

## Protecting Americans from Tax Hikes Act of 2015

**Enhanced child tax credit made permanent** - The child tax credit (CTC) is a \$1,000 credit. To the extent the CTC exceeds the taxpayer's tax liability; the taxpayer is eligible for a refundable credit (the additional child tax credit) equal to 15 percent of earned income in excess of a threshold dollar amount (the "earned income" formula). Until 2009, the threshold dollar amount was \$10,000 indexed for inflation from 2001 (which would be roughly \$14,000 in 2015). Since 2009, however, this threshold amount has been set at an unindexed \$3,000 and is scheduled to expire at the end of 2017, returning to the \$10,000 (indexed for inflation) amount. The provision permanently sets the threshold amount at an unindexed \$3,000.

**Enhanced American opportunity tax credit made permanent** - The Hope Scholarship Credit is a credit of \$1,800 (indexed for inflation) for various tuition and related expenses for the first two years of post-secondary education. It phases out for AGI starting at \$48,000 (if single) and \$96,000 (if married filing jointly) – these amounts are also indexed for inflation. The American Opportunity Tax Credit (AOTC) takes those permanent provisions of the Hope Scholarship Credit and increases the credit to \$2,500 for four years of post-secondary education, and increases the beginning of the phase-out amounts to \$80,000 (single) and \$160,000 (married filing jointly) for 2009 to 2017. The provision makes the AOTC permanent.

**Enhanced earned income tax credit made permanent** - Low- and moderate-income workers may be eligible for the earned income tax credit (EITC). For 2009 through 2017, the EITC amount has been temporarily increased for those with three (or more) children and the EITC marriage penalty has been reduced by increasing the income phase-out range by \$5,000 (indexed for inflation) for those who are married and filing jointly. The provision makes these provisions permanent.

**Extension and modification of deduction for certain expenses of elementary and secondary school teachers** - The provision permanently extends the above-the-line deduction (capped at \$250) for the eligible expenses of elementary and secondary school teachers. Beginning in 2016, the provision also modifies the deduction to index the \$250 cap to inflation and include professional development expenses.

**Extension of parity for exclusion from income for employer-provided mass transit and parking benefits** - The provision permanently extends the maximum monthly exclusion amount for transit passes and van pool benefits so that these transportation benefits match the exclusion for qualified parking benefits. These fringe benefits are excluded from an employee's wages for payroll tax purposes and from gross income for income tax purposes.

**Extension and modification of special rule for contributions of capital gain real property made for conservation purposes** - The provision permanently extends the charitable deduction for contributions of real property for conservation purposes. The provision also permanently extends the enhanced deduction for certain individual and corporate farmers and ranchers. The provision modifies the deduction beginning in 2016 to permit Alaska Native Corporations to deduct donations of conservation easements up to 100 percent of taxable income.

**Extension of tax-free distributions from individual retirement plans for charitable purposes** - The provision permanently extends the ability of individuals at least 70½ years of age to exclude from gross income qualified charitable distributions from Individual Retirement Accounts (IRAs). The exclusion may not exceed \$100,000 per taxpayer in any tax year.

**Extension of 15-year straight-line cost recovery for qualified leasehold improvements, qualified restaurant buildings and improvements, and qualified retail improvements** - The provision permanently extends the 15-year recovery period for qualified leasehold improvements, qualified restaurant property, and qualified retail improvement property.

**Extension and modification of increased expensing limitations and treatment of certain real property as section 179 property** - The provision permanently extends the small business expensing limitation and phase-out amounts in effect from 2010 to 2014 (\$500,000 and \$2 million, respectively). These amounts currently are \$25,000 and \$200,000, respectively. The special rules that allow expensing for computer software and qualified real property (qualified leasehold improvement property, qualified restaurant property, and qualified retail improvement property) also are permanently extended. The provision modifies the expensing limitation by indexing both the \$500,000 and \$2 million limits for inflation beginning in 2016 and by treating air conditioning and heating units placed in service in tax years beginning after 2015 as eligible for expensing. The provision further modifies the expensing limitation with respect to qualified real property by eliminating the \$250,000 cap beginning in 2016.

**Extension of reduction in S-corporation recognition period for built-in gains tax** - The provision permanently extends the rule reducing to five years (rather than ten years) the period for which an S corporation must hold its assets following conversion from a C corporation to avoid the tax on built-in gains.

**Extension and modification of bonus depreciation** - The provision extends bonus depreciation for property acquired and placed in service during 2015 through 2019 (with an additional year for certain property with a longer production period). The bonus depreciation percentage is 50 percent for property placed in service during 2015, 2016 and 2017 and phases down, with 40 percent in 2018, and 30 percent in 2019. The provision continues to allow taxpayers to elect to accelerate the use of AMT credits in lieu of bonus depreciation under special rules for property placed in service during 2015. The provision modifies the AMT rules beginning in 2016 by increasing the amount of unused AMT credits that may be claimed in lieu of bonus depreciation. The provision also modifies bonus depreciation to include qualified improvement property and to permit certain trees, vines, and plants bearing fruit or nuts to be eligible for bonus depreciation when planted or grafted, rather than when placed in service.

**Extension and modification of exclusion from gross income of discharge of qualified principal residence indebtedness** - The provision extends through 2016 the exclusion from gross income of a discharge of qualified principal residence indebtedness. The provision also modifies the exclusion to apply to qualified principal residence indebtedness that is discharged in 2017, if the discharge is pursuant to a written agreement entered into in 2016.

**Extension of mortgage insurance premiums treated as qualified residence interest** - The provision extends through 2016 the treatment of qualified mortgage insurance premiums as interest for purposes of the mortgage interest deduction. This deduction phases out ratably for a taxpayer with AGI of \$100,000 to \$110,000.

**Improvements to section 529 accounts** - The provision expands the definition of qualified higher education expenses for which tax-preferred distributions from 529 accounts are eligible to include computer equipment and technology. The provision modifies 529-account rules to treat any distribution from a 529 account as coming only from that account, even if the individual making the distribution operates more than one account. The provision treats a refund of tuition paid with amounts distributed from a 529 account as a qualified expense if such amounts are re-contributed to a 529 account within 60 days. The provision is effective for distributions made or refunds after 2014 or in the case of refunds after 2014 and before the date of enactment, for refunds re-contributed not later than 60 days after date of enactment.