

February 2020 TaxInsight



Extenders Bill

In December, the president signed the *Further Consolidated Appropriations Act, 2020*, which contains the SECURE Act and extenders. These acts affect you in many ways.

First, the SECURE Act provides for several changes related to retirement plans. Provided you meet the requirements, the law allows you to make contributions to traditional IRAs regardless of your age. Before the SECURE Act, you could not contribute after age 70½. Also, the law raises the age at which you must take retirement distributions from 70½ to 72.

There are two new types of penalty-free distributions from qualified plans and IRAs for expenses related to the birth or adoption of a child, and expenses related to disasters. For expenses relating to having a child, up to \$5,000 can be distributed from a retirement plan for qualified expenses. These expenses are those incurred within one year of the birth of the child, and within one year of the adoption of a child under age 18 or disabled. These distributions will still be taxed for income tax purposes, but the 10% penalty is waived.

If you are in a disaster area, and your insurance and other benefits do not cover your losses, you can now take a distribution from your retirement account to make up your losses. The distribution can be up to \$100,000. It is taxed for income tax purposes, but is not subject to the 10% penalty.

The other portions of the act contain what are usually called extenders. Each year, some deductions and credits expire. Generally, last-minute legislation extends them for another year. In this case, there was no legislation in 2018. The act extends these benefits for tax years 2018, 2019, and in some cases 2020. This means that you may be able to amend your 2018 return to take advantage of these benefits. What is extended?

- The **tuition and fees deduction** allows an above-the-line deduction for education expenses. This is an option if you don't qualify for the American Opportunity Credit.
- If you had **cancellation of debt income** from the foreclosure of your home, you may have had to include the cancellation in income. The income can now be excluded.
- **Private mortgage insurance** is often required if you do not make a 20% down payment on your home. It is reported on the same document on which your mortgage interest is reported. This is an itemized deduction, so if you itemized in 2018, this may impact you.

If any of these might affect you, please contact my office. We can review your 2018 return, and potentially amend it to provide a better result.

Tax Return Due Dates

- Form 1065 – March 16, 2020
- Form 1120S – March 16, 2020
- Form 1040 – April 15, 2020
- Form 1120 – April 15, 2020

Tax Notes

Taxpayers who claim the earned income tax credit or additional child tax credit will not receive a refund before February 15, 2020. The IRS expects funds to reach debit cards and bank accounts sometime in early March. If you claim either of these credits, you can check the status of your refund on the IRS website "Where's My Refund" sometime after February 15. You should be able to see the projected date of funding by February 22, 2020.

Did You Know?

This year, Mardi Gras is on Tuesday, February 25. It's a celebration of the last day of Carnival, before the first day of Lent, traditionally a time of fasting for those who observe. The biggest celebrations of Mardi Gras in the United States include New Orleans, Pensacola, Galveston, and St. Louis. The first Mardi Gras celebration in the United States was in Mobile, Alabama, dating back to 1703.

