Delay in ACA Employer Mandate: Opportunity to Regroup

The bombshell July 2 announcement came in the form of a blog post on the U.S. Treasury Department's website, accompanied by a statement from the White House. The employer "shared responsibility" or “pay or play” provision is being delayed one year, until 2015. The move was described, essentially, as a consequence of the IRS' failure to provide employers and health plans with guidance for their reporting obligations under Sections 6055 and 6056 of the *Affordable Care Act* (ACA).

Those sections cover the detailed information the IRS will require about the health plans offered to employees. Without guidance concerning what to report, the IRS would not have a way to measure whether or not employers are complying with their obligations under the law.

Nevertheless, the government doesn't want the delay to cause employers' compliance efforts to grind to a complete halt. Mark Mazur, the Treasury Department's Assistant Secretary for Tax Policy, stated: "Once these rules have been issued, the Administration will work with employers, insurers, and other reporting entities to strongly encourage them to voluntarily implement this information reporting in 2014, in preparation for the full application of the provisions in 2015. Real-world testing of reporting systems in 2014 will contribute to a smoother transition to full implementation in 2015."

Mazur also promised "formal guidance describing this transition" would be issued soon and detailed rules on reporting will be issued sometime in the summer.

Finally, a statement from the White House said the government is still moving "full speed ahead" on opening the health exchanges on time.

Note: The Obama Administration also announced that it would not require the new insurance marketplaces to verify the income and health insurance status of consumers in 2014. Instead, it would rely on what consumers report until 2015, when better verification systems would be in place.

Not All ACA 2013 Tasks Are Postponed

Some employers may wrongly conclude that all aspects of healthcare reform are postponed. Keep in mind that employers face other compliance requirements during, or by the end of, 2013. Examples include (if applicable):

- Reducing waiting times for plan eligibility to no more than 90 days;
- Complying with the rules for the Patient-Centered Outcomes Research Institute fee (see article below);
- Notifying employees about the availability of state exchanges; and
- Gearing up for more changes, which take effect next year.

Opportunity for Course Reversal

The delay creates an opportunity for employers to reconfirm whether the play or pay decision strategy they mapped out for 2014 is still the best path. Chances are, nothing has changed since the original decision that would indicate the need for a new course.

However, this may not always be the case. For example, suppose you decided to reduce many employees' working hours below the 30-hour coverage threshold. After those plans became known, you encountered a stronger-than-expected backlash. Employees told you they would rather give up health coverage than see their hours cut. Or perhaps you worry about getting a surge in orders and need to increase part-time employees to 30+ hours per week for a while, throwing a wrench in the works. This breather allows time to reconsider how to proceed.

For more information about your situation, consult with your employee benefits, tax, and legal professionals.

Which Employers Must Pay the New “PCORI” Fee Due July 31?

The *Affordable Care Act* imposes a little-known new fee on certain employers and health insurance companies. The first payments are due on or before July 31, 2013.

The "PCORI" (Patient-Centered Outcomes Research Institute) fee may take some employers by surprise. While many organizations are focused on the healthcare law's "employer mandate," which was just delayed until 2015, they may have overlooked the PCORI fee.

The fee doesn't amount to much financially, but it does add compliance and filing burdens -- and comes with the usual penalties for failure to file and failure to pay taxes.

Background: Authorized by Congress as part of the healthcare law, PCORI performs medical research. Funding is provided, in part, by the new fee.

The idea behind the research (and the fees funding it) is that it will help patients, doctors, and others make better health choices, which will eventually lower healthcare costs.

The PCORI fee is imposed on:

1. Issuers of certain health insurance policies; and

2. Plan sponsors of self-insured health plans, including health reimbursement arrangements and health flexible spending arrangements.

Health insurance providers are responsible for the fee on their policies. In addition, individual employers and plan sponsors are responsible for the fee on their self-insured plans. The fee is imposed for plan years ending after September 30, 2012. It expires October 1, 2019.

A self-insured plan subject to the fee is a plan that provides accident or health coverage other than through an insurance policy, and the plan is established:

- By an employer for current or former employees;
- By one or more employer organizations for current or former employees; or
- By a voluntary employees' beneficiary association (VEBA).

(Certain other organizations, such as a multiple employer welfare arrangement, are also subject to the fee.) The party responsible for the plan is the employer in a single employer situation. In a multi-employer arrangement or VEBA, the sponsor is the party that established or maintains the plan.

