

Federal Taxes

Selected Business Changes Effective 2012

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Stay on top of key modifications for 2012...

A new year brings a new round of tax law changes in 2012. Many important tax law changes are taking effect in 2012 as the result of tax legislation, regulations, and rulings. While this is not a complete list, we will focus on five of these revisions. Some of these business changes include new instruction on deduction vs. capitalization of tangible property costs, estimated taxes for large corporations, extended write-off period for certain property, reduced bonus depreciation allowance for qualified property, and reduced expensing.

Deduction vs. capitalization of tangible property costs

The IRS issued temporary regs, generally effective in post-2011 tax years, on the application of Code Sec. 162(a) and Code Sec. 263(a) to amounts paid to obtain, produce, or modify tangible property. Such new regs clarify and expound upon the current reg standards. Additionally, they provide clear tests for applying such standards. The new regs also provide guidance under Code Sec. 168 regarding the accounting for, and disposition of, property subject to that section.

Estimated taxes for large corporations

Corporations with assets of \$1B or more will calculate corporate estimated taxes as follows: the amount of a required installment otherwise due in July, August, or September 2012 is 100.5% of that amount; subsequently, the amount of the next installment is thereby reduced to reflect the amount of the 0.5% increase. (P.L. 112-43, Sec. 502, P.L. 112-41, Sec. 505)

Extended write-off period for certain property

A 39-year write-off period now replaces the 15-year write-off period for specialized realty assets placed in service after 2011. Specialized realty assets include qualified leasehold improvement property, qualified retail improvement property, and qualified restaurant property. (Code Sec. 168(e)(3)(E)(v), and Code Sec. 168(e)(3)(E)(ix))

Reduced bonus depreciation allowance for qualified property

A 50% bonus first-year depreciation allowance now applies to qualified property acquired and placed in service during 2012. This is down from the former 100% allowance. An exception is for aircraft and specific long-production period property, which applies to tax year 2013. (Code Sec. 168(k))

Reduced expensing

Code Sec. 179 expensing election is diminished to \$139,000 provided a \$560,000 investment-based ceiling for tax year 2012. This is down from a \$500,000 expensing election given a \$2M investment-based ceiling. Effective post-2012, the expensing will be further reduced to \$25,000 with a \$200,000 ceiling. Furthermore, for tax years beginning 2012, expensing can no longer be claimed for qualified real property.

How Can We Help?

Your current tax operation may be diligent, but it's hard to split your focus between monthly compliance and in-depth research as well as other projects. You may not have the resources or the time to afford such reviews. Allyn's tax team is staffed with seasoned tax professionals experienced in multi-state tax compliance and consulting for large US and global corporations. We can use that experience to your advantage. Contact us and we can create a customized cost-effective solution to meet your company's needs.

For More Information

If you are interested in learning more about this topic or our Tax services, please contact: tax@allynintl.com.

About Allyn

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