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Congressional negotiators reach year-end tax deal

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**Congressional negotiators reach year-end tax deal**

House and Senate negotiators reached a deal in the early hours of December 17 on a package of tax provisions to be incorporated into a fiscal year 2020 spending bill that is expected to clear the House and Senate this week and that President Trump is expected to sign into law.


This special edition of *Tax News & Views* offers a high-level overview of the major tax provisions in the agreement. Additional details will be provided in our week-in-review edition later this week.

**Extenders**

The deal would renew – generally through 2020 – the temporary tax “extenders” provisions that expired in 2017 and 2018, as well as those that are scheduled to expire at the end of 2019.

The agreement provides for a longer extension (through 2022) of credits for biodiesel and short-line railroads and makes some small enhancements to the New Markets Tax Credit. It also extends and increases the credits for wind energy production projects undertaken in 2020.

Notably, the subpart F lookthrough rule for controlled foreign corporations, the Work Opportunities Tax Credit, the New Markets Tax Credit, and the temporary tax credit for employers offering paid family and medical leave, which are currently set to expire at the end of 2019, are extended, but only for one year.
Affordable Care Act taxes

The tax package calls for the repeal of three revenue provisions – the medical device excise tax, the "Cadillac" tax on certain high-cost employer-provided health insurance plans, and the health insurance provider fee – that were enacted as part of the Patient Protection and Affordable Care Act of 2010 (PPACA). These taxes have only been in effect intermittently – if at all – since they became law.

As noted below, most of the provisions in this agreement are awaiting a final revenue estimate from the nonpartisan staff at the Joint Committee on Taxation, but these PPACA-related repeals have been estimated to reduce federal revenues by $377 billion over the next decade.

TCJA technical corrections left out, but other fixes are in

The package repeals a provision in the 2017 tax code overhaul (known informally as the Tax Cuts and Jobs Act or TCJA) related to the tax treatment of parking benefits offered to employees by churches and other nonprofit organizations. It also addresses a glitch in a TCJA provision regarding the tax-exempt status of certain grants to rural electric cooperatives.

A host of other TCJA technical corrections that had been sought by congressional Republicans – such as fixes to the downward attribution rules and the so-called "retail glitch" (related to the recovery period for qualified improvement property) are not included.

Retirement savings, kiddie tax, stretch IRAs

The tax package includes bipartisan retirement savings legislation (the SECURE Act, which cleared the House in May) aimed at making it easier for smaller businesses to offer tax-qualified retirement savings plans to their employees, encouraging individuals to participate in retirement plans, and promoting savings for certain nonretirement expenses.

The SECURE Act also addresses certain unintended consequences of a change that Congress made to the so-called "kiddie tax" in the TCJA.

The cost of this set of provisions is offset by revenue raisers that, among other things, would accelerate distributions of retirement account assets in certain cases after an account holder’s death. (For more details on the SECURE Act, see Tax News & Views, Vol. 20, No. 18, May 24, 2019.)

URL: http://newsletters.usdbriefs.com/2019/Tax/TNV/190524_1.html

Disaster relief

The tax package includes a set of short-term tax relief provisions that would be automatically available to victims of certain federally declared natural disasters.

No revenue score yet

A revenue score for the entire package was not available at press time; however, the bulk of the provisions in the agreement are not offset.

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