

Back From the Dead

55 tax provisions expired on December 31, 2013. Many of the 55 provisions are obscure and used by only a few taxpayers. The 8 provisions listed below might be popular enough to deserve your attention. These were all extended at the very last minute for tax year 2014.



Direct transfer of IRAs to charity: Taxpayers age 70½ or older will have one last chance to make a direct transfer to charity of up to \$100,000. This transfer needs to be done by December 31 to qualify.

Optional sales tax itemized deduction: Taxpayers can elect to deduct sales taxes instead of state income tax as an itemized deduction. Using this election, a taxpayer can deduct actual sales tax from receipts or amounts from a standard table plus big ticket items (vehicles, boats, planes, homes, or home building materials). The 57 million people who live in states with no income tax get one last chance for this deduction. If you're planning on a big ticket purchase, this might be the time to do it.

Energy credits: The credit for Energy Star doors, windows, insulation, furnaces, and air conditioning is set to expire at the end of this year. If you haven't already taken advantage of this \$500 per lifetime credit, you have only a short time left to buy and install.

Home mortgage debt forgiveness relief: Cancellation of debt is taxable by law, but debt relief on principal residence acquisition debt of up to \$2 million can be excluded from federal tax if the cancellation occurs before January 1, 2015. Taxpayers wishing to use this tax break should make sure the debt relief happens this year if at all possible.

Mortgage insurance premiums treated as deductible interest: Taxpayers with incomes under \$109,000 are able to deduct mortgage insurance premiums for one last time. This affects some 4 million taxpayers.

Tuition and fees deduction for higher education: Taxpayers who can not take advantage of the Lifetime Learning Credit or the American Opportunity Credit for post secondary tuition can deduct up to \$4,000 for tuition as an adjustment to income. To take advantage of this deduction, income needs to be under \$80,000 (single) or \$160,000 (married/joint). An affected person might want to prepay for the first quarter of 2015.

Educator expense deduction: More than 3.6 million teachers claim this expense of up to \$250 for classroom supplies. Unless Congress acts, this will end.

50% bonus depreciation and generous Section 179 expensing Business owners thinking of year-end equipment purchases might want to purchase by the end of 2014 to take advantage of the more generous depreciation rules.