Protecting Americans from Tax Hikes (PATH) Act of 2015

On Friday, December 18th, Congress passed the PATH Act of 2015, which made permanent multiple tax laws and extended various others. Here is a summary of the individual provisions and charitable giving provisions of the PATH Act.

Individual Provisions

Enhanced Child Tax Credit

The child tax credit (CTC) is a $1,000 credit. To the extent the CTC exceeds the taxpayer's tax liability; the taxpayer is eligible for a refundable credit equal to 15 percent of earned income in excess of a threshold dollar amount. This threshold amount is $3,000. It was scheduled to increase to $10,000 at the end of 2017, but has now been permanently set at $3,000.

Enhanced American Opportunity Tax Credit

The American Opportunity Tax Credit (AOTC) is a credit of $2,500 for four years of post-secondary education. It phases out for AGI starting at $80,000 for filing single, and $160,000 married filing jointly. The credit was scheduled to decrease to $1,800 in 2017, but has now been made permanent at $2,500.

Enhanced Earned Income Tax Credit

Low-to-moderate income families may be eligible for the earned income tax credit (EITC). The EITC amount had been temporarily increased through 2017 for those with three or more children. Also, the EITC marriage penalty had been reduced by increasing the income phase-out range by $5,000 for those who are married and filing jointly. These changes are now permanent.

Teacher Expense Deductions

The $250 capped deduction for teacher expenses has now been made permanent. Beginning in 2016, the deduction will also be available to expenses for professional development expenses, and will be indexed for inflation.

Employer-Provided Mass Transit and Parking Benefits

The maximum monthly exclusion amount for transit passes and van pool benefits, so that these transportation benefits match the exclusion for qualified parking benefits, has been made permanent. These fringe benefits are excluded from an employee's wages for payroll tax purposes and from gross income for income tax purposes.

State and Local General Sales Tax Deduction

The option to claim an itemized deduction for State and local general sales taxes in lieu of an itemized deduction for State and local income taxes has been made permanent. The taxpayer may either deduct the actual amount of sales tax paid in the tax year, or deduct an amount prescribed by the Internal Revenue Service (IRS).

Discharge of Qualified Principal Residence Indebtedness from Gross Income

The exclusion from gross income of a discharge of qualified principal residence indebtedness has been extended through 2016. The provision also modifies the exclusion to apply to qualified principal residence indebtedness that is discharged in 2017, if the discharge is pursuant to a written agreement entered into in 2016.

Mortgage Insurance Premiums Treated as Qualified Residence

The treatment of qualified mortgage insurance premiums as interest for purposes of the mortgage interest deduction has been extended though 2016. This deduction phases out ratably for a taxpayer with AGI of $100,000 to $110,000.

Qualified Tuition and Related Expenses Deduction

The deduction for qualified tuition and related expenses for higher education has been extended through 2016. The deduction is capped at $4,000 for an individual whose AGI does not exceed $65,000, or $130,000 for married filing jointly. The deduction is capped at $2,000 for an individual whose AGI does not exceed $80,000, or $160,000 for married filing jointly.

Charitable Giving Incentives

Contributions of Capital Gain Real Property made for Conservation Purposes

The charitable deduction for contributions of real property for conservation purposes has been made permanent. The enhanced deduction for qualified individual and corporate farmers and ranchers, (over 50 percent of income), making a contribution of land that is used, or available for use, in agriculture or livestock production, has also been made permanent.

Tax-Free Distributions from Individual Retirement Plans for Charitable Purposes

The ability of individuals at least 70½ years of age to exclude from gross income qualified charitable distributions from Individual Retirement Accounts (IRAs) has been made permanent. The exclusion may not exceed $100,000 per taxpayer in any tax year.

Contributions of Food Inventory

The enhanced deduction for charitable contributions of inventory of apparently wholesome food, (meets all quality and labeling standards imposed by Federal, State, and local laws and regulations), for non-corporate business taxpayers has been made permanent. The deduction beginning in 2016 has been modified by increasing the limitation on deductible contributions of food inventory from 10 percent to 15 percent of the taxpayer's AGI, or 15 percent of taxable income for a C-corporation. The deduction has also been modified to provide special rules for valuing food inventory

For additional information, click here