For years ending before October 1, 2013, the fee is $1, multiplied by the average number of lives covered under the plan for that plan year. For subsequent years, the fee increases to $2 per life covered, adjusted for inflation.

Fee is Deductible: The PCORI fee is tax deductible as an ordinary business expense, according to recent guidance from the IRS Office of the Chief Counsel.

Generally, plan sponsors of self-insured plans must use one of three methods to determine the average number of lives covered for the plan year – the actual count method, the snapshot method, or the Form 5500 method.

However, for plan years beginning before July 11, 2012, and ending on or after October 1, 2012, plan sponsors may determine the average number of lives covered using any reasonable method.

Plan sponsors subject to the tax will report and pay the fee on Form 720, *Quarterly Federal Excise Tax Return*, which the IRS revised to provide for the reporting and payment of the PCORI fee.

Form 720 and the fee are due annually no later than July 31 of the calendar year immediately following the last day of the policy or plan year. That means the first report and payment are due at the end of July 2013.

Double Counting: An employer may think that its employees are covered by the issuer of a health insurance policy, so it does not have to pay the PCORI fee again as the sponsor of a self-funded HRA. This is usually not the case. Sometimes referred to as "double counting," the IRS states the plan sponsor *and* the insurance company generally both have to pay the fee.

However, there are special rules that provide some relief to employers with two or more applicable self-insured health plans. In those cases, the plans can be combined and treated as a single applicable self-insured health plan for purposes of calculating the PCORI fee, but only if the plans have the same plan sponsor and the same plan year.

There are also a number of exclusions.

If your organization sponsors a self-insured health plan, consult with your tax and employee benefits advisers about paying the PCORI fee and filing IRS form 720.

Tax Implications in the Supreme Court DOMA Case

A recent Supreme Court decision now allows same-sex couples in states with same-sex marriage statutes to be treated as married for federal tax purposes.

The U.S. Supreme Court's *Defense of Marriage Act* (DOMA) ruling has important federal tax implications for same-sex couples who are legally married under applicable state law. (A second Supreme Court case involving California's Proposition 8 affects same-sex couples in that state.)

However, the tax results of being married are not always favorable. Here are the ways that the individual tax situations of some same-sex couples will change in the wake of the June 26 Supreme Court rulings.

Being Married for Federal Tax Purposes

With one big exception, the Internal Revenue Code generally provides married individuals with more advantages than it provides single taxpayers.

Advantage 1: Marriage Bonus

When two individuals are considered married for federal tax purposes, filing a joint return usually results in a lower combined federal income tax bill than if the couple was unmarried in these cases:

- One spouse earns most or all of the income.
- The income is a healthy amount.

Reason: With a joint return, more of the higher-earning individual's income is taxed at lower rates. This is the *marriage bonus* in action.

Advantage 2: Tax-Free Employer Benefits

When a couple is married for federal tax purposes, one spouse can receive certain tax-free benefits from the other spouse's employer. The most common examples are tax-free healthcare coverage and tax-free reimbursements from flexible spending account (FSA) plans.

Advantage 3: Treatment of Inherited Retirement Accounts

When two individuals are married for federal tax purposes and one spouse dies, the surviving spouse can roll over qualified retirement plan balances inherited from the deceased spouse into the surviving spouse's own Individual Retirement Account (IRA). Then, the surviving spouse can put off taking annual required minimum distributions (RMDs) from the rollover IRA until after he or she turns 70 1/2.

In contrast, when a non-spouse inherits a qualified retirement plan balance and transfers it to an IRA, he or she will usually have to start taking RMDs sooner and in larger amounts, which means less tax deferral benefits.

When one spouse dies, the surviving spouse can also roll over IRA balances inherited from the deceased individual into the surviving spouse's own IRA. Once again, the RMD rules that apply in this situation allow surviving spouses to collect more tax deferral benefits.

Advantage 4: Gift and Estate Tax Rules

Two individuals who are married for federal tax purposes can make unlimited gifts to each other while still alive without any negative federal gift or estate tax consequences (assuming the transferee spouse is not a non-resident alien).

If one spouse dies:

- The surviving spouse can be left an unlimited amount free of any federal estate tax, thanks to the unlimited marital deduction privilege (as long as the surviving spouse is a U.S. citizen).
- The deceased spouse's unused unified federal gift and estate tax exemption ($5.25 million for 2013) can be left to the surviving spouse. That way, the surviving spouse can shelter more gifts from the federal gift tax and have a bigger federal estate tax shelter when he or she dies.

