Tax Extenders Summary

What You Should Know in 2015 - 2016

Bonus Depreciation

- Bonus depreciation expired on December 31, 2014. Now, that Congress has passed the bill, 50% bonus depreciation is renewed to retroactively cover 2015, 2016 and 2017. Then the percentage phases down to 40% in 2018 and 30% in 2019.

- Normally, businesses recover capital investments through annual depreciation deductions spread over several years. Bonus depreciation encourages investments by enabling businesses to write them off more quickly.

- Examples of the type of materials that may qualify for this tax benefit are qualifying property such as restaurant equipment, building improvements, computer software or other assets that has a normal recovery period of less than 20 years.

Restaurant Depreciation

- From 2005 to the end of 2014, there was a special temporary provision in the tax code that allowed restaurant improvements and new construction to be depreciated over 15 years, rather than standard depreciation of up to 39 years.

- This accelerated 15-year depreciation schedule would allow you to depreciate qualifying property faster for tax purposes each year. This could give you faster access to the capital needed to make additional improvements to your business.

- Examples of the types of capital assets and improvements that may qualify for this tax benefit are things such as equipment, computers and building improvements.

- This 15-year depreciation provision expired on December 31, 2014, but now is extended permanently to cover 2015 and forward.

Section 179 Expensing

- Small business expensing limits and phasTe-out amounts in effect from 2010 to 2014 ($500,000 and $2 million) have been permanently extended and indexed for property placed in service during 2015 and forward.

- Similar to the other provisions that expired on December 31, 2014, the maximum Section 179 expensing allowance will now cover 2015 and forward.

Work Opportunity Tax Credit (WOTC)

- The Work Opportunity Tax Credit is extended through 2019 and has two purposes:
    - To promote the hiring of individuals who qualify as a member of a target group, and
    - To provide a federal tax credit to employers who hire these individuals.

- Generally, an employer may qualify for a tax credit of up to 40% credit on the first $6,000 of qualified wages and a partial credit of 25% of qualified wages for short-term employees.

Charitable Food Donation Tax Credit

- The deduction for charitable contributions of food is permanently extended in this legislation. Beginning in 2016, the deduction is modified by increasing the limitation on deductible contributions of food inventory from 10 percent to 15 percent of the taxpayer's AGI (15 percent of taxable income (as modified by the provision) in the case of a C corporation) per year.
- If you're a non-incorporated business like an S-Corp or an LLC and you make charitable donations of food inventory, you now get the same enhanced tax deduction corporations receive.

A section-by-section summary of these provisions and others can be found here.

This paper is not to be considered as tax advice. Please consult your accountant and/or tax counsel for advice on this matter about the impact to your business.