By Jamie Fortin

Tax Extenders of 2014

The Tax Increase Prevention Act of 2014 (TIPA) extends certain expiring tax provisions relating to individuals, businesses and the energy sector. It includes dozens of tax breaks that expired in December 2013. Congress made a last minute deal in December 2014 to retroactively extend these expired tax breaks into 2014, hence the term "extenders." The bill was passed by the House on December 3, then the Senate on December 16 and finally signed by the President on December 19.

This bill only extended to 2014 and expired at the end of December 31, 2014. Therefore it is only a temporary tax break for one more year. There are a few tax breaks that may provide immediate tax relief for farmers, dairymen and others for the 2014 tax year. Before we get there, here is a list of a few tax breaks for individuals and businesses included in the last minute bill.

Individual Tax Extenders

- Section 101. Extension of deduction for certain expenses of elementary and secondary school teachers
- Section 102. Extension of exclusion from gross income of discharge of qualified principal residence indebtedness
- Section 103. Extension of parity for employer-provided mass transit and parking benefits
- Section 104. Extension of mortgage insurance premiums treated as qualified residence interest
- Section 105. Extension of deduction of State and local general sales taxes
- Section 106. Extension of special rule for contributions of capital gain real property made for conservation purposes
- Section 107. Extension of above-the-line deduction for qualified tuition and related expenses
- Section 108. Extension of tax-free distributions from individual retirement plans for charitable purposes

Business Tax Extenders

- Section 111. Extension of research credit
- Section 112. Extension of temporary minimum low-income housing tax credit rate for non-Federally subsidized buildings
- Section 113. Extension of military housing allowance exclusion for

determining whether a tenant in certain counties is low-income

- Section 114. Extension of Indian employment tax credit
- Section 115. Extension of new markets tax credit
- Section 116. Extension of railroad track maintenance credit
- Section 117. Extension of mine rescue team training credit
- Section 118. Extension of employer wage credit for employees who are active duty members of the uniformed services
- Section 119. Extension of work opportunity tax credit
- Section 120. Extension of qualified zone academy bonds
- Section 121. Extension of classification of certain race horses as 3-year property
- Section 122. Extension of 15-year straight-line cost recovery for qualified leasehold improvements, qualified restaurant buildings and improvements, and qualified retail improvements
- Section 123. Extension of 7-year recovery period for motorsports entertainment complexes
- Section 124. Extension of accelerated depreciation for business property on an Indian reservation.
- Section 125. Extension of bonus depreciation
- Section 126. Extension of enhanced charitable deduction for contributions of food inventory
- Section 127. Extension of increased expensing limitations and treatment of certain real property as section 179 property

Section 179 Expensing and Bonus Depreciation

Section 179 is a tax deduction allowing businesses to deduct the full purchase price of qualifying equipment from their gross income. Businesses may use the deduction on new or used equipment, but there are limitations. The maximum deduction that can be taken for tax year 2014 is $500,000; however, if more than $2 million is spent on equipment the deduction gets reduced or phased out dollar for dollar. The total cost that can be deducted after the applied dollar limit is limited to the taxable income from the business during the year.

Bonus depreciation is another tax deduction with different limitations. It can be taken with the section 179 deduction or by itself. Bonus depreciation allows businesses to deduct up to 50% of the cost of the purchased equipment in 2014; however, it only applies to new equipment. It also allows a business to take the deduction regardless of a net operating loss in 2014. Bonus depreciation is mandatory and must be elected out of on the return if no bonus depreciation is taken.

With 2014 being a good year for many dairymen and farmers, these two extenders may prove to be helpful in reducing their federal tax liability for 2014. However, not all states conform to these federal rules so if your business purchased any equipment in 2014, I highly recommend you discuss these topics with your tax advisors before filing your tax returns. ✱

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