Advantage 5: Deductibility of Alimony Payments

After being married for federal tax purposes, certain court-ordered payments to a spouse or ex-spouse can qualify as deductible alimony. In contrast, transfers of money between unmarried individuals are generally not deductible, and they may be treated as gifts for federal tax purposes.

Disadvantage: Marriage Penalty

The one big *disadvantage* of being considered married for federal tax purposes occurs when both spouses have healthy amounts of taxable income. In this scenario, a couple that is considered married can wind up with a bigger combined federal income tax bill than if the two individuals had remained single taxpayers. This is the so-called *marriage penalty* in action.

Result: A same-sex couple in this scenario that is married under applicable state law can actually benefit from being considered unmarried for federal tax purposes.

Immediate Impact

Because it apparently only affects same-sex couples that are considered legally married under applicable state law, the Supreme Court's rejection of DOMA may not have the immediate widespread impact you might expect. Here's why:

- The majority of states do not currently recognize same-sex marriage.
- Some couples who were legally married in a state that recognizes same-sex marriages now reside in states that do *not* recognize them.
- Several states only allow same-sex couples to enter into civil unions or domestic partnerships (as opposed to same-sex marriages).
- Currently, 30 states have constitutional bans on same-sex marriages. There are also at least eight lawsuits dealing with state same-sex marriage bans pending in state and federal courts.

Where Is Same-Sex Marriage Recognized?

The states that currently recognize same-sex marriage are: California, Connecticut, Delaware, Iowa, Maine, Maryland, Massachusetts, Minnesota**, New Hampshire, New York, Rhode Island**, Vermont, Washington, and the District of Columbia.

**Effective date is August 1, 2013

Other Implications

In addition to tax and estate planning implications, the Supreme Court decision could affect same-sex married couples in other areas including:

- Social Security benefits;
- Employee benefits;
- Benefits for military spouses (such as healthcare and on-base housing); and
- Immigration (such as one spouse wanting to apply for a green card for the other spouse).

Unanswered Questions

As we await guidance from the IRS and other federal agencies in this still-unsettled legal environment, some of the important, unanswered questions are:

1. Will same-sex civil unions and domestic partnerships be treated the same as state-law same-sex marriages? If the answer is yes, more same-sex couples will be considered married for federal tax purposes. If the answer is no, only couples that were united in the states that permit same-sex marriages would be considered married for federal tax purposes.

2. Will same-sex couples who were legally married in one state but live in another state that does not allow same-sex marriages be considered married for federal tax purposes?

3. Can spouses who were taxed on healthcare (or other benefits) for their same-sex spouses file amended returns and claim refunds? What about their employers that withheld and paid FICA tax on benefits for same-sex married couples? Will there be a procedure for employers to claim refunds for overpaid federal employment taxes?

4. Should same-sex married couples amend federal tax returns they filed in previous years? For which years? Should they file protective claim now while waiting for the IRS to issue guidance?

5. How about same-sex married couples who filed an extension for 2012 to file their returns by October 15? How should they file?

These are only a handful of the many tax questions being asked after the *Windsor* Court ruling.

Currently, nothing has changed for members of same-sex couples who are *not* considered legally married or covered by civil union or domestic partnership statutes. They are still considered unmarried for federal tax purposes.

Want Tax-Free Income? There Are Still Ways to Receive It.

You may think you have to pay tax on all income you receive but it's not true. There are still ways to earn income that is free from federal income tax. With the various tax increases that took effect at the beginning of this year, tax-free income opportunities are more valuable than ever.

Here are 10 sources of non-taxable income.

1. Gifts and Inheritances

If you *receive* a gift or inheritance, the amount is generally not taxable. However, if you receive (or inherit) property that later produces income -- such as interest, dividends, or rent -- the income is taxable to you. There may be tax implications for the individual who *gives* a gift.

2. Tax-Free Home Sale Gains

In one of the best tax-saving deals, an unmarried seller of a principal residence can exclude (pay no federal income tax on) up to $250,000 of gain, and a married joint-filing couple can exclude up to $500,000 of gain. There are some limitations. You must pass the following four tests to qualify.

