

2020/2019 Easy Update & Inflation Adjustments

With Coronavirus Supplement

(Plus Reminders on Select Provisions)



Edited By

Danny C. Santucci

The author is not engaged by this text, any accompanying electronic media, or lecture in the rendering of legal, tax, accounting, or similar professional services. While the legal, tax and accounting issues discussed in this material have been reviewed with sources believed to be reliable, concepts discussed can be affected by changes in the law or in the interpretation of such laws since this text was printed. For that reason, the accuracy and completeness of this information and the author's opinions based thereon cannot be guaranteed. In addition, state or local tax laws and procedural rules may have a material impact on the general discussion. As a result, the strategies suggested may not be suitable for every individual. Before taking any action, all references and citations should be checked and updated accordingly.

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional service. If legal advice or other expert advice is required, the services of a competent professional person should be sought.

—From a Declaration of Principles jointly adopted by a committee of the American Bar Association and a Committee of Publishers and Associations.

No copyright is asserted on government materials.

Copyright March 2020

Danny Santucci

Table of Contents

Individual	1
Consolidated Appropriations Act 2020 (H.R. 1865)	1
Income Tax Rates - §1	1
Marriage Penalty - Mostly Gone	3
Capital Gain & Qualified Dividend Rate.....	3
Same-Sex Marriage	4
Innocent Spouse Relief - §6015(f).....	4
Standard Deduction - §63	4
Dependent Limit - §63(c)(5).....	5
Personal Exemptions & Phaseout (Suspended) - §151	5
Deemed Personal Exemption for Related Incorporating Provisions	6
\$500 Credit for Certain Dependents - §24(h)(4)(A).....	6
Limitation on Itemized Deductions - §68	7
Itemized Deductions Subject to 2% Floor Fully Denied	7
Children's Income.....	9
Earned Income - §73	9
Unearned Income	9
"Kiddie" Tax - §1(g).....	10
Application, Threshold & Impact	10
Election to Report on Parents' Return - §1(g)(7)(A) [Form 8814].....	11
AMT - §55.....	11
Exemption Amounts & Permanent "Patch" - §55(d)(1).....	12
AMT Exemption Phaseout - §55(d) & §59(j).....	12
AMT & Personal Credits.....	13
AMT Exemption for Children - §59(j).....	13
Modified Inflation Adjustment.....	13
Wage Base for Social Security & Medicare Taxes.....	13
Earned Income Tax Credit - §32	14
Disqualified Income - §32(i)	14
Means-Tested Programs	14
Child Tax Credit - §24.....	17
Earned Income.....	17
AGI Phaseout	17
Child & Dependent Care Expenses Tax Credit - §21	17
Alimony Payment Deduction Repealed.....	18
Moving Expense Deduction & Reimbursement Repealed	18
State & Local Taxes (SALT) Limited	19
\$10,000 Exception.....	19
Charitable Contributions.....	19
Cash Contributions - 50/60 Percent Limitation	20
College Athletic Event Seating Rights Repealed	20
Substantiation Exception for Donee Reported Contributions Repealed.....	20
Charitable Insubstantial Benefit Limitations - §513(h)	20
Mortgage Interest Deduction Limited.....	21
Securities Rollover Into SSBICs Repealed.....	21
Educator Expenses - §62	21

Discharge Of Student Loan Indebtedness Expanded.....	22
Higher Education Tuition Deduction (Reinstated) - §222	23
Tax on Net Investment Income - §1411	23
Reduced Home Sale Exclusion For Nonqualified Use - §121	24
Computation	24
Nonqualified Use.....	24
Post-May 6, 1997 Depreciation	25
Surviving Spouse Home Sale Exclusion - §121	25
Residential Mortgage Debt Relief (Reinstated) – §108.....	25
Deductible Mortgage Insurance Premiums (Reinstated) - §163	26
Phaseout	26
Insubstantial Benefit Charitable Contribution Limitation - §513	26
Household Employees - §3121	27
Adoption Credit - §23 & §137.....	27
Education Savings Accounts - §530 & §529	27
Rollovers Between §529 Tuition & ABLE Programs	28
Notice 2018-58.....	29
Hope & Lifetime Learning Credits - §25A.....	31
Lifetime Learning Credit - §25A(a)(1).....	31
Phase Out - §25A(d)(2).....	31
Hope (with American Opportunity modifications) Credit - §25A(b)(1)	31
Phase Out - §25A(d)(2).....	32
Refundable.....	32
Educational Savings Bonds - §135	32
Student Loan Interest Deduction - §221	33
Phase Out.....	33
Discharge Of Student Loan Indebtedness - §108	33
Foreign Earned Income Exclusion - §911	33
Rehabilitation Credit Modified - §47.....	34
Conservation Base Expansion - §170(b)	34
Definitions	35
Grandfathered Archer Medical Savings Accounts - §220	35
Medical Expense Deduction - §213.....	36
Personal Casualty Losses Suspended	36
Wagering Losses Limited	36
Health Savings Accounts (HSAs) - §223	37
High Deductible Health Plan (HDHP)	37
Annual Limit On Contributions.....	37
Interaction with Obamacare.....	37
Integration with Employer Mandate - Notice 2018-88.....	38
Long-Term Care Premiums - §213(d)(10).....	38
Long-Term Care Payments - §7702B(d)(4).....	38
ABLE Accounts - §529A	39
Qualified ABLE Program.....	39
Contributions	39
Distributions	40
Rollover.....	40
PATH Act Modification	40
Affordable Care Act (“Obamacare”).....	40
Mandates	41
Individual - Repealed.....	41

