KPMG

TaxNewsFlash

United States

No. 2019-600
December 17, 2019

Legislative update: House approves government funding bills, including tax provisions

The U.S. House of Representatives today passed two appropriations bills that would fund the government for the 2020 fiscal year. The bills will now be sent to the Senate for further consideration.

The government is currently operating at fiscal year (FY) 2019 levels under a continuing resolution that will expire on December 20, 2019. Passage of these bills or an alternative funding bill by that date is necessary to prevent a government shutdown.

One of the bills (H.R. 1865) includes four revenue divisions, containing tax provisions estimated to lose $426.3 billion in revenue over 10 years.

Division N would repeal three taxes imposed by the Affordable Care Act. Those are the medical device excise tax, the 40% excise tax on high-cost employer-sponsored health plans (the so-called "Cadillac" tax), and the annual fee on health insurance providers. The 10-year revenue cost of repeal of these taxes is $373.3 billion.

Division O contains the retirement savings changes of the "Setting Every Community Up for Retirement Enhancement Act" (SECURE Act). The approximately $16 billion revenue cost of the SECURE Act enhancements are offset by other changes to retirement tax provisions. In particular, modifications to the required distribution rules for certain beneficiaries of IRAs, 401(k)s and other retirement savings accounts are included in the bill.

Also included in Division O is a provision modifying the taxation of unearned income of certain children. The provision provides an election to apply the modification to tax years beginning in 2018 and/or 2019.

For further information on Division N and Division O, read ***TaxNewsFlash***

Division Q is referred to as the "Taxpayer Certainty and Disaster Tax Relief Act of 2019" and was added to the bill as an amendment during House consideration. It contains extensions of 34 expired or expiring provisions. These include such tax provisions as:

- The look-through rule for payments between related controlled foreign corporations
- The New Markets Tax Credit
- The Work Opportunity Tax Credit (WOTC)
- The credit for electricity from renewable resources (PTC)
- Numerous provisions related to beer, wine and distilled spirits

In total, extension of these expiring provisions would cost $39.2 billion over 10 years. The bill will generally keep these provisions in place through 2020, although the biodiesel and renewable diesel credit and the credit for short line railroad track maintenance were extended through 2022.

Division Q also includes $12.8 billion in disaster relief tax changes.

The bill repeals modifications to certain treatment of unrelated business taxable income included in the 2017 tax law (Pub. L. No. 115-97, the law that is often referred to as the "Tax Cuts and Jobs Act" (TCJA)) and states that the repeal "shall take effect as if included in the amendments made by section 13703 of Pub. L. No. 115-97."

In addition, the bill would modify the rules for determining tax-exempt status of certain mutual or cooperative telephone or electric companies.

Division M of the bill contains the "Bipartisan American Miners Act of 2019", which provides a number of proposals addressing the 1977 United Mine Workers Association pension plan and other related matters.

Documents

- Read the **current text of H.R. 1865** [PDF 2.6 MB] containing Divisions N and O of the bill
- Read the text of the **"Taxpayer Certainty and Disaster Tax Relief Act of 2019" (Division Q)** [PDF 2.3 MB], which was added to H.R. 1865 by amendment
- Read the **JCT revenue table**

What's next

Following House passage today, the bills were sent to the Senate for likely consideration this week.

Further, in order for the bills to become law, the House and Senate must pass identical versions of the legislation and the president must sign the legislation into law. Thus, there is no guaranty that legislation substantially similar to the bills released today will be enacted or that the government will be completely funded prior to December 20, 2019.

or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever.

Direct comments, including requests for subscriptions, to Washington National Tax. For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash-United States, reply to Washington National Tax.

Privacy | Legal