



PERKINS & CO

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Your PATH to Tax Savings and More

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Agenda



- › PATH Act
- › Tangible Property Regulations Update
- › Other Tax Changes for 2016
- › Oregon Update
- › Portland Update
- › California Update



2015 Protecting Americans from Tax Hikes (PATH) Act

Permanently Extended



- › \$500k §179 expensing (\$2M limitation)
 - \$250k cap for qualified real property removed starting in 2016
- › 15 year depreciable life for:
 - Qualified leasehold improvements
 - Qualified restaurant improvements
 - Qualified retail improvements
- › R&D tax credit
 - Small businesses (< \$50M gross receipts) can take against alternative minimum tax (AMT) starting in 2016

Permanently Extended (cont'd)



- › 5 year recognition period for built-in gains for S corps
- › Exclusion of 100% of gain on §1202 qualified small business stock sales
- › Low-Income Housing Tax Credit
 - 9% minimum credit
- › Charitable deduction of qualified conservation easements of capital gain real property
 - 50% of Adjusted Gross Income; 15 year carryforward

Permanently Extended (cont'd)



- › Tax-free IRA distributions to charity up to \$100k
 - Must be 70 ½
- › S Corporation charitable contribution of property
 - Reduce stock basis by adjusted basis of contributed property
- › American Opportunity Tax Credit
 - \$2,500 credit x 4 years; \$80k phaseout (\$160k married filing joint)
- › State and local sales taxes as itemized deduction

Extended through 2019



- › Bonus Depreciation
 - 50% 2015-2017; 40% in 2018; 30% in 2019
- › New Markets Tax Credit
 - \$3.5B allocation per year

Extended through 2016



- › Energy-efficient new homes credit
 - \$2k/\$1k per qualifying home
- › §179D deduction on energy-efficient buildings
 - New benchmarks for 2016
- › Nonbusiness energy property credit
 - 10% of cost capped at \$500
- › Exclusion of up to \$2M of cancellation of debt (COD) on principal residences
- › Mortgage insurance premiums as itemized deductions

Tangible Property Regulations



- › Increase in de minimis safe harbor to \$2,500 without Applicable Financial Statements (AFS)
 - Beginning for years after 12/31/15
 - Increase from \$500 in 2014
- › Retail/restaurant refresh safe harbor
 - 75% expensed immediately
 - AFS requirement

Other Tax Changes for 2016



› Depreciation changes

- Qualified improvement property eligible for bonus depreciation
 - Interior portion of nonresidential real property
 - 39 year depreciable life
 - Common areas & spec build outs

Partnerships



- › TEFRA rules going away in 2018
 - Exam adjustments taxed to entity at highest tax rate
 - Exam adjustments may be passed through to review year partners in adjustment year on K1s
 - Tax responsible party replacing tax matters partner
 - Less than 100 K1s can elect out

Oregon Update



- › Passthrough Entity (PTE) income tax
 - Nonpassive income from partnership or S-corp
 - 1 non-owner employee for at least 1,200 hours
 - Itemized deductions allowed only against non-PTE income
 - Reduced tax rates (9.9% tax on non-PTE income)

PTE Income	Tax Rate
< \$250,000	7%
\$250,000-\$500,000	7.2%
\$500,000-\$1,000,000	7.6%
\$1,000,000-\$2,500,000	8%
\$2,500,000-\$5,000,000	9%
> \$5,000,000	9.9%

Oregon Update



- › Oregon Kicker
 - Last kicker – 2007 was 18.6%(!)
 - 5.6% for 2015 – credit taken on OR 40
- › Initiative Petition 28 may appear on ballot for general election in Nov. 2016
 - Additional 2.5% tax on OR sales > \$25M with no cap on C corporations
 - 65% higher than any other statewide gross receipts tax
 - Proposed to start in 2017

Portland Update



- › Portland/Multnomah County Business Income Tax
 - Owner's compensation deduction \$100k for 2015
- › Short-term Rentals (Airbnb, Flipkey, etc.)
 - Rental must be two or fewer bedrooms
 - Owner must reside for at least nine months
 - Owner must obtain permit from City
 - Owner must collect/remit 11.5% hotel tax if websites do not collect

California Update



- › §1031 Exchange Reporting
 - Sale of California property and replacement property outside of California after 1/1/14
 - Annual report (FTB 3840) required during entire deferral period

- › §1031 Exchange Audits
 - California auditing §1031 exchanges extensively
 - “Swap and drops”

Thank you!



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