

TAX LETTER

Expiring and/or Changing Tax Deductions, Exclusions, Credits by 12-31-2013

(A) Individual (for general interest purpose)

1. Teachers' expenses deduction. Teachers' qualify out-of-pocket expenses up to \$250 per year (Expire)
2. Mortgage insurance premium itemize deduction subject to AGI phase out. (Expire)
3. Conservation donation itemize deduction up to 50% of AGI and 15 years carry over. As of 1-1-2014, the deduction will be limited to 30% of AGI and a 5-year carry over. (Reduce)
4. Qualify education tuition and fee deduction. (Expire)
5. Up to \$100,000 RMD from IRA, direct donation to qualify charities by taxpayer age \Rightarrow 70.5. (Expire)
6. State/local sales tax itemize deduction. (Expire)
7. COD income exclusion up to \$2 million (MFJ) of qualify principle residence indebtedness (Expire)
8. \$500 life-time tax credit for acquisition/installation in principle residence of "qualify personal energy efficient property" and a separate \$500 life-time credit for "qualify energy efficient appliance". (Expire)
9. Effective 1-1-2014, non taxable Employee Public Transit benefits monthly amount will be reduced from \$245 to \$130, while parking & toll remain at \$245 per month. (Reduce)

(B) Business (for general interest purpose)

1. For QSBS (qualify small business stock) acquired after 12-31-2013, IRC Section 1202 gain exclusion will be reduced from 100% to 50%. Also certain percentage of the excluded gain will be subject to AMT. (Reduce)
2. IRC Section 179 special first year expensing will be reduced from \$500,000 deduction/\$2 million max acquisition to \$25,000 deduction/\$200,000 max acquisition. Further, "off-shelf" software no longer qualify for Section 179 after 12-31-2013. (Reduce)
3. IRC Section 168 special first year 50% Bonus Depreciation will not be available for business use property acquire/installed after 12-31-2013, except for certain long production-period property and qualify aircraft. (Expire)
4. Qualify Real Property (qualify leasehold improvement, qualify restaurant property and qualify retail Improvement property): (a) allowable period of depreciation (straight-line method) will be increased from 15 years to 39 years. (b) IRC Section 179 expensing will not be allowed anymore. (Change)

(C) Readers be Aware

The above is not an all inclusive list of expiring/changing deductions, exclusions and credit. There are many other provisions expiring and/or changing by end of 2013. This summary listing is designed for general purpose only.

Merry Christmas & Happy New Year

Cho F Chan CPA, Inc.