Business Extenders in the 2014 Tax Increase Prevention Act

In the recently enacted "Tax Increase Prevention Act of 2014," Congress has once again extended a package of expired or expiring individual, business, and energy provisions known as "extenders." The extenders are a varied assortment of more than 50 individual and business tax deductions, tax credits, and other tax-saving laws which have been on the books for years but which technically are temporary because they have a specific end date. Congress has repeatedly temporarily extended the tax breaks for short periods of time (e.g., one or two years), which is why they are referred to as "extenders." The new legislation generally extends the tax breaks retroactively, most of which expired at the end of 2013, for one year through 2014.

I'm writing to give you an overview of the key tax breaks affecting businesses that were extended by the new law. Please call our office for details of how the new changes may affect you or your business.

The extended business credits and special depreciation and expensing rules include:

... the research credit;

... the temporary minimum low-income housing tax credit rate for non federally subsidized new buildings;

... the military housing allowance exclusion for determining whether a tenant in certain counties is low-income;

... the Indian employment tax credit;

... the new markets tax credit;

... the railroad track maintenance credit;

... the mine rescue team training credit;

... the employer wage credit for activated military reservists;

... the work opportunity tax credit;

... qualified zone academy bonds;

... three-year depreciation for racehorses;

... 15-year straight line cost recovery for qualified leasehold improvements, qualified restaurant buildings and improvements, and qualified retail improvements;

... 7-year recovery period for motorsports entertainment complexes;

... accelerated depreciation for business property on an Indian reservation;

... 50% bonus depreciation (extended before Jan. 1, 2016 for certain longer-lived and transportation assets);

... the election to accelerate alternative minimum tax (AMT) credits in lieu of additional first-year depreciation;

... the enhanced charitable deduction for contributions of food inventory;

... increase in expensing (up to $500,000 write-off of capital expenditures subject to a gradual reduction once capital expenditures exceed $2,000,000) and expanded definition of property eligible for expensing;

... the election to expense mine safety equipment;

... special expensing rules for certain film and television productions;

... the deduction allowable with respect to income attributable to domestic production activities in Puerto Rico;

... the exclusion from a tax-exempt organization's unrelated business taxable income (UBTI) of interest, rent, royalties, and annuities paid to it from a controlled entity;

... the special treatment of certain dividends of regulated investment companies (RICs);

... the definition of RICs as qualified investment entities under the Foreign Investment in Real Property Tax Act;

... exceptions under subpart F for active financing income;

... look-through treatment for payments between related controlled foreign corporations (CFCs) under the foreign personal holding company rules;

... the exclusion of 100% of gain on certain small business stock;

... the basis adjustment to stock of S corporations making charitable contributions of property;

... the reduction in S corporation recognition period for built-in gains tax;

... the empowerment zone tax incentives;

... the American Samoa economic development credit; and

... two provisions dealing with multiemployer defined benefit pension plans (dealing with an automatic extension of amortization periods and shortfall funding method and endangered and critical rules), are extended through 2015.