Health Plan Coverage Credit - §36B	41
Employers	42
Small Employers - Fewer Than 50 Employees	42
Large Employers - 50 or More Full-time Employees.....	42
Marketplaces & The Protecting Affordable Coverage for Employees Act	44
Medical Device Excise Tax - Repealed.....	44
Health Insurance Provider's Fee - Repealed	44
Tax on "Cadillac" Plans - Repealed.....	44
Expatriation - §877A	45
Failure to File Tax Return - §6651	45
Penalties Regarding Preparing Other's Tax Returns - §6695	45
Attorney's Fees - §7430(c)(1)	45
Energy	48
Residential Energy-Efficient Improvements & Property - §25C.....	48
Qualified Energy Efficiency Improvements	48
Qualified Energy Efficient Property.....	48
PATH Act Extension & H.R. 1865 Reinstatement.....	48
Personal Solar Property Credit (Extended) - §25D.....	49
Renewable Energy Production Tax Credit - §45 & §38	49
H.R. 1865 Changes.....	50
Credit For Fuel Cell Vehicles (Reinstated) - §30B.....	50
Alternative Fuel Vehicle Refueling Property (Reinstated) - §30C	50
Plug-In Electric Drive Motor Vehicle Credit - §30D	51
Notice 2018-96.....	51
Plug-in Electric Motorcycles & 3-Wheeled Electric Vehicles - §30D(g).....	52
Credit for Energy New Efficient Home (Reinstated) - §45L.....	52
Advanced Energy Investment Credit - §48C.....	53
Energy-efficient Commercial Property Expenditures - §179D.....	53
Business.....	54
Business Income of Individuals - 20% Deduction - §199A.....	54
Limitations.....	54
Deduction Amount	54
Qualified Trade Or Business	55
Final Regulations & Guidance	55
Corporate Tax Rate Reduced to 21%	56
Alternative Minimum Tax for Corporations (Repealed) - §55	57
Small Business Accounting Methods Expanded - §448	57
Excessive Employee Remuneration Limit Modified - §162(m).....	59
Qualified Equity Grants - §83(i).....	60
Entertainment Activities Or Facilities Deduction Repealed	61
Transportation Fringes.....	62
Food, Beverage & Meal Expenses	62
Eating Facilities	63
Business Interest Limited - §163(j)	63
Notice 2018-28.....	64
Limitation on Non-corporate Losses - §461(l)	64
IRS Guidance - IR-2018-254.....	65
Net Operating Loss Deduction Modified - §172	65
IRS Guidance - IR-2018-254.....	66
Expenses for Child Care Facilities & Services - §45F.....	66
Family & Medical Leave Credit - §45S.....	66

