September 26, 2011 – Many Provisions Set to Expire at End of 2011 Unless Congress Acts

Congress returns from its August recess with taxes and spending, together with the adjacencies of job creation and deficit reduction, front and center on its agenda. Among the more significant considerations faced by Congressional leaders and the Obama administration are the fate of the Bush-era tax cuts that expire at the end of 2012, the role that tax reform will play within the Joint Select Committee on Deficit Reduction and the presidential campaigns, and the mix of short-term stimulus measures that may needed.

Although smaller in overall size but also up for consideration again by Congress are the so-called "extenders." No less important for many taxpayers who are directly impacted, these provisions combine to benefit a surprisingly broad segment of the taxpaying population. Over 60 provisions are set to expire at the end of 2011 unless extended. We focus here on these expiring provisions, with the caution that Congressional concern over deficit reduction may make further extension of any of these provisions subject to more thorough examination than in past years.

Individuals

AMT Exemption Amount. The alternative minimum tax (AMT) exemption amount for individuals is scheduled to drop significantly from 2011 to 2012, unless Congress acts. It will decrease from 2011 levels of $74,450 for joint filers and surviving spouses and $48,450 for single individuals other than surviving spouses, to $45,000 and $33,750, respectively, in 2012.

Personal Credit Offsets Against Regular Tax and AMT. The "special rules for tax years 2000 through 2011" that allow the aggregate amount of all personal credits to offset regular tax (except for the foreign tax credit and the alternative minimum tax) end. After 2011, nonrefundable tax credits will be limited.

Mortgage Insurance Premium Deduction. Premiums paid for qualified mortgage insurance for periods after December 31, 2011 will no longer be treated as qualified residence interest and deductible.

Sales Tax Deduction. Since 2004, individuals could elect to deduct state and local general sales tax in lieu of state and local income tax. This alternate deduction is scheduled to end after the 2011 tax year.

Commuting Benefits. Starting in 2012, the monthly benefit that may be received tax free as a qualified transportation fringe will be lower for mass transit benefits than for qualified parking. For 2011, they are both inflation-adjusted at $230/ month.

Teachers' Deduction. The above-the-line deduction for expenses, not in excess of $250, paid or incurred by an eligible educator for K to 12 classroom materials and equipment, ends for tax years beginning after 2011.

Deduction for Tuition/Related Expenses. The above-the-line deduction for qualified tuition and related expenses, ranging from $2,000 to $4,000 depending upon income level, is scheduled to sunset after December 31, 2011.

Expanded Adoption Credit. While the *2010 Tax Relief Act* extended the general adoption credit through 2012, it did not extend the enhancements to the adoption credit and exclusion made by the *Patient Protection and Affordable Care Act (PPACA).* Therefore, the credit is not refundable after 2011 and the additional $1,000 credit under the *PPACA* is not available after 2011.

IRA Distributions for Charitable Purposes. Up to $100,000 may be donated directly from an IRA to a qualified charity without the distribution being included in the donee's income. This treatment will no longer apply to distributions made in tax years beginning after December 31, 2011.

There are many business provisions that will be expiring at the end of the year as well. Highlights of these expiring business provisions will be covered in a forthcoming article.