- ***Ownership Test -*** You must have owned the property for at least two years during the five-year period ending on the sale date.
- ***Use Test -*** You must have used the property as a principal residence for at least two years during the same five-year period (periods of ownership and use need not overlap).
- ***Joint-Filer Test -*** To be eligible for the maximum $500,000 joint-filer exclusion, at least one spouse must pass the ownership test, and both spouses must pass the use test.
- ***Previous Sale Test -*** If you excluded gain from an earlier principal residence sale, you generally must wait at least two years before taking advantage of the gain exclusion deal again. If you are a married joint filer, the $500,000 exclusion is only available if neither you nor your spouse claimed the exclusion privilege for an earlier sale within two years of the later sale.

If you don't qualify for the maximum $250,000 or $500,000 gain exclusion due to failure to pass all the preceding tests, you may still qualify for a prorated (reduced) exclusion amount if you had to sell your home for job-related or health reasons or for certain other IRS-approved reasons

3. Life Insurance Proceeds

Proceeds from a life insurance policy paid to you because of an insured person's death are generally not taxable. (This includes proceeds paid under an accident or health insurance policy or an endowment contract.) However, if you redeem a life insurance policy for cash, any amount that is more than the cost of the policy is taxable. In addition, interest income received as a result of life insurance proceeds may be taxable.

4. Income from Tax-Free Roth IRAs

Roth IRAs are still a great tax-saving deal and can provide tax-free income. Roth accounts have two big tax advantages.

The first Roth advantage is tax-free withdrawals. Unlike traditional IRA withdrawals, qualified Roth IRA withdrawals are free from federal income tax (and usually state income tax). What is a qualified withdrawal? In general, it is one that is taken after the Roth account owner has met both of the following requirements:

- He or she has had at least one Roth IRA open for over five years.
- He or she has reached age 59 1/2, is disabled, or is dead.

The second Roth advantage is an exemption from required minimum distribution rules. Unlike with a traditional IRA, the original owner of a Roth account (the person for whom the account is originally set up) is not burdened with the obligation to start taking required minimum distributions (RMDs) after age 70 1/2 or face a 50 percent penalty. Therefore, you can leave a Roth account untouched for as long you live. This important privilege makes the Roth IRA a great asset to leave to your heirs (to the extent you don't need the Roth IRA money to help cover your own retirement-age living expenses).

5. Tax-Free Section 529 Accounts

The biggest advantage of 529 college savings plan accounts is they are allowed to accumulate earnings free of any federal income taxes. When the account beneficiary (typically a child or grandchild) reaches college age, federal-income-tax-free withdrawals can be taken to cover his or her higher education expenses. State income tax breaks are often available, too.

Helpfully enough, contributions to a 529 account will also reduce your taxable estate because they are treated as gifts to the account beneficiary. Contributions in 2013 are eligible for the $14,000 annual federal gift tax exclusion. Contributions up to the exclusion amount won't diminish your unified federal gift and estate tax exemption ($5.25 million for 2013).

If you're feeling really generous, you can make a larger lump-sum contribution to a 529 account and elect to spread it over five years for gift tax purposes. This allows you to immediately benefit from five years' worth of annual gift tax exclusions while jump starting the beneficiary's college fund. You make the five-year spread election by filing the IRS gift tax return form.

Example: You are unmarried and can make a 2013 lump-sum contribution of up to $70,000 (five times $14,000) to a Section 529 account set up for a child, grandchild, or other person you want to help. If you're married, you and your spouse can together contribute up to $140,000 (two times $70,000). Lump-sum contributions up to these amounts won't diminish your unified federal gift and estate tax exemption as long as you choose to take advantage of the five-year spread privilege. If you want to help several children or grandchildren, you can run the same 529 account drill for each one.

If you want (or need) to get your money back from a 529 account, it is allowed under the tax rules. You can take back all or part of the account balance. You'll owe taxes on any withdrawn earnings plus a penalty equal to 10 percent of the withdrawn earnings. However, that's a relatively small price to pay for the right to reverse a decision, if desired.

6. Tax-Free Coverdell Education Savings Accounts

If you're not such a high roller when it comes to tax-free college savings opportunities, you can contribute up to $2,000 annually to a Coverdell Education Savings Account (CESA) set up for a beneficiary (typically a child or grandchild) who has not yet reached age 18. A CESA is an account set up by a "responsible person," which means you, to function exclusively as an education savings vehicle for the account beneficiary (typically a child or grandchild).

