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IMPORTANT INDUSTRY NEWS

Extenders and Disaster Tax Relief Provisions for 2020 Tax Season

The 2020 Consolidated Appropriations Act that was signed into law on December 20, 2019 included restoring the expired extender tax provisions (that had expired at the end of 2017) for 2018 – 2020 and disaster relief provisions that cover all federally declared disasters that occurred in 2018 and 2019.

The more well-known of the extenders are those that affect individuals and are summarized below.

See [the Amendment](#) to the 2020 Appropriations legislation for more information.

Most Relevant Extender Provisions

The following expired federal provisions that affect individuals were extended for 2018, 2019 and 2020:

- Above Line Tuition and Fees Deduction (Form 8917/Form 1040, Schedule 1, line 21)
- Reduction in the adjusted gross income (AGI) floor for medical and dental expense deductions from 10% to 7.5%
- Exclusion of gain from income of foreclosed home mortgage debt (Form 982, line 1e)
- Ability to treat mortgage insurance premiums as qualified mortgage interest (Schedule A, line 8d)
- Nonbusiness Energy Property Credit – Form 5695, Part II
- Credit for 2-Wheeled plug-in electric vehicles – Form 8936
- Credit for new qualified fuel cell motor vehicles – Form 8910

Disaster Relief Provisions

The following disaster relief provisions were made available to taxpayers that were affected by a federally declared disaster that occurred in 2018 or 2019:

Deduction for Personal Casualty Losses

Uncompensated losses that occurred in a federally declared disaster area:

- Must exceed \$500 in order to take a deduction
- Removes the requirement that the loss exceed 10% of AGI
- May be taken as an itemized deduction or as an increase in a taxpayer's standard deduction.

Special Rule for Determining 2019 or 2018 Earned Income for the Earned Income Tax Credit and Child Tax Credit

Qualified individuals may use their earned income from the preceding tax year to determine their earned income tax credit and their child tax credit if they lived in a federally declared disaster area in 2018 or 2019 as follows:

- 2018: May use their 2017 earned income if their 2018 earned income is less than their 2017 earned income.
- For 2019: May use their 2018 earned income if their 2019 earned income is less than their 2018 earned income.

Qualified individuals are those whose principal place of abode was located in a federally declared disaster zone or they lived in applicable federally declared disaster area and they were displaced from their home because of the disaster.

Retirement Fund Provisions

- For qualified federal disaster distributions, an individual can withdrawal funds (up to \$100,000) from a retirement account free of the 10 percent early withdrawal penalty and can spread the taxable portion on that distribution over a three-year period.
- Any qualified federal disaster relief withdrawal will not be taxable if it is recontributed within three years of the date of distribution.
- Increases the maximum loan amount for qualified federal disaster relief to \$100,000.
- Allows for re-contribution of retirement plan withdrawals for cancelled home purchases or construction of a principal residence due to a federally declared disaster.

Charitable Contributions for Disaster Relief

- Suspends the limitation on charitable contributions associated with a federally declared disaster that are made in 2018 or 2019.