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IRS Tax Extensions Voted by Congress – December 2019

Extender Provisions (many originally expired on Dec. 31, 2017)

- The exclusion from gross income for discharge of debt income from qualified principal residence debt ($2 million cap, $1 million if married filing separately) extends for two years (discharge of debt before Jan. 1, 2021). Under prior law, the exclusion didn't apply in tax years beginning after Dec. 31, 2017.
- The deduction for mortgage insurance premiums associated with acquisition debt on a principal residence extends for amounts paid after Dec. 31, 2017 through 2020. The deduction is subject to a ratable phase out: 10% for each $1,000 by which the taxpayer's adjusted gross income (AGI) exceeds $100,000 ($500/$50,000 if married filing separately).
- The medical expense deduction subject to a 7.5% AGI threshold extends for tax years 2019 and 2020 (instead of 10% of AGI).
- The above-the-line deduction for qualified tuition and fees for higher education extends from tax year 2018 through 2020. The deduction is capped at $4,000 when AGI doesn't exceed $65,000 ($130,000 for joint filers) or $2,000 when AGI doesn't exceed $80,000 ($160,000 for joint filers).
- The Indian employment credit and accelerated depreciation for business property on an Indian reservation extends from tax year 2018 through 2020.
- The nonbusiness energy property credit extends from tax year 2018 through 2020. Taxpayers are allowed a 10% credit for purchases of energy efficient improvements made to a principal residence, such as windows, skylights and roofs. There are fixed dollar limits between $50 and $300 depending on the type of improvement, and there is a lifetime cap of $500.
- The qualified fuel cell motor vehicle credit extends from tax year 2018 through 2020. The credit range is $4,000 to $40,000 based on the weight of the vehicle.
- The two-wheeled plug-in electric vehicle credit extends from tax year 2018 through 2020. The 10% credit was capped at $2,500, and the battery capacity must be equal to or greater than 2.5 kilowatt-hours.
- The work opportunity credit extends from tax year 2018 through 2020, and applies to employers that hire individuals in one of the 10 targeted groups.
- The employer tax credit for paid family and medical leave extends through tax year 2020. The credit is equal to 12.5% of eligible wages if the wage rate is 50%, and is increased by .25% (capped at 25%) for each percentage point the rate exceeds 50%. The maximum amount of family and medical leave is 12 weeks per year.
- The credit for health insurance costs extends through 2020.
- The new markets tax credit for individual corporate taxpayers is equal to 39% of capital invested in a qualified community development entity; the new law extended the carryover period for unused credits for one year (through 2025).
- Empowerment zone tax incentives in economically depressed areas extends from tax year 2018 through 2020. The incentives include a 20% wage credit, additional section 179 expensing, tax-exempt bond financing and capital gain deferrals.

Disaster Relief

- Legislation allowed for an exception to the 10% early retirement plan withdrawal penalty for qualified disaster distributions, limited to a cumulative amount of $100,000. Taxpayers can recontribute any withdrawals for home purchases that were cancelled due to the eligible disaster.
- A qualified disaster employee retention credit was established between 2018 and 2019. The credit is calculated at 40% of wages (with a $6,000 per employee max) paid by a disaster impacted employer to an employee from a core disaster area.
- Legislation suspends the limits on charitable contributions affiliated with qualified disaster relief.
- For uncompensated losses in a disaster area, personal casualties do not have to exceed 10% of AGI, and the taxpayer doesn't have to itemize deductions to qualify for the deduction.
- Taxpayers in disaster areas can use earned income from the prior year when computing the earned income credit and child tax credit in 2018.
- For federally declared disasters after the enactment date, individuals with a principal place of abode or taxpayers with a principal place of business in a disaster area were granted an automatic 60-day extension when filing a tax return.

Repeal of Affordable Care Act Taxes

Legislation provides a:

- Medical device excise tax for sales after Dec. 31, 2019.
- Health insurance provider's fee for years beginning after Dec. 31, 2020.
- High-cost employer-sponsored health coverage tax for tax years beginning after Dec. 31, 2019.

Setting Every Community Up for Retirement Enhancement (SECURE) Act

In the Act, legislation:

- Increases the age from 70 ½ to 72 when required minimum distributions must be made from certain retirement accounts.
- Made possible penalty-free distributions from qualified retirement plans, and IRAs for births and adoptions.
- Made it easier for long-term/part-time employees to be eligible for elective deferrals, such as 401(k) plans.