

In addition to permanently extending the Bush-era tax cuts for most taxpayers, revising tax rates on ordinary and capital gain income for high-income individuals, modifying the estate tax, providing permanent relief from the AMT, and imposing limits on the deductions and exemptions of high-income individuals, the recently enacted 2012 American Taxpayer Relief Act extends a host of important tax breaks for businesses. I'm writing to give you an overview of these key tax breaks that were extended by the new law. Please call our office for details of how the new changes may affect you or your business.

Depreciation provisions modified and extended. The following depreciation provisions are retroactively extended by the Act:

- ... 15-year straight line cost recovery for qualified leasehold improvements, qualified restaurant buildings and improvements, and qualified retail improvements;
- ... 7-year recovery period for motorsports entertainment complexes;
- ... accelerated depreciation for business property on an Indian reservation;
- ... increased expensing limitations and treatment of certain real property as Section 179 property;
- ... special expensing rules for certain film and television productions; and
- ... the election to expense mine safety equipment.

The new law also extends the bonus depreciation provisions with respect to property placed in service after Dec. 31, 2012.

Business tax breaks extended. The following business credits and special rules are also extended:

- ... The research credit is modified and retroactively extended for two years through 2013.
- ... The temporary minimum low-income tax credit rate for nonfederally subsidized new buildings is extended to apply to housing credit dollar amount allocations made before Jan. 1, 2014.
- ... The housing allowance exclusion for determining area median gross income for qualified residential rental project exempt facility bonds is extended two years.

... The Indian employment tax credit is retroactively extended for two years through 2013.

... The new markets tax credit is retroactively extended for two years through 2013.

... The railroad track maintenance credit is retroactively extended for two years through 2013.

... The mine rescue team training credit is retroactively extended for two years through 2013.

... The employer wage credit for employees who are active duty members of the uniformed services is retroactively extended for two years through 2013.

... The work opportunity tax credit is retroactively extended for two years through 2013.

... The qualified zone academy bond (QZAB) program is retroactively extended for two years through 2013.

... The enhanced charitable deduction for contributions of food inventory is retroactively extended for two years through 2013.

... The domestic production activities deduction for activities in Puerto Rico is extended to apply for tax years beginning in 2012 and 2013.

... Exclusion from a tax-exempt organization's unrelated business taxable income (UBTI) of interest, rent, royalties, and annuities paid to it from a controlled entity is extended through Dec. 31, 2013.

... Treatment of certain dividends of regulated investment companies (RICs) as "interest-related dividends" is extended through Dec. 31, 2013.

... Inclusion of RICs in the definition of a "qualified investment entity" for certain FIRPTA purposes is retroactively extended through Dec. 31, 2013.

... The exception under subpart F for active financing income (i.e., certain income from the active conduct of a banking, financing, insurance or similar business) is extended for two years through 2013.

... Look-through treatment for payments between related controlled foreign corporations (CFCs) under the foreign personal holding company rules is extended through Jan. 1, 2014.

... Exclusion of 100% of gain on certain small business stock acquired before Jan. 1, 2014.

... The basis adjustment to stock of S corporations making charitable contributions of property is extended to apply for tax years beginning in 2012 and 2013.

... The 5-year reduced recognition period for the S corporation built-in gains tax is extended for tax years beginning in 2012 and 2013.

... Various empowerment zone tax incentive, including the designation of an empowerment zone and of additional empowerment zones (extended through Dec. 31, 2013) and the period for which the percentage exclusion for qualified small business stock (of a corporation which is a qualified business entity) is 60% (extended through Dec. 31, 2018).

... Tax-exempt financing for New York Liberty Zone is extended for bonds issued before Jan. 1 2014.

... Temporary increase in limit on cover over rum excise taxes to Puerto Rico and the Virgin Islands is extended for spirits brought into the U.S. before Jan. 1, 2014.

... American Samoa credit, as modified, is extended through Jan. 1, 2014.

We hope this information is helpful. If you would like more details about these changes or any other aspect of the new law, please do not hesitate to call..