

## Tax Notes

# Bipartisan Budget Act: Extension of Certain Tax Provisions from December 31, 2016 to December 31, 2017

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When the Bipartisan Budget Act of 2018 was signed by President Trump on February 9, 2018 not only was a complete government shut down avoided, but over 30 tax provisions (that expired as of December 31, 2016) were retroactively extended; in most cases to December 31, 2017.

Before finalizing your 2017 federal tax return, you might want to take a look at the provisions outlined in this e-newsletter to determine if your return is affected. They are organized by general category. *[In this rather cut and dry newsletter, we have tried to add a little levity – we think – in three places. Don't expect too much in the way of humor as, remember, we are CPAs.]*

### Individuals

- Gross income for **discharge of indebtedness on principal residence**; **modified** to apply to qualified principal residence indebtedness that is discharged pursuant to a binding written agreement entered into in 2017.
- Premiums for **mortgage insurance** deductible as qualified residence interest; phases out ratably for taxpayers with adjusted gross income of \$100,000 to \$110,000.
- Deduction for **qualified tuition and related expenses**; capped at \$4,000 for individual filers whose adjusted gross income does not exceed \$65,000 (\$130,000 joint) and \$2,000 for individuals whose adjusted gross income does not exceed \$80,000 (\$160,000 joint).

### General Business

- Credit for certain expenditures for **maintaining railroad tracks** *[not the Lionel set you have at home]*; includes a safe harbor that assignments of the credit shall be effective if made pursuant to a written agreement entered into no later than 90 days following the date of enactment.
- **Mine rescue team training** credit; credit is equal to the lesser of 20% of the training program costs incurred or \$10,000.
- Three-year depreciation for **race horses** two years old or younger.
- Seven-year recovery period of **motorsports entertainment complexes**.
- Election to expense **advanced mine safety equipment**.
- Special expensing rules for **certain film, television and qualified live theatrical productions**; generally only the first \$15 million of costs may be expensed. (This is in addition to the increased Expensing and Bonus Depreciation levels enacted in the Tax Cuts and Jobs Act as discussed in prior communications from us.)
- Special rate for qualified **timber gains**.
- Temporary increase in limit on "cover over" of **rum excise tax revenues** (from \$10.50 to \$13.25 per proof gallon) to Puerto Rico and the Virgin Islands *[for you Dark 'n Stormy cocktail enthusiasts]*.

### Energy

- Credit for certain **non-business energy property**; credit amount is 10% of the amount paid or incurred by the taxpayer for qualified energy improvements, up to \$500.

- Credit for **residential energy property**; *modified* to apply to all qualified property placed in service after 2016 and before 2022, subject to a reduced rate of 26% for property placed in service during 2020 and 22% for property placed in service during 2021.
- **Alternative motor fuel vehicle** credit for qualified fuel cell vehicles; credit applies to vehicle purchases and ranges from \$4,000 to \$40,000 depending on the weight of the vehicle.
- Credit for **alternative fuel vehicle refueling property**.
- Credit for **two-wheeled plug-in electric vehicle** [*excluding the one you may have purchased for your three-year old child*]; credit is 10% and capped at \$2,500.
- **Second generation biofuel producer** credit (formerly cellulosic biofuel produced credit).
- Incentives for **biodiesel and renewable diesel**:
  - Income tax credits for biodiesel fuel, biodiesel used to produce a qualified mixture, and small agribiodiesel producers.
  - Income tax credits for renewable diesel fuel and renewable diesel used to produce a qualified mixture.
  - Excise tax credits and outlay payments for biodiesel fuel mixtures and renewable diesel fuel mixtures.
- Beginning-of-construction date for **non-wind renewal power facilities** eligible to claim the electricity production credit or investment credit in lieu of the production credit. (December 31, 2019 for wind.)
- Credit for production of **Indian coal**; credit amount is \$2 per ton for coal produced on land owned by an Indian tribe.
- Credit for construction of **new energy-efficient homes**; credit of \$1,000 or \$2,000 available to eligible contractors for construction or manufacture of a new energy-efficient home that meets qualifying criteria.
- Credit for **geothermal heat pump property, small wind property and combined heat and power property**; *modified* to harmonize expiration dates and phase-out schedules for different properties.
  - 30% investment tax credit for solar energy, fiber-optic solar energy, qualified fuel cell and qualified small wind energy property is available for property for which construction begins before 2020 and is then phased out for property for which construction begins before 2022 (26% if construction begins in 2020 and 22% if construction begins in 2021).
  - 10% investment tax credit for qualified microturbine, combined heat and power systems and thermal energy property if available for property for which construction begins before 2022.
- Special depreciation allowance for **second generation biofuel plant property**.
- Deduction for **energy-efficient commercial buildings**; applies to energy-efficiency improvements to lighting, heating, cooling, ventilation and hot water systems of commercial buildings.
- Special rule for sales or dispositions to implement **Federal Energy Regulatory Commission (FERC) or state electric restructuring policy**.
- Incentives for **alternative fuel** and alternative fuel mixtures.
  - Excise tax credits and outlay payments for alternative fuel.
  - Excise tax credits for alternative fuel mixtures.
- **Oil Spill Liability Trust Fund financing rate**; excise tax expired at the end of 2017 and is reinstated beginning on the first day of the first calendar month beginning after the date of enactment.

## Infrastructure, Economic Development and Community Assistance

- **Indian employment tax credit**; applies to first \$20,000 of qualified wages paid to each qualified employee who works on an Indian reservation.
- **Qualified zone academy bonds**; allocation of bond limitation.
- Accelerated depreciation for **business property on an Indian reservation**.
- Deduction for income attributable to **domestic production activities in Puerto Rico**.
- **Empowerment zone** tax incentives.
  - Designation of an empowerment zone and of additional empowerment zones.
  - Empowerment zone tax-exempt bonds.
  - Empowerment zone employment credit.
  - Increased expensing under Section 179.
  - Non-recognition of gain on rollover of empowerment zone investments.
- **American Samoa** economic development credit.

## Contact Us

If you have any questions about these “extenders” or wish to discuss any other tax-related matters, please feel free to contact Leo Parmegiani, CPA, Partner at [lparmegiani@pkfod.com](mailto:lparmegiani@pkfod.com), Douglas S. Ruttenberg, CPA, Partner at [druttenberg@pkfod.com](mailto:druttenberg@pkfod.com) or your PKF O'Connor Davies tax advisor.

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