

The PATH Act Can Bring Valuable Tax Savings

President Obama signed The Protecting Americans From Tax Hikes Act of 2015, (PATH Act) on Friday, December 18. This legislation impacts most businesses and families in some way. Many parts of this legislation bring consistency to annual tax planning by making previously temporary tax laws permanent. Many of McGuire Sponsel's clients will benefit from this legislation with some of the following enacted provisions:

R&D Tax Credit

- Section 41, Research & Experimentation Tax Credit (R&D Tax Credit) is now permanent tax law. This area of tax law has always been temporary and part of the annual Tax Extenders Legislation. With its new status, businesses can plan better and make year-end tax planning more efficient.
- R&D Tax Credit Small Business Provisions effective in 2016
 - Businesses with less than \$50 million in gross receipts may claim the R&D Tax Credit against alternative minimum tax (AMT). This is similar to the provision that was enacted for the 2010 tax year and benefits a significant number of closely-held businesses and their shareholders
 - For start-up companies, the R&D Tax Credit can be applied against the employer's payroll tax liability. Startup companies are defined as businesses within their first five years of operation and under \$5 million in gross receipts. There is a \$250,000 annual cap on the amount of payroll tax that can be offset.

Section 179D

- Section 179 is permanently increased with built in adjustments for inflation. Prior to this law the 179 expensing limitation had dropped to \$25,000 with a phase out at \$200,000. This provision increases the amount to \$500,000 with a phase out of \$2 million. This is a permanent increase with yearly inflation adjustments starting in 2016.
- 15-year straight-line treatment of qualified leasehold improvements, qualified restaurant property and qualified retail property is now permanent.
- Bonus depreciation is extended for five years. Under this tax law bonus depreciation will be 50 percent for property placed in service in 2015, 2016 and 2017. Starting in 2018 the percentage starts phasing out, dropping to 40 percent in 2018 and 30 percent in 2019.
- The 179D Efficient Building deduction is renewed for two years. The deduction of up to \$1.80/sf is retroactively reinstated for 2015 and given a one year extension through the end of 2016. There are no changes to the energy requirements in 2015, however starting in 2016 the ASHRAE Standard will be changed from 90.1-2001 to 90.1-2007.
- The 45L tax credit for contractors and developers building energy efficient new homes is extended through the end of 2016.

The provisions listed above can bring valuable tax savings to many of the companies that McGuire Sponsel serves. Please do not hesitate to contact us to discuss how The PATH Act of 2015 will affect your annual tax planning.



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– TJ Sponsel
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