

On December 20, 2019 the President signed a new budget bill into law that has received lots of attention, and we want to try to summarize the major items that we believe may have a direct impact on you personally. We are awaiting further guidance from the IRS on many of the detailed factors involving this bill, but the major effects are listed below:

### **Retirement Planning**

- Starting in 2020 anyone of any age may now deposit money to an IRA if they have earned income such as a wage or self-employment. There are some other rules that may apply, but the old rule prohibiting deposits during or after the year turning 70 and ½ has been repealed.
- Beginning in 2020 the mandatory age to begin distributions from your IRA has been raised to 72 from the old, confusing age 70 and ½.
- IRAs inherited from people (other than your spouse and a few other exceptions) who passed away after 2019 must now be distributed within 10 years of death. This does not affect situations where the IRA was inherited from someone who died before 2020.
- Stipends and fellowships now qualify the recipient to make IRA contributions.
- Up to \$5,000 may be withdrawn from a retirement plan without penalty for the birth or legal adoption of a child, for up to one year after birth or adoption. The amount withdrawn is still taxable, but may be redeposited without penalty, and if redeposited within 60 days of withdrawal is not even taxable.

### **College and Children Changes**

- You may now withdraw up to \$10,000 total during your lifetime from a 529 plan to repay student loans of the account beneficiary (or their siblings), without tax or penalty, as a qualified educational expense.
- A 529 may now be used tax free to pay for an apprenticeship program if it is approved as such.
- Those rare children with large amounts of interest, dividends or capital gain income are once again retroactively taxed at their parent's tax rates instead of the potentially higher trust tax rates.
- The tuition and fees deduction has been retroactively restored from 2018-2020.

### **Other Items**

- The deduction for mortgage insurance premiums has been retroactively restored.
- The deduction for medical expenses has been restored to a lower threshold.
- The credit for installing an electric car charger has been restored.
- A new rule prohibiting the purchase of smoking or e-cigarette products (including vaping) by anyone under age 21 goes into effect within 90 days of FDA regulations.