December 21, 2019

# *Consolidated Appropriations Act, 2020*

Yesterday, the Consolidated Appropriations Act, 2020 was signed into law. Although primarily focused on government spending, thereby preventing a government shutdown, there are several provisions within the Act that impact taxes including:

1. Prior to the Act, an individual was required to take minimum distributions from an Individual Retirement Account (IRA) beginning at age 70 ½ . The Act increases this age to 72. In addition, An individual with earned income can now continue to contribute to a traditional IRA after age 70 ½.

2. An extension through 2020 of several deductions and credits including the deduction under Internal Revenue Code Section 179D for energy efficiency improvements, the Work Opportunity Tax Credit and the Tax Credit for Paid Family and Medical Leave.

3. The itemized deduction for mortgage insurance premiums was not previously available for tax years beginning after December 31, 2017. The Act reinstitutes the deduction for 2019.

4. For tax years prior to 2018, a child's unearned income (ex. interest, dividends, etc.) was generally taxed based on the marginal tax rate of their parent(s). This is known as the "kiddie tax" calculation. In an effort to simplify the tax calculation for this income, beginning in 2018, a child's unearned income was taxed based on the income tax rates applied to trusts. An unintended consequence of this methodology was that the tax on a child's unearned income increased. Effective for 2020, the prior methodology will be reinstituted and, as a result, a child's unearned income will again be taxed at their parents' marginal tax rate. Reverting to the old methodology may require the extensions of children's tax returns when their parents' returns are also extended.

5. Beginning in 2019, the deduction for medical expenses was only going to be available to the extent that the total expenses exceeded 10% of the taxpayer's adjusted gross income. The Act reduced the income threshold back to 7.5% of adjusted gross income thereby maintaining consistency with tax years prior to 2019.

6. One change which was not addressed with the Act is the depreciable period for Qualified Improvement Property (QIP). The depreciable life for QIP remains at 39 years, thereby precluding this property from qualifying for accelerated depreciation deductions under the bonus depreciation provisions.

Please do not hesitate to contact us should you have any questions regarding the Consolidated Appropriations Act, 2020.

**Miller*Searles* LLC**