Tax Breaks Extended for 2014 Tax Year

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In December 2014, the President signed the Tax Increase Prevention Act of 2014. This new tax law extended many valuable tax breaks that expired at the end of 2013 — but only through December 31, 2014.

Here are two types of extended tax breaks that a woodland property owner may benefit from:

1. Increased Section 179 expensing for business property purchase: under the rules of section 179, a business may choose to expense qualified cost of the property purchased, rather than depreciating it. Thus it allows accelerated deduction on the purchase cost of equipment. It is a one-time, first-year write-off of such cost. Qualified sec. 179 property is generally defined as tangible personal property, such as computers, tractors, harvesting equipment.

   For 2014, businesses can now deduct up to $500,000 on qualified sec. 179 property they invested for the tax year. Prior to the new tax extension law change, the previous limit was only $25,000.

   In addition, the new law increased the total amount of property a taxpayer may purchase before the sec. 179 deduction begins to be reduced. Under the new law, sec. 179 benefit is reduced when a business acquires more than $2 million of qualifying property. The previous maximum was $200,000.

   Sec. 179 expensing is also subject to the business taxable income limit. A business taxpayer makes a section 179 election for a tax year on its return for that year or on an amended return by the due date (including extensions).

2. The 50-percent “bonus depreciation” extended for 2014: under the new law, for qualified new property a taxpayer purchased for 2014, an additional (bonus) amount of depreciation deduction is extended to those who qualify. A taxpayer may take bonus depreciation equal to 50 percent of the cost of qualified property in 2014. Prior to the new law change, bonus depreciation deduction expired at the end of 2013.

   Bonus depreciation is automatically assumed unless you make an election not to use it by attaching a statement to your return.

   You claim sec. 179 expensing and bonus depreciation deduction on Form 4562.

If you own your timber property for profit or for use in your timber business, you may benefit from taking the bonus depreciation if you purchased new property in 2014. If your timber holding is a trade or business, you may benefit from section 179 deduction of purchase cost of equipment in your timber business. Additional rules and limits apply to these breaks, so please contact your tax advisors to find out which ones you can benefit from.