Consolidated Appropriations Act of 2020

Cross References

- H.R. 1865

Signed into law on December 20, 2019, the Consolidated Appropriations Act of 2020 averts a government shutdown that would have begun on December 21, 2019. The appropriations act funds the federal government through September 30, 2020.

Included in the appropriations bill are a number of tax law changes, including extenders, retirement plan funding and distribution reform, and disaster relief.

Extension of Expiring Provisions

Tax provisions listed on page 1-7 of *TheTaxBook 1040 Edition/Deluxe Edition* that had previously expired are now extended as follows:

- Cancellation of qualified principal residence indebtedness exclusion from gross income has been extended through the end of 2020. [IRC §108(a)]
- Mortgage insurance premiums deduction has been extended through the end of 2020. [IRC §163(h)]
- Medical expense AGI limitation threshold reduced from 10% to 7.5% of AGI for all taxpayers for regular tax and for AMT purposes has been extended through the end of 2020. [IRC §213(f)]
- Tuition and fees deduction has been extended through the end of 2020. [IRC §222(e)]
- Indian employment credit is extended through the end of 2020. [IRC §45A]
- Race horse two years old or younger treated as 3-year property instead of 7-year property has been extended through the end of 2020. [IRC §168(e)(3)]
- Indian reservation property accelerated depreciation recovery periods has been extended through the end of 2020. [IRC §168(j)]
- Empowerment zone tax incentives has been extended through the end of 2020. [IRC §1391(d)]
- Biodiesel and renewable diesel fuels credit has been extended through the end of 2022. [IRC §40A]
- Second generation biofuel producer credit has been extended through the end of 2020. [IRC §40(b)]
- Nonbusiness energy property credit has been extended through the end of 2020. [IRC §25C]
- Alternative motor vehicle credit for qualified fuel cell motor vehicles has been extended through the end of 2020. [IRC §30B(k)]
- Alternative fuel vehicle refueling property credit has been extended through the end of 2020. [IRC §30C]

- Electric vehicle credit for highway-capable 2-wheeled vehicles has been extended through the end of 2020. [IRC §30D]
- Energy efficient home credit has been extended through the end of 2020. [IRC §45L]
- Energy efficient commercial building property deduction has been extended through the end of 2020. [IRC §179D]
- Alternative Fuel Excise Tax credit has been extended through the end of 2020. [IRC §6426(d)]
- New markets tax credit has been extended through the end of 2020. [IRC §45D]
- Employer credit for paid family and medical leave has been extended through the end of 2020. [IRC §45S]
- Work opportunity credit has been extended through the end of 2020. [IRC §51(c)]
- Health coverage tax credit has been extended through the end of 2020. [IRC §35(b)]

Other tax provision that were extended in the new law that are not listed on page 1-7 of *TheTaxBook 1040 Edition/Deluxe Edition* include the following:

- Black Lung Disability Trust Fund excise tax,
- Railroad Track Maintenance Credit,
- Mine Rescue Team Training Credit,
- 7-Year recovery period for motorsports entertainment complexes,
- Expensing rules for certain qualified film and television and live theatrical productions,
- American Samoa Economic Development Credit,
- Credit for Electricity Produced from Certain Renewable Resources,
- Production Credit for Indian Coal Facilities,
- Special allowance for second generation biofuel plant property,
- Special rule for sales or dispositions to implement FERC or state electric restructuring policy for qualified electric utilities,
- Oil spill liability trust fund rate,
- Certain provisions related to beer, wine, and distilled spirits,
- Look-thru rule for related controlled foreign corporations.

Author's Comment

The law mentions some special rules for payments that qualify for some of the energy credits, such as the Alternative Fuel Excise Tax Credit and the Biodiesel and Renewable Diesel Fuels Credit, where the payments made after the credit had expired under prior law are subject to the special rules. The IRS is directed to issue guidance on how to make claims for the credit. The law does not mention a procedure for any of the other credits that had expired for tax years after 2017 under prior law, or how a taxpayer can take advantage of the extended provisions. It is presumed, for example, that if a taxpayer wants to claim the tuition and fees deduction for 2018, the taxpayer would have to file an amended return to take advantage of the extended provision.

Retirement Plan Provisions

The new law also includes a number of changes to retirement plans. The following list is a summary of some of these provisions:

- The starting date for making required minimum distributions from an IRA is the year the owner turns age 72.
- The age 70½ limit for making IRA contributions no longer applies.
- Non-spouse inherited IRAs are now subject to a 10-year maximum distribution period.
- Long-term part-time employees qualify to participate in a 401(k).
- 401(k) plans are permitted to adopt qualified birth or adoption distributions.
- A new tax credit is allowed for small employers using auto enrollment into their 401(k) plans.
- Qualified birth or adoption distributions up to $5,000 are exempt from the early-withdrawal penalty.
- Taxable non-tuition fellowships and stipends and nontaxable difficulty of care payments earned by home healthcare workers are treated as compensation for purposes of retirement plan contributions.
- Provisions that allow employers to encourage employees towards lifetime annuities.
- Plan administrative changes that provide additional flexibility for employees and reduce costs for employer sponsors.

Disaster Tax Relief

The new law includes disaster tax relief for federally declared disaster areas that occurred during 2018 and 2019. The disaster tax relief is essentially the same as is regularly provided in the wake of major disasters like the various hurricane disaster tax relief provisions and California wildfire disaster tax relief provisions that had been made available in prior years. However, unlike prior disaster relief provisions, this disaster tax relief provision applies to all federally declared disasters during the period beginning January 1, 2018 and ending January 19, 2020. Tax relief under this new law includes:

- Forgiveness of the early-withdrawal penalties for qualified disaster distributions.
- The re-contribution of amounts withdrawn for home purchases.
- The increase in the amount of loans from qualified plans.
- An employee retention credit for employers in affected areas.
- Special casualty loss rules for affected individuals.

Other Provisions

The new law also includes a number of miscellaneous provisions, including:

- The repeal of the excise taxes on high cost employer-sponsored health coverage (Cadillac plans) and medical devices that was first enacted under the Affordable Care Act (ACA).
- The repeal of the fee on health insurance providers that was first enacted under ACA.
- The application of the estate and trusts tax rate to unearned income of children (the kiddie tax) has been repealed and replaced with the use of the parents' tax rate for tax years after 2019.
- The parking tax on certain employee fringe benefits has been repealed.

Not Included in the New Law

A provisions that did not make it into the new law is a fix for the so-called retail glitch, where leasehold improvement property outside the 15-year recovery property category for depreciation purposes is subject to a 39-year recovery period.

What's New and Industry Highlights Tax Season Edition

Details about the tax law changes included in the Consolidated Appropriations Act of 2020 will be covered in Tab 1 of *TheTaxBook What's New and Industry Highlights Tax Season Edition,* scheduled to be shipped on February 1, 2020.