

## **Key TAX ISSUES related to The Taxpayer Certainty and Disaster Tax Relief Act of 2020, a division of the 2021 Consolidated Appropriations Act**

On December 27, 2020, President Trump signed into law the Taxpayer Certainty and Disaster Relief Act.

Below are a few highlights:

### **Key Extenders**

#### PERMANENT EXTENDERS (for tax years beginning after 12/31/20)

- Medical Expenses- The medical expense deduction floor is permanently restored to 7.5% of AGI.
- Education Expenses- The deduction for qualified tuition and related expense is repealed. The Lifetime Learning Credit phaseouts are increased to \$80,000 (\$160,000 joint).
- Energy Efficient Commercial Buildings Deduction -This deduction, known as 179D, was made permanent and is adjusted annually for inflation.

#### FIVE YEAR EXTENDERS (Through 12/31/2025):

- Worker Opportunity Tax Credit (WOTC) for employing individuals who are members of targeted groups.
- Exclusion from gross income discharge of qualified principal residence indebtedness and lowers the maximum amount of forgiven indebtedness excludible to \$750,000 (\$375,000 MFS)
- Employer Credit for Paid Family and Medical leave extended through 12/31/2025.
- Employer payment of student loans excluded from employee's income up to \$5,250 annually.

#### THREE YEAR EXTENDERS (Through 2023)

- Residential energy efficient property credits for expenditures of qualified solar, biomass fuel, and geothermal energy sources.

#### ONE YEAR EXTENDER (through 2021)

- Treatment of mortgage insurance premiums as qualified residence interest
- Non-business energy property credits, subject to lifetime limitations.
- Energy Efficient Homes Credit for eligible contractors of up to \$2,000 for qualifying homes
- Charitable deduction for nonitemizers (above the line) of \$300 (\$600 MFJ) through 2021
- Charitable deduction for itemizers- extended from CARES act -100% deduction for cash contributions to a public charity.

## Other Provisions for Individuals

- Rollover of unused Flex Spending Accounts amounts from 2020 to 2021 and from 2021 to 2022.
- Provides for additional 2020 recovery rebates up to \$600 per qualifying taxpayer and child
- The maximum age for maxing contributions to a traditional IRA is repealed and removed. Qualified Charitable Distributions cannot be excluded by the amount of IRA deductions for all years made on or after the age of 70.5 is achieved, the previous age cap on making traditional IRA contributions. They would instead be moved to schedule A as an itemized deduction.
- A \$5,000 distribution for both taxpayer and spouse and per event basis may be taken from a qualified retirement plan within a year of birth of a child or legal adoption is finalized without regard to the 10% early withdrawal penalty.
- Increase in age for Required Minimum Distributions is increased from 70.5 to 72.
- Strikes TCJA amendments to kiddie tax. Taxpayers may also amend for tax year 2018 and 2019 to return to prior TCJA treatment.

## Other Provisions for Business

### PAYROLL ITEMS

- Deferred payroll taxes- Extends time for repayment through 12-31-21.
- Retirement plans- Small employer Auto Enrollment and Start up credit of \$500 if plan with auto enrollment.
- Employee Retention Credits- Extended until June 2021 with taxpayer friendly changes in the calculation. No longer prohibited from using ERC if you had PPP loans. Lookback period for 2020 for those who were ineligible at time also added, but more guidance is needed in terms of what qualified wages will be for lookback period from IRS to date.
- Families First Coronavirus Response Act Credit extended, but is no longer mandatory, to March 31<sup>st</sup>.

MEALS DEDUCTION- Allows 100% deduction for food and beverages provided by a restaurant if paid or incurred in 2021 and 2022.