

## Tax Change – Extenders Have Been Extended Again

There were a few tax issues included in the budget act that President Trump signed December 20, 2019. This email includes the items commonly known as “extenders”.

The following “extenders” have been extended retroactive to January 1, 2018 (yes, we said January 1, 2018) and now have an expiration date of December 31, 2020. We are not providing explanations of these individual items since they have existed for many years and the only change is to make them available for a longer period of time.

- The medical base remains at 7.5% instead of 10% (§213). (This was already 7.5% for 2018 returns.)
- Deduction for mortgage insurance premiums as qualified residence interest (§163(h)(3)).
- Deduction for tuition and related expenses (§222).
- Nonbusiness Energy Property Credit (i.e., insulation, storm doors/windows, etc.) (§25C).
- Exclusion from income of the debt cancellation that is acquisition indebtedness on the taxpayer’s principal residence of up to \$2,000,000 (§108(a)(1)(E)).
- Depreciable life of certain race horses as 3-year property (§168(e)).
- Depreciable life for motorsports entertainment complexes of 7-year property (§168(i)).
- Accelerated Depreciation for business property on Indian Reservations (§168(j)).
- Energy Efficient Homes Credit (aka Builders Credit) (§45L).
- Qualified Fuel Cell Motor Vehicles Credit (§30B).
- Alternative Fuel Refueling Property Credit (§30C).
- 2-Wheeled Plug-in Electric Vehicle Credit (§30D).
- Black Lung Disability Trust Fund Excise Tax (§4121).
- Indian Employment Credit (§45A).
- Railroad Track Maintenance Credit (§45G).
- Mine Rescue Team Training Credit (§45N).
- Expensing under §181(g) for certain productions.
- Various incentives for Empowerment Zone Activities (§1391).
- Economic Development Credit for American Samoa (§119).
- Biodiesel and Renewable Diesel Credit (§40A).
- Second Generation Biofuel Producer Credit (§40).
- Electricity Produced from Certain Renewable Resource Credit (§45).
- Indian Coal Facilities Credit (45(e)).
- Special Allowance for Second Generation Biofuel Plant Property (§168(l)).
- Energy Efficient Commercial Buildings Deduction (§79D).
- Special Rule for Sales or Dispositions to Implement Ferc or State Electric Restructuring Policy for Qualified Electric Utilities.

- Extension and Clarification of Excise Tax Credits relating to alternative fuels (§6426 and §6426).
- Oil Spill Liability Trust Fund Rate (§4611).

The following “extenders” were scheduled to expire at the end of 2019 and have now been extended through 2020.

- New Markets Credit (§45D).
- Employer Credit for Paid Family & Medical Leave (§45S).
- Work Opportunity Credit (§51).
- Certain Provisions Related to Beer, Wine, and Distilled Spirits.
- Look-thru Rule for Related Controlled Foreign Corporations (§954).
- Credit for health insurance costs of Eligible Individuals (§35(b)).

Although some of these extenders may help some taxpayers, we feel Congress acted irresponsible in retroactively extending many of the “extenders”. The purpose of many of these “extenders” is to give taxpayers a tax incentive to do something. Reinstating extenders retroactively to January 1, 2018, doesn’t seem like a great way to “incentivize” anyone to do something in 2018 or most of 2019. It could cause a person to wonder if these “extenders” were passed to reward friends of our elected Congress.

On the government side, IRS is now required to revise all applicable forms and schedules (& programming) to take into account the items that were extended for 2019. We would not be surprised if IRS delays the ability to file tax returns due to this late action by Congress. Further, IRS is required to revise forms and schedules (& programming) for 2018 to take these into account. On the taxpayer side, taxpayers will have to decide if it is worth it to amend their 2018 returns including digging out their documentation for the applicable items. Most taxpayer use a tax professional to prepare their returns and these tax professionals probably won’t prepare the amended returns for free.

In fairness, these “extenders” now run through December 31, 2020, which means taxpayers will have an incentive to do something during 2020.

Upcoming seminars listed below.

This text has been shared by David & Mary Mellem, EAs & Ashwaubenon Tax Professionals.

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#### UPCOMING SEMINARS

Wisconsin Society of Enrolled Agents, Radisson Hotel & Convention Center, Fond du Lac, WI. January 10, 2020, 8:00-4:20. Mary & David will be presenting Federal Tax Update and Wisconsin Tax Update. For more information go to [wienrolledagents.com](http://wienrolledagents.com), click on the Education & Meetings tab, and on Workshops & Seminars.

Wisconsin Association of Accountants, Southeast Chapter Tax Update, Radisson Hotel, 2303 N Mayfair Rd, Milwaukee, WI. January 15, 2020, 1:00-6:00 (5 CPE). Mary & David will be presenting Federal Tax Update and Wisconsin Tax Update. For more information, contact Jim Molenda at 414-545-2800 or at [jim@molendatax.com](mailto:jim@molendatax.com).

NCPE – Individual Income Tax seminars through January 9, 2020 at various locations. Mary will be presenting at Baton Rouge, Atlantic City, and Mahwah NJ. Go to [ncpeseminar.com](http://ncpeseminar.com) for registration information.