Consolidated Appropriations Act, 2020

Before recessing for the holidays, the House and Senate passed the Consolidated Appropriations Act, 2020. The act averts a government shutdown that would have commenced on December 21, 2019. The House passed the bill on December 17, 2019 and the Senate passed it on December 19, 2019. The President has indicated that he intends to sign the bill into law.

In addition to funding the government, Congress has chosen to include certain tax legislation into the bill including the infamous tax extenders (left out of the Bipartisan Budget Act of 2018), retirement plan funding and distribution reform, disaster tax relief, as well as some miscellaneous tax provisions.

Extenders (almost all are retroactively effective for 2018 through 2020)

- Reduction in the adjusted gross income (AGI) floor for medical and dental expense deductions from 10% to 7.5%.
- Above the line deduction for tuition and fees.
- Treatment of mortgage insurance premiums (PMI) as deductible qualified mortgage interest.
- Exclusion of qualified principal residence indebtedness from gross income.
- Classification of certain race horses as 3-year property, extended through 2020.
- Allowance of a 7-year recovery period for motorsports entertainment complexes, through 2020
- Accelerated depreciation for business property on an Indian reservation, through 2020.
- Special expensing rules for film, television and live theatrical performances, through 2020.
- New markets tax credit and incentives for investments in empowerment zones extended through 2020.
- Certain energy credits, including: nonbusiness energy property, qualified fuel cell vehicles, alternative fuel vehicle refueling property, and energy efficient commercial buildings, through 2020.
- Credit for employers providing paid family and medical leave extended through 2020.
- Look-thru rule for controlled foreign corporations extended through 2020.
- Provisions meant to incentivize the production of beer, wine and distilled spirits extended through 2020.

Retirement Planning

- Moving the start date for required minimum distributions (RMD) from an IRA to the year in which the person turns 72 (formerly 70.5).
- Ending the 70.5 age limit for contributions to an IRA.
- Shortening the distribution period for non-spouse inherited IRA’s to a 10-year maximum.
- Requiring 401(k) plans to offer participation to long-term part-time employees.
- Permitting plans to adopt qualified birth or adoption distributions.
- Encouraging auto-enrollment by increasing the cap.
- Streamlining the safe-harbor for non-elective contributions.
- Permitting qualified birth or adoption distributions up to $5K exempt from tax penalties.
- Counting fellowships, stipends, and “difficulty of care payments” as compensation for purposes of retirement plan contributions.
- Small employers are able to band together to participate in pooled multi-employer plans (MEP).
- Numerous administrative changes that will provide additional flexibility for employees and reduce costs for employer sponsors.

Other Provisions

- Various disaster tax relief provisions.
- Repeal of Affordable Care Act excise taxes on "Cadillac" health insurance plans and medical devices.
- Repeal of Affordable Care Act fees on health insurance providers through 2019 only.
- Kiddie Tax rates reverts from the estate and trust tax rates to the parent's tax rates for tax years beginning after 2019.
- Elimination of the "church parking tax."

Note: This is only a partial list of the provisions in the Act. Please give us a call to discuss an item in greater depth or to inquire about an item not on this list.

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