AVMD News

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# SECURE ACT

On Dec. 20, President Trump signed into law the Setting Every Community Up for Retirement Enhancement Act (Secure Act). This law is intended to expand opportunities for individuals to increase their retirement savings and became effective January 1, 2020. For tax years beginning after 2019, the Secure Act provides the following key changes:

- Repeals the age restriction on contributions to tax deductible IRA's. For tax years beginning January 1, 2020, you are allowed to make contributions to deductible IRA's after reaching age 70 ½.
- Increases the age after which you must begin taking Required Minimum Distributions (RMDs) from 70 ½ to 72. This provision this will only apply to individuals who reach 70 ½ after 2019.
- Sets stricter rules for post death RMD's. The Secure Act requires most non-spouse IRA and retirement plan beneficiaries to distribute inherited accounts within 10 years after the account owner's death. Before the Secure Act, the RMD rules allowed a non-spouse beneficiary to gradually drain an inherited IRA over your IRS-defined life expectancy. Surviving spouses, minor children and those beneficiaries not more than 10 years younger than the deceased are exempt from this new 10 year distribution rule.
- Allows penalty free withdrawals from IRAs up to $5,000 for birth or adoption. The distributions remain taxable but they will not be subject to the 10% early withdrawal penalty if under the age of 59 ½. Distributions need to be claimed within one year of the birth or adoption.
- Allows non tuition fellowship and stipend payments to be treated as compensation to qualify for an IRA or Roth Contribution.
- Will make it easier and less expensive for small business owners to set up retirement plans for employees. The new rule will let more small businesses band together to offer what are called Multiple Employer Plans or MEPs. The law's MEPs provisions don't take effect until 2021. Additionally, the U.S. Department of Labor will need to clarify the rules.
- Will also allow more part-time workers to save through employer-sponsored retirement plans, starting in 2021. In some cases, these workers will need to put in at least 500 hours a year for three consecutive years in order to be eligible for the plans.
- Expands the definition of a tax-free or qualified distribution from a 529 savings plan to include repayment of up to $10,000 in qualified student loans, and expenses for certain apprenticeship programs. The Secure Act makes this change retroactive to distributions made after December 31, 2018. State plans follow their own rules and may not conform with the federal regulations.

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**Tax Season Hours**

We encourage you to make your tax season appointments as early as possible. February is a wonderful time of month to visit your favorite accountants. Throughout the season, we will have evening hours on selected nights and Saturday hours beginning February 1, 2020. Please contact us by email, phone, or through our website to schedule your appointment.

## New Year's Diet?

Many Americans have started 2020 with a New Year's resolution to lose a few pounds. We are inundated at this time of year with online ads and TV commercials for weight loss programs and gym memberships. We are encouraged to eat out less and watch our calories. As a result of the prior year's Tax Cuts and Jobs Act (TCJA), there remain questions about the deductibility of business meals.

At first glance, TCJA had eliminated the deductibility of "entertainment" expenses, of which food and beverages was a component part of entertainment. In October, 2018, the IRS sought to clarify this and provided interim guidance. Under IRS Notice 2018-76 taxpayers may deduct 50% of client related business meals if they meet certain requirements.

To be deductible, business meals must meet 5 criteria:

The expense is ordinary and necessary and incurred in carrying on any trade or business.

The expense is not lavish or extravagant under the circumstances.

The taxpayer or employee is present at the furnishing of the meal.

The meal is provided to a current or potential business customer, client, consultant or similar business contact.

For meals provided in connection with an entertainment event, the cost of the meal is a separately stated amount from the cost of the entertainment.

Other expenses for entertainment, amusement, or recreation still remain non-deductible under TCJA. We await further guidance from Treasury.

Happy New Year!

## Sales Taxes After Wayfair

Since the U.S. Supreme Court decision in South Dakota v. Wayfair, sales tax rules have changed dramatically. Companies large and small, across the country are struggling to comprehend and comply with the new rules. These affect 45 states and more than 12,000 taxing jurisdictions.

Companies that are not in compliance risk paying uncollected sales tax out of pocket with potential personal liabilities for such tax to the responsible parties/owners. We recommend that you act now to stop the sales tax liability clock.

We have substantial experience in the field of sales tax administration, including tax audit representation and appeals. Each matter, as each company, is unique.

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