BREAKING NEWS

On December 20, 2019, the President signed the “Taxpayer Certainty and Disaster Tax Relief Act of 2019” (i.e. the Disaster Act) which included the “Setting Every Community Up for Retirement Enhancement Act” (i.e. the SECURE Act). These bills have many provisions that will impact your taxes, your retirement savings and inheritance rules. Some of the changes are important as we work on your 2019 tax returns since they are retroactive – in some cases to January 1, **2018**. Yes – you read that correctly – we may be amending some of your 2018 returns to take advantage of the new laws. Listed below are the items most likely to affect you as you work on your 2019 tax organizer. Stay tuned for more detailed explanations of other items in future updates.

The Disaster Act “Extenders”

Mortgage Insurance Deductible Again

This change is retroactive to 2018 tax returns. We’ll check your 2018 mortgage interest forms to see if you paid any mortgage insurance AND if you itemized your deductions. If both those things are true, we’ll contact you to see if you’d like us to amend your return. We’ll be checking your 2019 Form 1098 to see if we can deduct anything this year as well.

Medical deduction limited to amount exceeding 7.5% of your Adjusted Gross Income (AGI)

Fortunately, this is the same limit we had in 2018 so no need for any amends here. Just be aware that the organizer states that your total medical must be in excess of 10% of your AGI to qualify – it actually is now 7.5% for 2019.

Tuition Deduction is Back

In the past, if you were not able to fully benefit from an education tax credit, we may have been able to deduct up to $4,000 in qualified tuition from your AGI instead. We anticipate this will not impact too many of you. This deduction was not available in 2018 but has been reinstated retroactively. We will review your 2018 return to determine if you would benefit from this deduction. If so, we will contact you to see if you’d like us to amend your return.

Energy Tax Credit is available for 2018 +

The energy tax credit for home improvements like windows, doors, etc. has been reinstated retroactive to January 1, 2018. Since we did not ask you about energy improvements to your home in 2018 or 2019, we'll need you to add that information to the comments section of your 2019 organizer. Please describe the eligible improvement and indicate which year it was for. We'll contact you for additional information as required.

What will MN do?

MN Revenue has the following statement on their website:

"The Minnesota Department of Revenue is reviewing the bill to determine the impacts to the state for all affected tax years. Our priority is ensuring all forms and instructions are up-to-date for the upcoming filing season that will start in late-January."

The SECURE Act Highlights

New Required Minimum Distribution (RMD) rules

The age for starting required minimum distributions from qualified retirement plans has been raised to 72 from 70 ½ for those people born after June 30, 1949. If you reached age 70 ½ by Dec. 31, 2019, you must follow the old rules.

Traditional IRA contribution age limit eliminated

The age cap for contributing to a traditional IRA is removed. The limits related to earned income and income limitations to make a deductible IRA contribution have not changed.

Inherited IRAs must be withdrawn in full within 10 years

There is a required 10 year payout for beneficiaries of inherited IRAs and other qualified plans unless they are a surviving spouse, a minor child at the time of the plan owner's death, disabled and chronically ill or a beneficiary that is less than 10 years younger than the owner at the time of their death. The old rules stated that all beneficiaries could use a life expectancy payout in order to "stretch" the withdrawal for a number of years.

This new payout schedule is effective for deaths in 2020 and beyond. If you are the beneficiary of an inherited IRA from someone who died prior to 2020, you can continue to use the life expectancy method.