704 7th Ave, PO Box 729
Belle Fourche, SD 57717-0729
Phone (605) 892-3494
Fax (605) 892-2115

2001 W Omaha St, PO Box 9189
Rapid City, SD 57709-9189
Phone (605) 341-2265
Fax (605) 341-7425

140 E Jackson Blvd, PO Box 10
Spearfish, SD 57783-0010
Phone (605) 642-2725
Fax (605) 642-1736

Permanent tax relief

For many years, Congress has had to address "tax extenders" each year, sometimes every two years. The "extenders" were a grab bag of tax breaks that were considered "too generous" to taxpayers to be made permanent, but too important in the short term to be allowed to expire. Whenever it came time to renew the "extenders" the tax-writing committees would have to find other tax "loopholes" to close to raise the revenue to "pay for" another extension of the "extenders."

That all changed in December 2015.

As part of the final budget deal, Congress enacted the Protecting Americans from Tax Hikes Act of 2015 (the PATH Act). Many of the temporary provisions were made permanent, and this was done without offsetting tax hikes.

For individual taxpayers, perhaps the most important extender is the "Charitable IRA Rollover." Beginning in 2006, taxpayers who are age 70 ½ or older (in other words, those who must take required minimum distributions from their IRAs) have been permitted to direct transfers of up to $100,000 per year from their IRAs to a qualified charity. Such distributions satisfy the distribution requirement, *but they are not included in the taxpayer's income,* so they do not increase the taxpayer's adjusted gross income. That's even better than the usual charitable deduction.

This tax provision was temporary, and it repeatedly expired. Congress never failed to renew this provision, sometimes retroactively, but sometimes that renewal came very late in the year, giving taxpayers very little time to take advantage of it. Now it is permanent.

Other permanent provisions of the new law of interest to individuals include:

- deduction for state and local sales taxes;
- American Opportunity Tax Credit for college students;
- an enhanced child tax credit; and
- the above-the-line deduction for schoolteacher expenses.

The following provisions were extended only through 2016:

- exclusion from income of discharged mortgage debt on a qualified principal residence;
- deductibility of mortgage insurance premiums as residence interest; and
- above-the-line deduction for qualified tuition and fees.

Two changes were included that are not related to raising revenue. First, distributions from Section 529 education funding plans may be used to purchase computer equipment and related expenses on a tax-free basis. Second, the residency requirement for the new 529 ABLE accounts for special needs beneficiaries has been dropped.

With the passage of this law, the annual ritual of debating the "tax extenders" may finally be over.

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