# Highlights of spending package's tax law changes

The federal government spending package titled the Further Consolidated Appropriations Act, 2020, does more than just fund the government. It extends certain income tax provisions that had already expired or that were due to expire at the end of 2019. The agreement on the spending package also includes the Setting Every Community Up for Retirement Enhancement (SECURE) Act.

Let's look at some of the highlights.

## Extenders

Here are some of the most widely relevant breaks that have been extended through 2020:

- The exclusion from gross income of discharge of qualified principal residence indebtedness,
- The treatment of mortgage insurance premiums as qualified residence interest for itemized deduction purposes,
- The reduction in the medical expense itemized deduction floor to 7.5% of adjusted gross income,
- The above-the-line deduction for qualified tuition and related expenses,
- Empowerment zone tax incentives,
- The New Markets credit,
- The employer tax credit for paid family and medical leave, and
- The Work Opportunity credit.

Some of these extensions might open up year-end tax planning opportunities if you can act before December 31. And the extension of some breaks that had expired at the end of 2017 but that now have been retroactively revived means that some taxpayers should consider filing amended returns for 2018.

## Retirement plans

The SECURE Act is primarily intended to encourage saving for retirement, though it's not entirely favorable to taxpayers. Most provisions take effect January 1, 2020. Here are some of the most significant provisions:

- Elimination of the age 70½ limit for making traditional IRA contributions, so that anyone can contribute as long as they're working, matching the existing rules for 401(k) plans and Roth IRAs,
- Increase of the age at which taxpayers must begin to take required minimum distributions (RMDs) from 70½ to 72,
- An exemption from the 10% tax penalty on early retirement account withdrawals of up to $5,000 within one year of the birth of a child or an adoption becoming final,
- Elimination of the "stretch" RMD provisions that have permitted beneficiaries of inherited retirement accounts to spread the distributions over their life expectancies,
- Expansion of access to open multiple employer plans (MEPs), which give smaller, unrelated businesses the opportunity to team up to provide defined contribution plans at a lower cost, due to economies of scale, with looser fiduciary duties.
- Elimination of employers' potential liability when it comes to selecting appropriate annuity plans, and
- A new requirement that employers allow participation in their retirement plans by part-time employees who've worked at least 1,000 hours in one year (about 20 hours per week) or three consecutive years of at least 500 hours.

## Learn more

This is just a brief overview of some of the most relevant provisions. Contact your tax advisor to learn more about these and other changes that may affect you.

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