Uniformed Services Wage Credit - §45P	67
Health Care Coverage.....	67
Credit - §45R.....	67
Reporting - §6051(a)(14).....	68
Small Employer HRA - §9831(d)(2)	68
Bonus (or Additional First-year) Depreciation - §168(k).....	68
Qualified Property - §168(k)(2).....	69
Depreciation Limits on Business Vehicles - §168(k)(2)(F).....	70
Nonqualified Property - §168(k)(2).....	70
Proposed Regulations on 100% Depreciation	70
Vehicle Depreciation “Caps” - §280F(a).....	70
Bonus Depreciation - Good News, Bad News.....	71
\$25,000 Limit - §179(b)(5)(A)	71
Expensing - §179	71
General Business Credit - §38	72
Special Film & TV Production Expensing (Reinstated) - §181.....	73
Estimated Tax Payments - §6654	73
Standard Mileage Rates.....	74
Self-Employment Tax & CRP Payments - §1402	76
Social Security, Medicare & FUTA (or Payroll) Taxes.....	77
FICA - §3111 & §3121.....	77
SECA - §1401	77
Wage Base.....	77
Additional Hospital Insurance Tax On Certain High-Income Individuals	77
FUTA - §3301 & §3306	78
Research Tax Credit - §41	78
Incremental.....	79
Alternative Simplified Credit.....	79
Relation to §174.....	79
Qualified Expenses.....	79
Repatriation of Deferred Foreign Income - §965	80
Amortization of Research & Experimental Expenditures - §174	80
Low-Income Housing Tax Credit - §42.....	81
Rate Freeze	81
Basis Amount	81
Military Allowances & Low-Income Housing - §42(h) & §142(d).....	81
Cafeteria Plans - §125.....	82
Employer-Provided Educational Assistance - §127.....	82
Parking Exclusion & Passes - §132	82
Bicycle Fringe Benefit Exclusion (Suspended)- §132(f).....	82
Cents-per-Mile Valuation Method - §61	83
Employee Achievement Awards Exclusion Modified - §74	83
Moving Expense Reimbursement Exclusion (Repealed) - §132	84
Travel Per Diem Rates - §162 & §274	84
Work Opportunity Tax Credit (WOTC) - §51	85
Targeted Groups	85
Credit Amount.....	86
Special Long-Term Family Assistance Recipients Calculation	87
Special Veterans Calculation as a Result of “VOW”.....	87
Prior to 2018 Leasehold Improvement, Retail Improvement & Restaurant Property - §168.....	88
Qualified 15-Year Leasehold Improvement Property - §168(e)(3)(E)(iv)	88

Qualified Leasehold Improvement Property.....	88
Subsequent Owner.....	89
Qualified 15-Year Retail Improvement Property - §168(e)(E)(ix).....	89
Qualified Retail Improvement Property.....	89
15-Year Restaurant Improvement Property - §168(e)(3)(E)(v).....	90
Qualified Restaurant Property.....	90
Expensing & Bonus Depreciation Permitted.....	90
Expensing - §179.....	90
Bonus Depreciation - 168.....	90
Recapture Considerations - §1245 & §1250.....	90
2018 & Later Qualified Improvement Property - §168(e)(6)(A).....	91
Recovery Period & Depreciation Method - §168(b)(3)(G).....	91
Qualified Improvement Property - §168(e)(6)(A).....	91
Recovery Period Of Certain Farm Property Shortened - §168.....	92
Like-kind Exchanges Limited to Real Property - §1031.....	92
Enhanced Charitable Deduction for Food - §170.....	93
Qualified Small Business Capital Gains - §1202.....	93
75% Exclusion - February 17, 2009 to September 27, 2010.....	94
100% Exclusion - September 27, 2010, to Present.....	94
Domestic Production Activities Deduction (Repealed) - §199.....	94
New Markets Tax Credit - §45D.....	95
Qualified Equity Investment.....	95
Qualified Low-Income Community Investments.....	95
Qualified CDE.....	95
Credit Amount.....	96
H.R. 1865 Changes.....	96
Motorsports Entertainment Complexes (Reinstated) - §168.....	96
Empowerment Zones (Reinstated) - §1391.....	96
Imputed Interest Small Transaction Exception - §1274A.....	97
Denial of Deduction for Certain Fines Expanded - §162(f).....	97
Denial of Sexual Harassment Settlement Deductions - §162(q).....	97
Technical Termination Of Partnerships Repealed - §708.....	98
Increased Holding on Partnership Profit Interests - §1061(a).....	98
Limitation On Allowance Of Partner's Share Of Loss - §704(d).....	99
Built-In Loss Definition On Partnership Interest Transfer - §743.....	99
Foreign Person Sale of U.S. Partnership Interest - §864(c).....	99
S to C Corporate Conversion Rules Modified - §481(d).....	100
S Corporation Built-In Gain Period - §1374.....	101
S Corporation Charitable Contributions - §1367.....	101
Beneficiaries Of An Electing Small Business Trust - §1361.....	102
Charitable Deduction for Electing Small Business Trust - §641.....	102
Small Life Insurance Company Deduction Repealed - §806.....	102
UBIT Separately Computed - §512.....	102
UBTI Increased by Taxable Fringe Benefits - §512.....	103
Tax-Exempt Organization Executive Compensation Tax - §4960.....	103
Payments To Controlling Exempt Organizations - §512(b).....	104
Backup Withholding Percentage Reduced - §3406.....	105
Private College And University Investment Income - §4968.....	105
Dividends Of Regulated Investment Companies (RIC's) - §871.....	106
Information Reporting & Penalties - §6721 et al.....	106
Corrections Resulting in Reduced Penalties.....	107

