



Five-Minute Tax Briefing[®]

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Highlights

2020 Inflation-adjusted Amounts: The IRS has released the inflation-adjusted tax amounts for 2020, including the tax rate tables for estates, trusts, and different individual filing statuses; basic and additional standard deduction amounts; AMT exemption amounts; kiddie tax figures, including the AMT exemption for a child subject to the kiddie tax; student loan interest deduction phaseouts; earned income tax credit figures; education credit amounts and phaseouts; qualified transportation fringe benefit exclusion limit; unified estate and gift tax exclusion amount; gift tax annual exclusion; qualified business income deduction wage/investment limit exemption and specified service trade or business exclusion phase-in thresholds; and certain failure to file penalties. News Release IR 2019-180 and Rev. Proc. 2019-44 .

IRS Releases 2020 Qualified Retirement Plan Amounts: The IRS has released cost-of-living adjustments to pension plans and other retirement-related items for 2020. Many of the limits applicable to pension and other retirement plans have increased. For instance, the (1) elective deferral limit for employees participating in 401(k), 403(b), and most 457 plans has increased from \$19,000 to \$19,500; (2) catch-up contribution limit for employees aged 50 and over participating in 401(k), 403(b), and most 457 plans has increased from \$6,000 to \$6,500; (3) limit on annual contributions to a SIMPLE plan has increased from \$13,000 to \$13,500; and (4) defined contribution plan limit has increased from \$56,000 to \$57,000. In addition, the income ranges for determining eligibility to make deductible contributions to traditional IRAs, to contribute to Roth

IRAs, and to claim the saver's credit all increased for 2020. News Release IR 2019-179 and Notice 2019-59.

IRS Updates List of Automatic Accounting Method Changes:The IRS has released a Revenue Procedure that updates the list of accounting method changes subject to automatic consent procedures. Among other things, the guidance modifies change procedures for (1) certain sale, lease, or financing transactions; (2) tenant construction allowances; (3) streamlined method changes for taxpayers without an applicable financial statement; and (4) a change in basis of computing reserves under IRC Sec. 807(f). Also, obsolete material has been removed from the list. The Revenue Procedure generally replaces former guidance issued in Rev. Proc. 2018-31 and applies to a Form 3115 (Application for Change in Accounting Method) filed on or after 11/8/19 for a year of change ending on or after 3/31/19. Rev. Proc. 2019-43 .

Proposed Regulations Would Update RMD Tables:The IRS has issued proposed regulations (REG-132210-18) that would update the life expectancy and distribution tables used to calculate Required Minimum Distributions (RMDs) from qualified retirement plans, individual retirement accounts and annuities, and certain other tax-favored employer-provided retirement arrangements. The updated tables would use current mortality data to reflect longer life expectancies than the tables used in the existing regulations. This would have the effect of reducing annual RMDs. The IRS is requesting comments on how often the life expectancy and distribution tables should be updated. Subject to a transition rule, the new life expectancy tables in the proposed regulations would apply to distribution calendar years (i.e., years when an individual must take an RMD) beginning on or after 1/1/21. Prop. Reg. 1.401(a)(9)-9.

Other Current Releases

Health Care—Final Regulations Require Electronic Filing of Annual Health Insurer Fee Form:Certain covered entities that are in the business of providing health insurance for U.S. health risks must file Form 8963 (Report of Health Insurance Provider Information) and pay an annual fee. Recently, the IRS issued final regulations (TD 9881) that require covered entities reporting more than \$25 million in net premiums written to electronically file Form 8963. Also, any form subsequently filed for the same fee year must be filed electronically even if it reports \$25 million or less in net premiums written. According to the regulations, if a Form 8963 is required to be electronically filed, but is not, it will not be considered filed and may be subject to the failure-to-file penalty. The final regulations apply to Form 8963 (including corrected Form 8963 filed after 12/31/19. Regs. 57.3 and 57.10.

