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PRODUCT & SERVICE GUIDE

The Tax Blotter – January 23, 2020

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Jan. 21, 2020



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Special tax relief for filers. Currently, taxpayers in federally-designated disaster areas who itemize can still deduct casualty losses, but only to the extent that their unreimbursed losses exceed 10% of adjusted gross income (AGI). The new law allows taxpayers to claim their losses without regard to the 10%-of-AGI floor and opens up deductions to non-itemizers. Furthermore the usual limits on charitable donations are temporarily suspended for qualified disaster contributions.

Tapping into retirement plans. Generally, distributions prior to age 59½ made from qualified retirement plans like 401(k) plans are subject to a 10% penalty tax, unless a special exception applies. The penalty is tacked onto the regular tax liability. Under the new law, you take qualified disaster relief contributions without paying the penalty (up to \$100,000 in qualified hurricane distributions. Also, the new law allows re-contribution of retirement plan withdrawals for home purchases canceled due to disasters.

Tax credit for employee retention. Finally, the new law creates a brand-new credit for employees that have retained qualified disaster-area employees. This credit is equal to 40% of the first \$6,000 of wages paid to an affected employee from a core disaster area. Thus, the maximum credit is \$2,400 per worker. Tax bonus: The credit applies to wages paid without regard to whether services for those wages were actually performed.

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