

American Institute of CPAs' Fiscal Cliff Series:

"Extenders"

DESCRIPTION

The provisions of the tax code that are commonly referred to as the "extenders" are enacted for a short period of time and have to be reapproved by Congress every year or two in order to stay in effect. Some of the extenders expired at the end of 2011 and more will expire at the end of 2012. Congress has not reauthorized either the extenders that expired at the end of 2011 or those scheduled to expire at the end of 2012.

WHAT WILL HAPPEN IF WE GO OVER THE FISCAL CLIFF?

When Congress does not act in a timely manner on extender provisions, it creates the potential for a delayed tax filing season. The IRS cannot prepare the forms and instructions by the beginning of the year and software vendors do not have adequate time to prepare their programs. The increase in revenue is estimated to be \$75 billion, if the provisions are not extended.*

WHO WILL BE AFFECTED IF WE GO OVER THE FISCAL CLIFF?

Extenders affect both businesses and individuals. The most notable include:

Business

- Bonus depreciation for new investments
- Section 179 Expense
- Research and development tax credit
- Work Opportunity Tax Credit

Individual

- Alternative minimum tax "patch"
- Deduction of state and local sales taxes
- Tax-free distributions from Individual Retirement Accounts to charitable organizations
- Deduction for qualified tuition and related education expenses

CAN THIS BE DEALT WITH AFTER JANUARY 1, 2013?

Yes. Congress and the President could decide to extend all or some of the expired 2011 extenders or those about to expire at the end of 2012. They could also decide to modify others and allow some to expire.

AICPA COMMENT

"The extenders add confusion for taxpayers and inhibit long-term tax, cash-flow and financial planning. The on-again-off-again nature of these provisions, coupled with retroactive tax law changes to reauthorize them, result in the filing of amended returns and significantly increase overall complexity."

~~Edward S. Karl, CPA, Vice President – Taxation, AICPA

AICPA RESOURCES

"Navigating the Fiscal Cliff? AICPA Can Help" http://www.aicpa.org/InterestAreas/Tax/Resources/Pages/tax-fiscal-cliff.aspx

*Source for revenue estimate: Tax Policy Center, "Toppling Off the Fiscal Cliff: Whose Taxes Rise and How Much?" October 1, 2012. http://www.taxpolicycenter.org/UploadedPDF/412666-toppling-off-the-fiscal-cliff.pdf

To speak to Edward S. Karl, AICPA Vice President of Taxation, Melissa M. Labant, AICPA Director of Taxation, or another AICPA tax expert, contact:

Shirley Twillman
Senior Manager – AICPA Media Relations
202.434.9220
stwillman@aicpa.org

Jay Hyde
Director – AICPA Media Relations
202.434.9266
ihyde@aicpa.org