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**Business**

**Tax Law Changes**

**For 2014**

**Tax Extenders**

* The Tax Increase Prevention Act of 2014 was signed into law by Congress in December.
* It provides a one-year (2014)extension of certain tax benefits including:
  + - 50% bonus depreciation for qualified purchases
    - Election to accelerate AMT credit in lieu of bonus depreciation
    - The section 179 expensing rule (a deduction) for purchasing and putting into use business property, is up to a maximum of $500,000 for 2014.
    - 100% gain exclusion for qualified small business stock
    - Basis adjustment to S corporation stock for charitable contributions
    - Reduced built in gains recognition period for S corporations
    - 15 year recovery period for qualified restaurant property and qualified retail improvements
    - Enhanced charitable deductions for food inventory
    - R & D credit

**Affordable Care Act**

* It will be mandatory in 2014 all individuals and their dependents to have qualifying insurance coverage to avoid a penalty tax. Individuals for whom coverage is to expensive are exempt from the tax.
* Certain individuals will be eligible for tax credits and cost sharing subsidies.
* It will be mandatory beginning in 2015 for large employers to provide insurance coverage for employees.
  + For 2015, employers with 100 or more full-time employees, including full-time equivalent employees are subject to providing affordable insurance to employees or pay a fine.
  + Delayed to 2016 is the requirement that employers with 50-99 full time workers provide employees with affordable health coverage or pay a fine.

**Standard Mileage Rates**

* The optional business standard mileage rate for 2015 is 57.5 cents per mile. This reflects an increase from the 2014 rate of 56 cents per mile
* For 2015 the depreciation component of the business standard mileage rate is 24 cents per mile. This represents a two cent increase from the 2014 depreciation component.

**Vehicle Depreciation Dollar Limits**

* Business use passenger automobiles, light trucks and vans placed in service during calendar year 2014 are $11,160 for the first tax year, $5,100 for the second tax year, $3,050 for the third tax year, and $1,875 for each succeeding tax year.

**Per Diem Rates**

* The IRS announced the simplified per diem rates that taxpayers can use to reimburse employees for expenses incurred during travel after 9-30-14.
* High-cost area per diem increases to $259 ($194 for lodging and $65 for meals and incidental expenses). Low-cost area per diem increases to $172 ($120 for lodging and $52 for meals and incidental expenses).

**Repair Regulations**

* The IRS issued final “repair” regulations on accounting for costs to acquire, repair and improve tangible property.
* The old rule of “betterment” where if you increased the value or extended the life, repairs were expensed has been modified. Now they must be capitalized.
* There is a new definition of a ‘unit of property’. Parts that are necessary to make other parts function is considered one ‘unit of property’. For example a computer, the monitor, keyboard and mouse are considered a ‘unit of property’, but the printer/scanner is not. This applies to all tangible property except buildings.
* Buildings will now be divided into structural components (such as walls, roof, windows, doors, foundation, etc.) and systems (heating, plumbing, electrical, alarm, elevators, etc.).
  + You must capitalize any improvements to a component or a system if it is considered to be material to that system.
  + This will be difficult to establish on buildings previously recorded as one ‘line item’.
* Materials and supplies (that are not inventory):
  + Consisting of fuel, lubricants, water, and similar items consumed within 12 months,
  + Is a unit of property with useful life of 12 months or less,
  + Has an acquisition cost of $200 or less; or,
  + Costs are deductible when used or consumed in the taxpayer’s operations. However amounts paid for incidental materials and supplies (where no consumption records are kept) are deductible in the year paid.
* Under the new regulations, a taxpayer generally must capitalize the related amount paid to improve a unit of property owned by the taxpayer. A unit is improved when there is a betterment, the unit is adapted for a new or different use, or the unit is restored (BAR).
* Safe harbor for small taxpayers – repairs, maintenance and improvements that are the lesser of 2% of the unadjusted basis of the building or $10,000 (for a building with a basis of $1,000,000 or less) can expense the costs.