President Obama Signs Tax Increase Prevention Act

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The latest bill to come out of the current lame-duck session of Congress is the Tax Increase Prevention Act, which extends 55 different tax breaks through the end of 2014. The contents of the Act affect the tax returns of many individuals and businesses. President Obama signed the bill into law on Friday, Dec. 19.

The Act applies retroactively to January 1, 2014. It extends certain deductions and credits that had expired at the end of 2013. Even though it only provides a one-year extension, the Act has an important impact on the tax liabilities of businesses, farmers, and producers of alternative energy, such as biodiesel.

The most notable extensions are of Sections 179 and 168(k) of the Internal Revenue Code. The extension of Section 179 allows taxpayers to deduct up to $500,000 of expenses generated from purchasing certain depreciable business assets. Section 168(k) also provides "bonus depreciation" equal to 50 percent of the adjusted basis of newly acquired qualified property. The extension of these provisions could result in a substantial reduction of the tax bills of taxpayers who have made substantial capital investments in 2014.

Other notable extensions include:

- A tax credit for the production of biodiesel and agri-biodiesel;
- An increased charitable deduction for contributions of food inventory; and
- A tax credit for research and development in many industries, including manufacturers and high-tech companies.

For more information on these available tax credits and whether your business qualifies, please contact a Foster Swift tax attorney.