Income Tax—IRS Issues Proposed Regulations on Eligible Terminated S Corporations:Added by the Tax Cuts and Jobs Act (TCJA), IRC Sec. 1371(f) allows an eligible terminated S corporation's distribution of cash after expiration of the Post-termination Transition Period (PTTP) to be sourced, in whole or in part, from the Accumulated Adjustments Account (AAA). Recently, the IRS issued proposed regulations that would (1) define an *eligible terminated S*

corporation ; (2) provide rules relating to cash distributions by an eligible terminated S corporation after the PTP; (3) revise current regulations to extend the treatment of cash distributions during the PTP to all shareholders of the corporation; and (4) update and clarify the allocation of current earnings and profits to distributions of cash and other property. The regulations are proposed to apply to tax years beginning after the date they are published as final. However, corporations have the option to apply final regulations to tax years that began on or before the date the proposed regulations are adopted as final. REG-131071-18 .

Income Tax—New Simplified Application for Central Withholding Agreements:A Central Withholding Agreement (CWA) can be used to compute federal withholding tax on income earned in the U.S. by Nonresident Alien Athletes and Entertainers (NRAAEs). Recently, the IRS released Form 13930-A, which allows NRAAEs with gross income of less than \$10,000 to apply for a CWA. When submitting Form 13930-A, an NRAAE must (1) provide a Social Security Number (SSN) or apply for one while in the U.S.; (2) file any required tax returns for prior years; (3) pay or arrange to pay taxes due for all years; and (4) agree to timely file, and pay the taxes shown on, Form 1040NR or Form 1040NR-EZ for the year of the CWA. In addition, designated withholding agents must satisfy certain requirements. Form 13930-A, which must be submitted at least 45 days before the first event covered by the CWA, is available at www.irs.gov/forms-instructions .

IRS Releases Revised Draft of Form 8996 for Qualified Opportunity Funds:The IRS has released a revised draft of Form 8996 (Qualified Opportunity Fund), which is filed annually by corporations or partnerships that are organized and operated as a Qualified Opportunity Fund (QOF). The revised draft, which retains the first four parts of the current version of Form 8996 , features three additional sections (Parts V–VII). Part V lists every census tract where the taxpayer directly owns or leases Qualified Opportunity Zone (QOZ) business property. In Part VI, for every QOZ business in which the taxpayer holds stock or a partnership interest, the taxpayer must enter (1) every census tract in which the tangible property of the QOZ business is located and (2) the EIN of that business. Part VII is merely a continuation of Part VI to give the taxpayer more space to list census tracts. The revised draft of Form 8996 is available at <https://apps.irs.gov/app/picklist/list/draftTaxForms.html> .

IRS Updates Standard Mileage Rate Guidance:The IRS has modified Rev. Proc. 2010-51, which provides rules for using optional standard mileage rates to calculate the deductible costs of operating an auto for business, charitable, medical, or moving purposes. Specifically, the rules have been updated to reflect changes made by the Tax Cuts and Jobs Act (TCJA). For example, taxpayers may not use the business standard mileage rate to claim a miscellaneous itemized deduction for tax years 2018–2025 (the *suspension period*). In addition, the deduction for moving expenses during the suspension period doesn't apply unless the taxpayer is a member of the Armed Forces on active duty moving pursuant to a military order and incident to a permanent change of station. The updated Revenue Procedure is effective for (1) deductible transportation expenses paid or incurred on or after 11/14/19, (2) mileage allowances or reimbursements paid to an employee or a charitable volunteer on or after 11/14/19, and (3) mileage allowances or

reimbursements for transportation expenses the employee or charitable volunteer pays or incurs on or after 11/14/19. Rev. Proc. 2019-46.

Retirement Plans—Additional Temporary Relief for Certain Closed Defined Benefit Plans:In a Notice, the IRS has granted additional temporary relief to certain closed defined benefit plans. Specifically, if a plan meets the eligibility conditions for temporary relief under Notice 2014-5 (as recently extended by Notice 2019-49), it will receive additional temporary relief from the regulatory requirements relating to benefits, rights, or features. This relief applies to defined benefits plans providing ongoing accruals that were amended before 12/13/13 to provide that only employees who participated in the plan on a specified date continue to accrue benefits. In addition, relief applies only if either (1) no amendment adopted after 1/29/16 expands or restricts the eligibility for the benefit, right, or feature or (2) if any such amendment has been adopted, the post-amendment ratio percentage of the group of eligible employees was not less than the pre-amendment ratio percentage. This relief applies to plan years ending after 11/13/19 and beginning before 1/1/21. Notice 2019-60 .

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