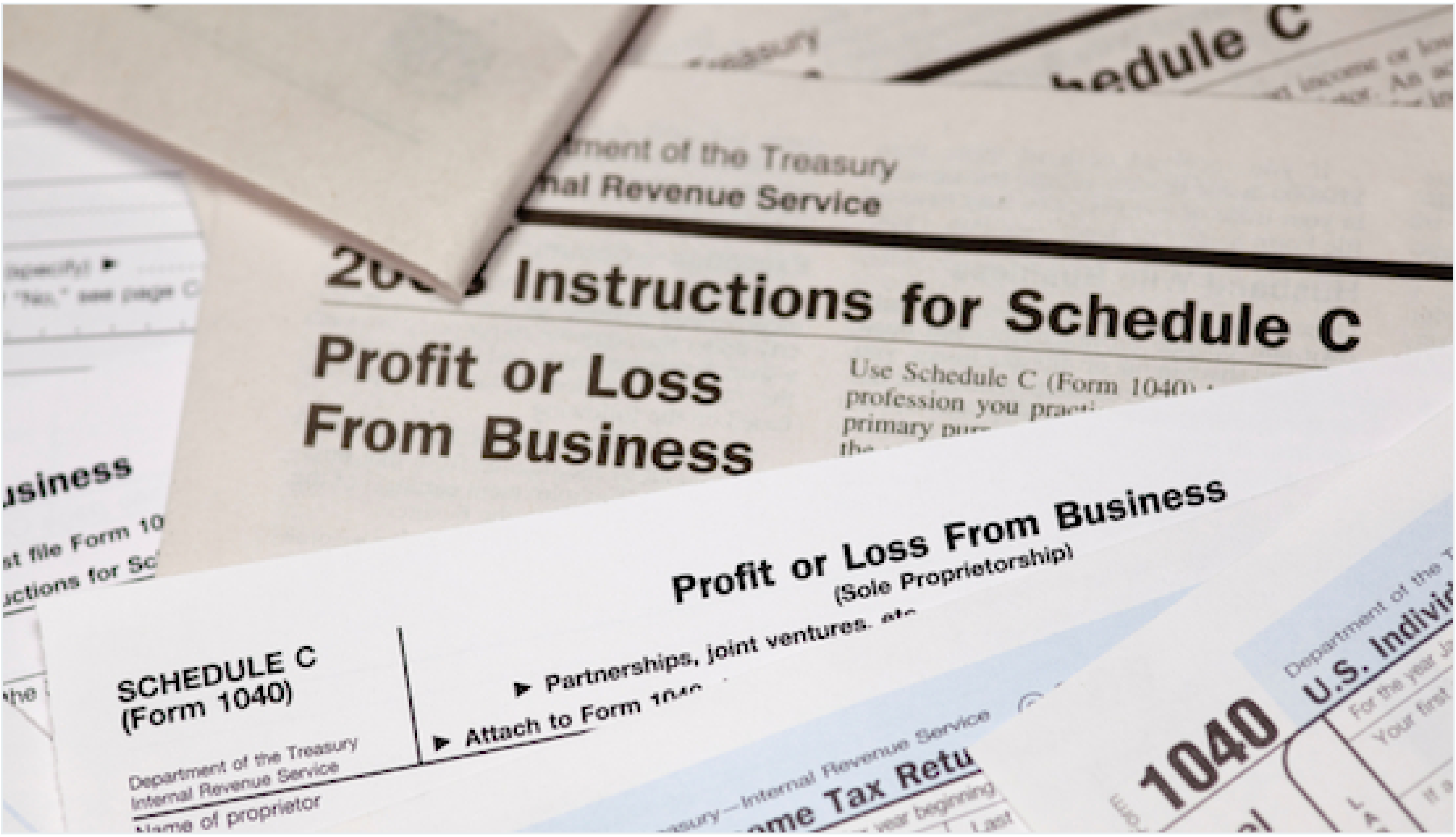
Nov. 21, 2016



As you and your clients approach the end of 2016, you have a limited-time opportunity to save additional taxes through a variety of steps. When the year ends, so does the opportunity.

