

IRS Changes and Updates for Tax Year 2017

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Disaster Tax Relief and Airport and Airway Extension Act of 2017

This bill provides temporary tax relief to victims of Hurricanes Harvey, Irma and Maria.

- Eased casualty loss rules:
 - 10% of AGI limitation removed for personal casualty losses claimed on Schedule A.
 - Non-itemizers are allowed to claim deduction by increasing the standard deduction.
 - The \$100 per-casualty floor increased to \$500.
- Eased access to retirement funds:
 - Limit is up to \$100,000 and applies to disasters through Jan. 1, 2019.
 - Relief from 10% early retirement plan withdrawal penalty.
 - Allowed to spread out any income inclusion over a three-year period.
 - Amounts distributed allowed to be re-contributed over a three-year period; taxpayer allowed to recoup any tax paid on distribution.
 - Re-contribution of retirement plan withdrawals allowed for cancelled home purchases or construction.
 - Retirement plan loans: maximum increased from \$50,000 to \$100,000, and due date of first repayment delayed by a year.
- Charitable deduction limitations suspended:
 - Contributions between Aug. 23, 2017, and Dec. 31, 2017.
 - Temporarily suspends majority of limitations on charitable contributions.
 - Exception from the overall limitation on itemized deductions for high-income taxpayers.
- Employee retention tax credit:
 - Employers conducting business in a disaster zone and business rendered inoperable as a result of damage from hurricane.
 - Between disaster and Jan. 1, 2018.
 - Maximum credit equals \$6,000 of wages x 40%.
- Special rule on earned income for earned income credit and child tax credit:
 - If taxpayer earned income for the tax year is less than the preceding year, he/she may use income from preceding year.

Due Dates for Tax Year 2017

Returns and payments otherwise due on April 15, 2018, are timely if filed or paid by Tuesday, April 17, 2018, due to the occurrence of Emancipation Day and Patriot's Day on Monday, April 16.

- Earned Income Credit & Advanced Child Tax Credit: no refund issued before Feb. 15.
- Victims of Hurricanes Harvey, Irma and Maria and certain California wildfires: the IRS extended tax year 2016 deadlines for individual and business returns to Jan. 31, 2018.

Qualifying Widow(er) Filing Status

A qualifying child no longer must be a dependent, and the name must be provided if not a dependent.

- The Qualifying Widow(er) filing status will work like Head of Household.
- The 1040 return will include a block to include the non-dependent.

Some Taxpayers may Need New Individual Taxpayer Identification Numbers (ITINs)

Any individual filing a U.S. tax return is required to report a taxpayer ID number on the return.

- For taxpayers who are not eligible for a Social Security number but must file a return, the IRS issues ITINs.
- An ITIN will expire if an individual fails to file a return or is not included as a dependent on another return for three consecutive years. Taxpayers issued ITINs before 2013 are now required to renew through a staggered schedule between 2017 and 2020.

Education Credits

A taxpayer ID number of the educational institution is required on [Form 8863, Education Credits: American Opportunity and Life Earning Credits](#), even if the institution didn't use Form 1098-T. This provision was delayed until tax year 2017.

- Institutions must report on Form 1098-T only qualified tuition and related expenses actually paid.
- Taxpayers must receive a payee statement (Form 1098-T or information required on form).

Extender Provisions/Expired as of Dec. 31, 2016 (usually get extended by Congress):

- Extension of above-the-line deduction for qualified tuition and related expenses.
- Extension and modification of exclusion from gross income of discharge of qualified principal residence indebtedness.
- Extension of mortgage insurance premiums treated as qualified residence interest.
- Extension and modification of empowerment zone tax incentives.
- Extension and modification of credit for nonbusiness energy property.
- Credits for wind energy property and geothermal heat pump property.
- Extension of fuel cell motor vehicle credit.

IRS Statement on Health Care Reporting Requirement

For the 2018 filing season, the IRS won't accept the electronic tax return until the taxpayer indicates whether he/she had coverage, an exemption or will make a shared responsibility payment. Returns filed on paper that don't address the health coverage requirements may be suspended pending the receipt of additional information, and refunds may be delayed.

Small Employer Health Reimbursement Arrangements (HRAs) Exempted from Group Health Plan Requirements

HRAs include employer reimbursed medical expenses, including insurance premiums up to a certain amount. Reimbursement is excludable from an employee's income. Beginning in 2017, a small employer is allowed to provide an HRA without facing an ACA penalty for failing to provide insurance.