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United States – Following Passage in Congress, President Signs Tax Extenders Bill

by KPMG LLP's Washington National Tax practice, Washington, D.C. (KPMG LLP in the United States is a KPMG International member firm)

On December 19, 2014, U.S. President Obama signed[1] into law the Tax Increase Prevention Act of 2014.[2] The Act retroactively extends through 2014 most of the tax provisions that would otherwise have expired at the end of 2013 or during 2014.

Why This Matters

Passage of the Act removes the uncertainty as to whether certain tax benefits would be available to taxpayers on their 2014 tax returns. However, because the extension provided in the Act only applies through 2014, additional legislative action will be required to extend these provisions for 2015.

The start of the 2014 tax filing season is likely to be delayed while the U.S. Internal Revenue Service (IRS) carries out updates to reflect the changes introduced by the Act.

Tax provisions extended by the Act that may apply to individual taxpayers include the following:

- The deduction for state and local general sales taxes in lieu of state and local income taxes;
- The exclusion for mortgage debt forgiveness, whereby certain mortgage debt that is forgiven as part of a foreclosure of the taxpayer's principal residence is not included in income;
- The deduction for private mortgage insurance;
- The equalization of employer-provided commuter transit and parking benefits;
- The deduction for tuition and fees in relation to certain qualified post-secondary education expenses;
- The exclusion for charitable contributions made from individual retirement arrangements (IRAs);
- The section 179 expense increase, whereby small- and mid-size business owners could immediately deduct the expense of certain qualifying equipment;
- The tax credit for residential energy efficiency improvements.

Not all expiring provisions have been extended however. The provisions that have not been extended and therefore expire at the end of 2013 include the following:

- The credit for health insurance costs of eligible individuals;
- The credit for two- or three-wheel plug-in electric vehicles;
- The credit for energy-efficient appliances.

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Footnotes:

1 See: http://www.whitehouse.gov/briefing-room/signed-legislation .

2 HR 5771. The text of the *Tax Increase Prevention Act 2014* is available on the Thomas Web of the Library of Congress at: http://thomas.loc.gov/home/thomas.php .

Or at:
https://www.kpmg.com/US/en/IssuesAndInsights/ArticlesPublications/taxnewsflash/Documents/hr5771-dec2-2014.pdf .

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For a related story, see "Legislative Update - Senate Passes 'Tax Extenders'" in KPMG LLP's *TaxNewsFlash-United States* (December 17, 2014).

We Invite You to Watch This Video!

Understanding What the Affordable Care Act Means for Expatriates and Their Health Care Plans (Part 1) **--** (app. 5-1/2 minutes).

In the immediate aftermath of the passage of the health care reform laws in 2010, there were many questions about the impact of the new rules on U.S. assignees abroad and foreign nationals working in the United States and their health care plans. These questions continue to challenge assignees and their assignment program managers. In this video, we consider several of these questions and issues, and highlight things for employers to consider regarding the requirement to offer certain health care coverage (the employer shared responsibility requirement) – as well as the requirement for individuals to obtain coverage (the individual shared responsibility requirement) – as they apply to foreign nationals in the United States and U.S. assignees working overseas.

(Part 2 will be released shortly, so stay tuned!)

The following information is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230 as the content of this document is issued for general informational purposes only.

The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

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