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Congress the last few months? At long last, there seems to be some movement on several fronts concerning these tax law provisions that are traditionally extended for just one or two years.

Ken Berry, JD • Apr. 07, 2014



What will happen to the “tax extenders” that have been virtually ignored by Congress the last few months? At long last, there seems to be some movement on

several fronts concerning these tax law provisions that are traditionally extended for

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This scenario seems to have become an annual ritual in Washington. Congress usually hems and haws before it eventually, and often retroactively, extends most of the expiring provisions, albeit sometimes with modifications. The CRS report indicates that the extensions are only temporary because this enables lawmakers to determine if they represent sound tax policy and assess whether the tax breaks are stimulating the economy. But more cynical observers argue that the temporary nature of the extensions gives Congress leeway to finesse the rules to meet certain objectives.

What's on the list of extenders? At last count, approximately 55 provisions were on the chopping block last year, but some are limited to specific industries, community assistance programs or have somewhat limited application. Here's a roundup of several higher-profile provisions that are up for renewal.

Individual Tax Extenders

- Optional deduction for state and local sales taxes;
- Up-to-\$250 deduction for classroom expenses of educators;
- Deduction for qualified tuition and related fees;
- Deduction for mortgage insurance premiums as qualified interest;
- Parity for exclusion for employer-provided mass transit and parking benefits;
- Tax exclusion of forgiveness of up to \$2 million of principal residence debt;
- Tax-free transfers of up to \$100,000 from IRAs to qualified charities;
- Special rules for donations of real property for conservation purposes.
- Credit for health insurance costs.

Business Tax Extenders

- Research and experimentation credit;

- Work Opportunity Tax Credit (WOTC);

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- to your recovery period for qualified research, research, and research improvements;
- Enhanced charitable deduction for contributions of food inventory; and
- Various energy-efficiency incentives.

According to the CRS report, both the President's budget plan and Rep. Camp's tax reform package include most of these extenders. The Obama administration would also make permanent expansions in the American Opportunity Tax Credit (AOTC), the earned income tax credit (EITC) and the child tax credit (CTC). The Camp proposals would permanently approve, among others, the research tax credit and enhancements for the Section 179 deduction. The Ways & Means Committee will begin hearings in April that will help shape its strategy going forward.

In the meantime, the SFC has already released its version of an extenders law. Senator Weyden, who is replacing long-time chairman Max Baucus (Dem.-MT), has pledged to make this legislation one of his committee's top priorities.

How much will it cost? As referenced by the new CRS report, the Congressional Budget Office (CBO) has provided estimates of extending all tax provisions scheduled to expire over the next ten years. The projected price tag is a staggering \$963.4 billion. Although there's a good chance that some of the provisions that technically expired on January 1, 2014 will be restored before the end of this year, remember that Congress is working with tight purse strings.

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