CESA earnings are allowed to accumulate federal-income-tax-free. Then, tax-free withdrawals can be taken to pay for the beneficiary's college tuition, fees, books, supplies, and room and board. If you have several beneficiaries in mind, you can contribute up to $2,000 annually to separate CESAs set up for each one.

Here's the catch: Your right to make CESA contributions is phased out between modified adjusted gross income (MAGI) of $95,000 and $110,000 or between $190,000 and $220,000 if you're a married, joint filer.

However, this restriction can often be circumvented by enlisting someone who is unaffected. For example, you can give the contribution dollars to a trustworthy adult who can open up the CESA as the "responsible person" and make a contribution on behalf of your intended beneficiary. Keep in mind that when the "responsible person" is someone else, you lose control over the account.

7. Cash Rebates for Items Purchased

A cash rebate received from a dealer or manufacturer for an item you buy is not income. However, you have to reduce your basis by the amount of the rebate. For example, you buy a new car for $28,000 and the manufacturer sends you a $2,000 rebate check. Although the $2,000 is not income to you, your basis in the car is now $26,000. That basis is used to calculate gain or loss when you sell the car or depreciation if you use the vehicle for business purposes.

8. Tax-Free Capital Gains and Dividends

Thanks to the Fiscal Cliff Law, the federal income tax rate on long-term capital gains and qualified dividends is still 0 percent when they fall within the 10 or 15 percent regular income tax rate brackets. The surprising truth is you can earn a pretty healthy income and still be within the 15 percent bracket and, thus, qualify for the 0 percent rate on some or all of your long-term capital gains and dividends.

Example for a married taxpayer: You are a joint filer with two dependent children who claims the standard deduction. For 2013, you could have up to $100,300 of adjusted gross income -- including long-term capital gains and dividends -- and still be within the 15 percent rate bracket. Your taxable income would be $72,500, which is the top of the 15 percent bracket for joint filers in 2013.

Example for a head of household taxpayer: You are divorced and file as a head of household. You have two dependent children and claim the standard deduction. For 2013, you could have up to $69,250 of adjusted gross income -- including long-term capital gains and dividends -- and still be within the 15 percent rate bracket. Your taxable income would be $48,600, which is the top of the 15 percent bracket for heads of households in 2013.

Example for a single taxpayer: You are unmarried with no kids and claim the standard deduction. For 2013, you could have up to $46,250 of adjusted gross income -- including long-term capital gains and dividends -- and still be within the 15 percent rate bracket. Your taxable income would be $36,250, which is the top of the 15 percent bracket for singles in 2013.

If you itemize deductions, your 2013 adjusted gross income -- including long-term capital gains and dividends -- could be even higher, and your taxable income would still be in the 15 percent bracket.

Key Point: The adjusted gross income figures cited above are *after* subtracting any write-offs allowed on page 1 of Form 1040 (so-called above-the-line deductions). These write-offs include deductible IRA and self-employed retirement account contributions, health savings account contributions, self-employed health insurance premiums, alimony payments, moving expenses, and others. So, if you have some above-the-line deductions for 2013, your AGI can be that much higher than the numbers cited above, and you will still be in the 15 percent rate bracket. And if you itemize instead of claiming the standard deduction, your AGI can be higher still.

9. Qualified Scholarships

Payments received from a qualified scholarship are normally not taxable. Amounts you use for certain costs, such as tuition and required course books, are not taxable. However, amounts required to be used for room and board are taxable.

10. Certain Court Awards and Damages

Compensatory damages for personal physical injury or physical sickness (received in a lump sum or installments) are free from federal tax. However, punitive damages are taxable. Awards for unlawful discrimination or harassment are also taxable. If you receive a court award or out-of-court settlement, consult with your tax adviser about the tax implications.

Conclusion: While most sources of income are taxable, you might be fortunate enough to receive income that brings you no federal tax headaches. Consult with your tax adviser for more information in your situation.

Update on the Section 179 Deduction Tax Break

The Section 179 deduction is valuable because it allows businesses to deduct as depreciation up to 100 percent of the cost of qualifying asset additions in Year 1 instead of depreciating the cost over a number of years. The Fiscal Cliff Law included several taxpayer-friendly changes to the Section 179 rules.