Businesses seeking to maximize tax benefits through year-end tax planning can consider several strategies, such as use of traditional timing techniques for income and deductions and the role of the tax extenders, as well as strategies targeted specifically to a particular business

As in past years, planning is uncertain because of the expiration of at least some popular but temporary tax breaks. Also added to the mix: the far-reaching Affordable Care Act (ACA) and whatever changes to 2017 the new Congress and Administration may make to the Tax Code.

PATH Act "extenders." The Protecting Americans from Tax Hikes Act of 2015 (PATH Act), enacted at the end of 2015, made permanent many business-related provisions, including:

- The 100-percent gain exclusion on qualified small business stock.
- The reduced five-year recognition period for S corporation built-in gains tax.
- 15-year straight-line cost recovery for qualified leasehold improvements, restaurant property and retail improvements.
- Charitable deductions for the contribution of food inventory, and others.

Perhaps most significant for small businesses, enhancements starting in 2016 were added to both a permanently extended research credit and Code Sec. 179 expensing deduction.

Five-year Extensions. The PATH Act extended several business-related provisions available for five years (pending more general tax reform). Among these provisions, bonus depreciation and the Work Opportunity Tax Credit have widespread applicability.
A number of modifications have also been made that:

- reduce the bonus rate from 50 percent to 40 percent for property placed in service in 2018, and to 30 percent for property placed in service in 2019 (for 2016 and again for 2017, it remains at 50 percent);
- replaces the bonus allowance for qualified leasehold improvement property with a bonus allowance for additions and improvements to the interior of any nonresidential real property, effective for property placed in service after 2015;
- allows farmers to claim a 50 percent deduction in place of bonus depreciation on certain trees, vines and plants in the year of planting or grafting rather than the placed-in-service year, effective for planting and grafting after 2015;

- reduces the $8,000 bump-up in the first year luxury car depreciation cap for

under the PATH Act, having been extended only through this year. Further extensions remain uncertain.

Regarding these breaks, your year-end business strategies should include, where appropriate, the acceleration of expenses to maximize: use of film and TV production expense elections; energy-efficient commercial buildings deductions; mine-safety equipment expense elections; and additional depreciation for biofuel plant property.

Revised repair regulations. The IRS final tangible property regulations (aka the "repair regs") continue to control the accounting for costs to acquire, repair and improve tangible property, impacting virtually all asset-based businesses (with additional "clean-up" expected next year). Qualifying for new safe harbors – a *de minimis* expensing safe harbor and a remodel-refresh safe harbor – can yield substantial immediate deductions.

Partnership audit rules. The Bipartisan Budget Act of 2015 (Budget Act) repealed the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) unified partnership audit rules and replaces them with streamlined procedures. The Budget Act delayed the effective date of the new audit rules for returns filed for partnership tax years beginning after 2017. Subject to certain exceptions, partnerships may choose to apply the new regime immediately to any partnership tax year beginning after November 2, 2015.

Business use of vehicles. Several year-end strategies for both business expense deductions for vehicles and the fringe-benefit use of vehicles by employees involve an awareness of certain rates and dollar caps that change annually. Recent changes to the standard mileage rates and vehicle depreciation limits are critical to these strategies.

Affordable Care Act

information reporting under the ACA continues to challenge all businesses.

Revised Deadlines
The due date for filing partnership and C corporation returns was modified by the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015.

Generally applicable to returns for tax years beginning after December 31, 2015, both Forms 1120-S and 1065 are due on or before the 15th day of the third month following the close of the tax year (March 15 for calendar-year taxpayers). The due date for filing of Form 1120 by C corporations is changed to the 15th day of the fourth month following the close of the tax year (April 15 for calendar-year taxpayers).