American opportunity tax credit.

2016

- Cancellation of debt income exclusion on qualified principal residences.
- Mortgage insurance premiums paid or accrued allowed as a deduction.
- The tuition and fees deduction.
- The credit for nonbusiness energy placed in service, such as windows, doors, etc.
 - The residential energy efficiency credit (REEP) under §25D is still set to expire at the end of 2016.
- The Act extends the 10% credit for purchases of electric powered 2-wheeled vehicles, such as electric motorcycles.
 - The Act did not extend the credit for 3-wheeled vehicles.

Businesses

Permanent

- §179 limit remains at \$500,000.
 - In addition, expensing “off-the-shelf” software is also made permanent.
 - The restriction on heating and air conditioning units has been eliminated.
- The 15-year life is made permanent for the following qualifying properties:
 - Qualified leasehold improvements.
 - Qualified restaurant buildings.
 - Qualified retail improvements.
- The 5-year recognition period for built-in-gains of an S corporation that was previously a C Corporation.
- The Credit for Increasing Research Activities (the research credit).
 - Eligible small businesses can claim the credit against AMT.
 - Eligible small startup companies may offset their FICA tax liability with the research credit.
- The ability to limit the reduction in basis for charitable contributions made by an S

corporation to the property's adjusted basis.

- Transit passes and van pool benefits.
- The due date for W-2s and W-3s and returns reporting nonemployee compensation have changed.
 - The new due date is January 31 for tax years beginning after the enactment of The Act. For most taxpayers, this is tax year 2016.
 - Any information returned now has a de minimis safe harbor for errors. If an information return has an error of \$100 or less (\$25 or less for withholding), no correction is required.

2016

- The clarification of a race horse as three year property.
- Qualified film expensing.
 - The Act contains a provision to include live theatrical performances.
- The alternative fuel vehicle refueling property credit.

2019

- The 50% bonus depreciation applies to property placed in service through 2017, then reduces to 40% for 2018 and 30% for 2019.
- The act extends the first year depreciation for passenger automobiles subject to §280F limitations. The Act allows for the additional \$8,000 of bonus depreciation through 2017, then \$6,400 for 2018 and \$4,800 for 2019.
- The Work Opportunity Tax Credit.
 - The Act also includes a provision to allow a credit for qualified long-term unemployed individuals.