More Generous Deduction Limits

For qualifying property placed in service in tax years beginning in 2012 and 2013, the Fiscal Cliff Legislation restored the maximum Section 179 deduction to $500,000 (same as for tax years beginning in 2010 and 2011). Without this change, the maximum deduction for tax years beginning in 2012 was scheduled to drop to only $139,000 ($125,000 adjusted for inflation), and the maximum deduction for tax years beginning in 2013 would have been only $25,000.

Example 1: A calendar-year corporation adds $500,000 worth of new and used equipment and software during its 2013 tax year. Thanks to the more-generous Section 179 deduction limit, the corporation can probably deduct the entire $500,000 on its 2013 federal income tax return. Without the Fiscal Cliff Legislation, the corporation's maximum Section 179 deduction would have been only $25,000.

The Fiscal Cliff Law also restored the higher threshold for the dollar-for-dollar Section 179 deduction phase-out rule to $2 million for tax years beginning in 2012 and 2013. Without this change, the phase-out threshold for tax years beginning in 2012 would have been only $560,000 ($500,000 adjusted for inflation), and the threshold for tax years beginning in 2013 would have been only $200,000.

Example 2: A calendar-year corporation adds $2,100,000 worth of new and used equipment and software during its 2013 tax year. Under the Section 179 deduction privilege, the corporation can immediately deduct up to $400,000 on its 2013 federal income tax return ($500,000 maximum Section 179 deduction reduced dollar-for-dollar by the $100,000 excess over the $2 million phase-out threshold). Without the Fiscal Cliff Legislation, the corporation would have been completely ineligible for any Section 179 deduction due to the phase-out rule.

Key Point: Thanks to the generous $2 million phase-out threshold, many more medium-sized businesses will be able to claim tax-saving Section 179 deductions in tax years beginning in 2012 and 2013.

Other Favorable Rules Extended

The Fiscal Cliff Law also extended several temporary liberalizations in the Section 179 rules through tax years beginning in 2013. For example, most purchased software costs placed in service in tax years beginning in 2012 and 2013 will continue to be eligible for the Section 179 deduction, and Section 179 deduction elections made for tax years beginning in 2012 and 2013 can be revoked. Unless Congress takes action, however, these liberalizations will not be available for tax years beginning in 2014.

Section 179 Deductions for Qualified Real Property Costs

Before 2010, real property costs were generally ineligible for the Section 179 deduction privilege. However, for tax years beginning in 2010 and 2011, a temporary exception allowed businesses to claim Section 179 deductions for up to $250,000 of qualified real property costs. The fiscal cliff legislation extended this favorable provision to cover tax years beginning in 2012 and 2013. Eligible property includes qualified leasehold improvements, qualified restaurant buildings and improvements, and qualified retail improvements. Consult your adviser for details on exactly what types of property fit into these tax-favored categories.

Qualified real property costs that are immediately written off under the temporary Section 179 deduction privilege reduce the taxpayer's overall $500,000 Section 179 deduction allowance dollar-for-dollar.

Section 179 deductions for qualified real property costs are subject to all the other standard Section 179 rules such as the deduction phase-out rule, the taxable business income limitation, and the special rules that apply to Section 179 deductions claimed by pass-through entities.

Example 3: In 2013, a calendar-year corporation places in service $150,000 of eligible personal property assets and $250,000 of qualified real property assets. The corporation's maximum Section 179 deduction for the year is $400,000 ($150,000 for personal property plus $250,000 for real property).

Example 4: This year, a calendar-year corporation places in service $350,000 of eligible personal property assets and $550,000 of qualified real property assets. The corporation's maximum Section 179 deduction for 2013 is $500,000. The $500,000 can be comprised of any combination of eligible personal property costs and qualified real property costs, as long as the separate $250,000 limitation on real property costs is not exceeded. For example, the corporation could expense $250,000 of real property and $250,000 of personal property -- or $350,000 of personal property costs and $150,000 of real property costs.

Conclusion: The current Section 179 rules can be a big tax-saver for eligible small and medium-sized businesses. However, there are a number of tax-law restrictions that aren't covered in this article. For example, the Section 179 deduction cannot exceed the taxpayer's business taxable income calculated before the Section 179 deduction. Special limitations also apply to partnership and S corporation businesses and their owners.

Consult your adviser for details and strategies on how to take advantage of today's taxpayer-friendly Section 179 rules. They are scheduled to expire in tax years beginning after 2013, unless Congress acts to extend them.