



# MARTIN·SMITH

& COMPANY CPAs

January 2016

Dear Client,

Just before recessing for the holidays, the House and Senate passed the Protecting Americans from Tax Hikes Act of 2015 ("PATH Act"). The PATH Act does considerably more than the typical tax extenders legislation seen in prior years. It makes permanent over 20 key tax provisions, including many affecting individual taxpayers. It also extends and enhances other provisions. Here are a few of them:

- American Opportunity (Education) Tax Credit. The PATH Act makes **permanent** the American Opportunity Tax Credit (AOTC), an enhanced version of the Hope education credit.
- Teachers' Classroom Expense Deduction. The PATH Act **permanently** extends the above-the-line deduction for elementary and secondary-school teachers' classroom expenses.
- Charitable Distributions from IRAs. The PATH Act **permanently** extends the provision for individuals age 70 1/2 and older to be allowed to make tax-free distributions (\$100,000 per taxpayer per year) from individual retirement accounts (IRAs) to a qualified charitable organization.
- Child Tax Credit. The PATH Act makes **permanent** the reduced earned income threshold amount to qualify for the child tax credit.
- Qualified Tuition/Related-Expenses Deduction. The PATH Act **extends through 2016** the above-the-line deduction for qualified tuition and fees for post-secondary education.
- Mortgage Debt Exclusion. The PATH Act excludes from income the cancellation of mortgage debt on a principal residence of up to \$2 million (\$1 million for a married taxpayer filing a separate return) **through 2016**.

## HEALTH CARE REFORM

Individuals and employers continue to deal with the sweeping changes in health care, specifically the Affordable Healthcare Act. We created a supplemental informational schedule (enclosed) to assist you in the steps to determine the ACA's effect on your tax return.

## WEBSITE

Check out our website at [www.martinsmithcpas.com](http://www.martinsmithcpas.com) for tax information that is updated monthly. Select "Newsletters" at the top of the web page. Here are some of the current topics:

- PATH Act provides planning opportunities with permanent extensions of many tax incentives
- IRS gets budget boost to improve customer service and cybersecurity, curb identity theft
- FAQ – What are the 2016 optional standard mileage rates for automobile use?
- How Do I elect to be taxed as an S corporation?
- January 2016 compliance calendar

## BUSINESS DEDUCTION - GOOD NEWS!

It has been a long time coming, but beginning in 2016 businesses may now deduct the cost of equipment and furniture if the cost of that item is less than \$2,500. This is a significant increase from the \$500 previously allowed. This allows businesses to deduct such items as office expense. Additionally, these same items will not be included on personal property returns thereby reducing the business personal property tax paid by most businesses.

If you have questions about any of the matters touched on in this letter, please give us a call.

Sincerely yours,

MARTIN SMITH & COMPANY CPAs, PA

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