



Thomson Reuters Checkpoint Tax Provisions Expiring on 12/31/13

<i>Item</i>	<i>IRC Sec.</i>	<i>Provision in Effect for 2013</i>	<i>Provision Scheduled to Take Effect in 2014</i>
Individual Deductions and Exclusions			
Educator's Expenses	62(a)(D)	Grades K–12 teachers, instructors, counselors, principals and aides can deduct up to \$250 of out-of-pocket costs above the line.	No provision. Deduction expires on 12/31/13.
Cancellation of Debt (COD)—Mortgage Debt	108(a)(1)(E)	Individuals can exclude up to \$2 million (\$1 million for MFS) of COD income from qualified principal residence indebtedness that is canceled because of their financial condition or decline in value of the residence.	No provision. Exclusion expires on 12/31/13.
Mortgage Insurance Premiums Deduction	163(h)(3)	Taxpayers with AGI no greater than \$109,000 can treat qualified mortgage insurance premiums as home mortgage interest.	No provision. Deduction expires on 12/31/13.
Personal Energy Property Credit	25C	A credit (subject to a \$500 lifetime cap) is available for qualified energy efficiency improvements and expenditures to a taxpayer's principal residence.	No provision. Credit expires on 12/31/13.
Qualified Conservation Contributions	170(b)(1)(E)(vi), 170(b)(2)(B)(iii)	The deduction limit for qualified conservation contributions by individuals is increased from 30% of AGI to 50% of AGI (100% of AGI for qualified farmers and ranchers) and the carryforward period for qualified contributions in excess of the AGI limit is 15 years.	No special rules for qualified conservation contributions so they are subject to the 30%-of-AGI limit and have a five-year carryforward period.
Qualified Small Business Stock (QSBS) Gain Exclusion	1202(a)(4)	QSBS acquired 9/28/10–12/31/13 qualifies for 100% gain exclusion (if the holding period is met). For stock acquired during that period, the following rules also apply: <ul style="list-style-type: none"> • None of the 60% gain exclusion rules for QSBS issued by a QBE apply. • No portion of the excluded gain is added back to determine alternative minimum taxable income. 	Gains on QSBS acquired after 12/31/13 qualify for a 50% gain exclusion [60% for QSBS issued by a qualified business entity (QBE)]. Also, a percentage of the excluded gain is an AMT preference item.
State and Local Sales Taxes Deduction	164(b)(5)	Individuals can elect to deduct state and local general sales taxes instead of state and local income taxes.	No provision. Election expires on 12/31/13.
Tuition and Fees Deduction	222	Individuals can claim an above-the-line deduction for tuition and fees for qualified higher education expenses.	No provision. Deduction expires on 12/31/13.



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Individual Retirement Accounts			
Qualified Charitable Distributions (QCDs)	408(d)	Taxpayers over age 70½ can make tax-free transfers from an IRA directly to a charity. Any amounts so transferred count toward the individual's required minimum distribution, but are not deductible as charitable contributions.	No provision. Income exclusion for QCDs expires on 12/31/13.
Business Property			
Qualified Leasehold, Restaurant and Retail Improvement Property	168(e)(3)(E)	Qualified leasehold improvements, qualified restaurant property and qualified retail improvements are assigned a 15-year (straight-line) recovery period.	Qualified leasehold improvements, qualified restaurant property and qualified retail improvements are assigned a 39-year (straight-line) recovery period.
Section 179—Deduction Limit	179(b), (c) and (d)	The Section 179 deduction and qualifying property limits are \$500,000 and \$2,000,000, respectively. In addition, off-the shelf computer software qualifies for Section 179 expensing and taxpayers can amend or irrevocably revoke a Section 179 election.	After 2013, the deduction and qualifying property limits are \$25,000 and \$200,000, respectively. Off-the-shelf software does not qualify for Section 179 expensing and the election generally is irrevocable with IRS consent.
Section 179—Qualified Real Property	179(f)	Taxpayers can claim the Section 179 deduction on up to \$250,000 of qualified real property (qualified leasehold improvements, qualified restaurant property and qualified retail improvement property).	Qualified real property is not eligible for Section 179 expensing.
Special (Bonus) Depreciation	168(k)	50% special depreciation is allowed for qualified property additions placed in service in 2013. Note: For 2013, the Section 280F limit on depreciation for passenger autos is also increased by \$8,000 for qualified property and no AMT adjustment applies to property for which the special depreciation allowance is claimed.	Special depreciation only available for long production-period property and certain aircraft.
Tax Credits			
Alternative Fuel Vehicle Refueling Property	30C(g)(1)	Certain alternative fuel vehicle refueling property qualifies for a credit. Note: Both business and personal-use property qualify for the credit.	The credit is only available for hydrogen refueling property.
Differential Wage Payment Credit	45P(f)	A credit for differential wage payments (certain payments made to employees while they are on active duty military service) is available.	No provision. Credit expires on 12/31/13.



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New Energy Efficient Homes	45L(g)	A credit is available to the seller of homes that meet certain energy efficiency standards.	No provision. Credit expires on 12/31/13.
Plug-in Electric Vehicles—2-and 3-Wheeled Vehicles	30D(g)	Taxpayers who purchase a qualifying vehicle can take a credit of up to \$2,500.	No provision. Credit expires on 12/31/13.
Research Credit	41(f) and (h)(1)	A credit for the cost of increasing research activity is available.	No provision. Credit expires on 12/31/13.
Other Business (Including Sole Proprietors) Provisions			
Donation of Food Inventory	170(e)(3)	An above-basis deduction is allowed for charitable donations of apparently wholesome food inventory.	Like other contributions of inventory, the deduction for contributions of food inventory is limited to the taxpayer's basis in the property.
Domestic Producer Deduction—Puerto Rican Activities	199(d)(8)	Qualified production activities performed in Puerto Rico are included as domestic production gross receipts as long as the activity in Puerto Rico is subject to U.S. tax.	No provision. Special rule for activities performed in Puerto Rico expires on 12/31/13.
Fringe Benefits—Transit Passes and Vanpooling	132(f)(2)	The monthly exclusion for employer-provided transit passes and vanpooling is increased to \$245 (equal to the exclusion for employer provided parking).	The exclusion for employer-provided transit passes and vanpooling drops to \$100 per month (adjusted for inflation).
S Corp. — Built-In Gains	1374(d)(7)	A C corporation that elects to be taxed as an S corporation is subject to tax at the highest corporate rate (currently 35%) on gains that were built-in at the time of the election and that are recognized during the recognition period. For 2013, the recognition period is the S corporation's first five years.	The recognition period for determining whether the built-in gains tax applies is the S corporation's first 10 years.
S Corp. — Shareholder Basis Adjustment for Charitable Contributions	1367(a)(2)	S shareholders reduce their stock basis by their allocable share of the property's adjusted basis (rather than FMV) when S corporations make charitable contributions.	S shareholders reduce their stock basis by their allocable share of the property's FMV when S corporations make charitable contributions.