

GMS Flash Alert

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United States – Tax Extenders in Bipartisan Budget Act of 2018

On February 9, U.S. President Donald Trump signed into law a short-term government spending and budget bill, the *Bipartisan Budget Act of 2018* (the “Act”).¹ The Act includes certain tax-related measures and retroactively extends certain other tax measures that had expired at the end of 2016.

WHY THIS MATTERS

Although the Act makes changes that apply to the 2017 tax year, it was not passed until 2018, making it impossible for taxpayers to take its provisions into account in doing 2017 year-end tax planning. However, the Act’s extenders will bring some welcome relief to those who are able to take advantage of its provisions in preparing their 2017 tax returns.

Tax Provisions Extended by the Act

The Act retroactively extends through the 2017 tax year 33 “expiring provisions” or “tax extenders” that expired on December 31, 2016. Of these 33 expiring provisions extended by the Act, the following apply to individual taxpayers:

- Exclusion from gross income of discharge of indebtedness on qualified principal residence indebtedness;
- Above-the-line deduction for qualified tuition and related expenses;
- Mortgage insurance premiums treated as qualified residence interest;
- Credit for section 25C non-business energy property;
- Credit for residential energy-efficient property;
- Alternative motor vehicle credit for qualified fuel cell motor vehicles;
- Credit for alternative fuel vehicle refueling property;
- Two-wheeled plug-in electric vehicles; and
- Credit for construction of energy-efficient new homes.

Other Tax Measures

Additionally, the Act contains a number of other tax-related provisions that had originally been included in various versions of the recently enacted tax reform legislation,² but had been removed prior to passage of the final bill, which was signed into law into December 2017. Among these provisions are as follows:

- Tax relief related to the California wildfires and Hurricanes Harvey, Irma, and Maria;
- Individuals held “harmless” on improper levy on retirement plans;
- Modification of user fee requirements for installment agreements;
- Simplified filing requirements for individuals over age 65 years;
- Provisions related to whistleblower awards;
- Simplification of rules regarding records, statements, and returns (through December 31, 2019);
- Modification of rules relating to certain hardship withdrawals; and
- Treatment of foreign persons for returns relating to payments made in settlement of payment card and third-party network transactions.

Tax Relief Related to the California Wildfires

Previous legislation³ provided for temporary tax relief and incentives to victims of Hurricanes Harvey, Irma, and Maria. The Act provides similar temporary tax relief and incentives to victims of the 2017 wildfires in California. In part, the recently enacted legislation:

- provides an exception to the 10-percent early retirement plan withdrawal penalty for qualified wildfire distributions;
- provides for the re-contribution of retirement plan withdrawals for home purchases cancelled due to wildfire;
- provides flexibility for loans from retirement plans for qualified wildfire relief;
- increases the casualty loss deductible from \$100 to \$500;
- eliminates the requirement that uncompensated personal casualty losses exceed 10 percent of adjusted gross income to qualify for deduction; and
- eliminates the requirement that affected taxpayers must itemize deductions in order to deduct their casualty losses related to the wildfires.

FOOTNOTES:

1 *Bipartisan Budget Act of 2018*, [H.R. 1892](#), 115th Congress, (February 9, 2018).

2 *An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018*, [H.R. 1](#), 115th Congress, (December 22, 2017), now Public Law No. 115-97. For prior coverage, see GMS [Flash Alert 2017-192](#), December 22, 2017.

3 *Disaster Tax Relief and Airport Extension Act of 2017*, [H.R. 3823](#), 115th Congress, (Sept. 29, 2017), now Public Law No. 115-63. For prior coverage, see GMS [Flash Alert 2017-148](#), October 9, 2017.

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