Small Businesses	107
Reasonable Cause.....	107
Failure to File Partnership Return - §6698	107
Failure to File S Corporation Return - §6699	107
Retirement Plans	110
SECURE Act of 2019.....	110
Expanding & Preserving Retirement Savings	110
Administrative Improvements	113
Revenue Provisions	115
Defined Benefit Plans - §415(b)(1)(A).....	115
Defined Contribution Plans - § 415(c)(1)(A).....	116
Rollover Period For Plan Loan Offset Amounts Extended	116
Compensation Limit - §401, §404 & §408	116
IRA Contribution Limit - §219.....	116
Catch-up Contribution - §219(b)(5)(B)	116
IRA AGI Phaseout Limits - §219	117
Individual Taxpayer is an Active Plan Participant	117
Spouse is an Active Plan Participant	117
Charitable Distributions from IRAs - §408	117
Roth Contribution Limit - §408A(c)(2) & §219.....	118
Roth AGI Phaseout Limits - §408A(c)(3)	118
Rollovers to Roth IRAs	119
In-Plan Rollovers to Roth Accounts.....	119
Roth IRA Conversions for Retirement Plans.....	119
Special Roth IRA Recharacterization Repealed	119
Designated Roth Accounts for §457 Plans	120
§401(k), §403(b) & §457 Elective Deferral & Catch-up Limits.....	120
SIMPLE Plans	120
Simplified Employee Pensions (SEPs).....	121
Contribution Limit.....	121
Compensation Limit	121
Retirement Savings (Saver’s) Credit - §25B(b).....	121
Nonspouse Rollovers - §402.....	121
H.R. 1865 Change - 10 Year Rule.....	122
Disaster-Related Rules for Retirement Plans.....	122
Disaster Use of Retirement Funds	122
Retention Credit	122
Estate, GST & Gift Taxes - §2001, §2601 & §2501	123
Estate Tax - §2001	123
Repeal & Reinstatement of Estate & GST Taxes	123
Applicable Exemption Amount - §2010.....	123
Making Large Gifts Now Won’t Harm Estates After 2025	124
Basis of Inherited Property - §1014.....	124
2010 Special Election	124
Portability - §2010(c)	124
State Death Tax Credit Replaced with Deduction - §2058.....	124
Real Property Valuation - §2032A	124
Interest on Estate Tax Installments - §6166 & §6601.....	125
Estate & Trust Income Tax Rates - §1(e)	125
Consistent Basis Reporting Between Estate & Heirs.....	125
GST Tax - §2601	126

Rates	126
Applicable Exemption Amount for GST - §2010.....	126
Gift Tax - §2501	126
Reunification of Estate & Gift Taxes	126
Applicable Exemption Amount for Gift Tax - §2505.....	127
Annual Exclusion for Gifts - §2503	127
Noncitizen Spouse Exclusion - §2523(i)(1).....	127
Notice of Large Gifts Received from Foreign Persons - §6039F	127
Coronavirus Supplement/Addendum	130
High-Deductible Health Plans (3/11/20)	130
Families First Coronavirus Response Act (3/18/20).....	130
Paid Leave	131
Paid Sick Leave Credit.....	131
Child Care Leave Credit.....	131
Payment for the Cost of Providing Leave.....	131
Small Business Exemption	132
Effective Date.....	132
Federal Gift & GST Tax Filing & Payment Deadline (3/20/20)	133
Income Tax Filing & Payment Deadline (3/21/20)	133
Coronavirus Aid, Relief, and Economic Security (CARES) Act.....	134
Recovery Rebate/Credit.....	134
Eligibility	134
Identification Number	134
Backward Calculation.....	134
Noticing Requirement	135
Phaseout.....	135
Waiver of 10% Early Withdrawal Penalty	135
Coronavirus-Related Distribution.....	135
Qualified Individual.....	136
Repayments of Coronavirus-Related Distributions	136
Temporary Waiver of RMD Rules	136
Application	136
Loan Limits for Qualified Employer Plans	137
Charitable Deductions	137
\$300 Above-the-Line Charitable Deduction.....	137
Qualified Charitable Contribution	137
Individual Cash Contribution Limit During 2020.....	137
Qualified Contributions.....	138
Corporate Cash Contribution Limit During 2020	138
Contribution Of Food Inventory During 2020	138
Repayment of Employee Student Loans.....	138
Employee Retention Payroll Tax Credit.....	138
Eligible Employers	139
Wages	139
Employer Payroll Tax Delay	139
Applicable Date	139
Estimated Payments.....	139
Net Operating Losses	140
Loss Limitation For Noncorporate Taxpayers.....	140
Business Interest Limitation	140
Qualified Improvement Property	140

Small Business Loan Forgiveness	141
Eligible Debt Forgiveness.....	141
Definitions	141
Unemployment Benefits.....	142
Advancing of Credits for Paid Sick & Family Leave.....	142
High Deductible Health Plans & Telehealth Services.....	142