

CBIZ & MHM Executive Education Series™

Fourth Quarter Accounting and Financial Reporting Issues Update

Mike Loritz, Mark Winiarski, and Bill Smith
January 8, 2019

About Us

- Together, CBIZ & MHM are a Top Ten accounting provider
- Offices in most major markets
- Tax, audit and attest and advisory services
- Over 2,900 professionals nationwide

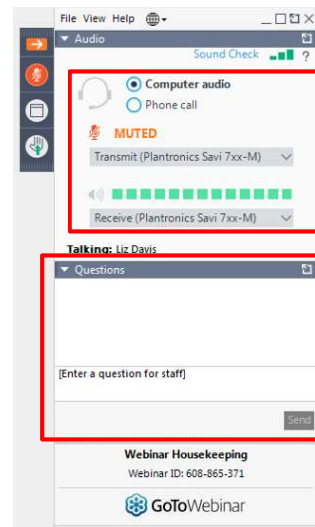
MHM (Mayer Hoffman McCann P.C.) is an independent CPA firm that provides audit, review and attest services, and works closely with CBIZ, a business consulting, tax and financial services provider. CBIZ and MHM are members of Kreston International Limited, a global network of independent accounting firms.

Questions? Email cbizmhwebinars@cbiz.com

2

Before We Get Started...

- Use the control panel on the right side of your screen to:
 - Change your audio mode
 - Submit questions
 - Download handouts
- If you need technical assistance:
 - Call support at 877-582-7011
 - Email us at cbizmhwebinars@cbiz.com



Questions? Email cbizmhwebinars@cbiz.com

3

CPE Credit

This webinar is eligible for CPE credit. To receive credit, you will need to answer polling questions throughout the webinar.

External participants will receive their CPE certificates via email within 15 business days of the webinar.



Questions? Email cbizmhwebinars@cbiz.com

4

Disclaimer

The information in this Executive Education Series course is a brief summary and may not include all the details relevant to your situation.

Please contact your service provider to further discuss the impact on your business.

Questions? Email cbizmhwebinars@cbiz.com

5

Presenters



MARK WINIARSKI, CPA
MHM Shareholder

Located in our Kansas City office, Mark is a member of our Professional Standards Group (PSG). Mark's role includes instructing in our national training programs, presenting as a subject matter expert at webinars and conferences, and preparing MHM publications on accounting and auditing issues.

As a PSG member, Mark consults with clients and engagement teams across the country in many areas of accounting and auditing. Mark has served clients as an auditor, consultant and advisor in numerous industries including manufacturing, distribution, mining, retail sales, services and software.

816.945.5614 • mwiniarski@cbiz.com • @KCWini

Questions? Email cbizmhwebinars@cbiz.com

6

Presenters



MIKE LORITZ, CPA
MHM Shareholder

Mike has over 20 years of experience in public accounting with diversified financial companies and other service based companies, including banking, broker/dealer, investment companies, and other diversified companies ranging from audits of public entities in the Fortune 100 to small private entities.

He is the Director of the Audit Resource Group and a member of MHM's Professional Standards Group, providing accounting knowledge leadership in the areas of derivative financial instruments, investment securities, share-based compensation, fair value, debt/equity and others. Mike also serves as a technical resource for application of audit methodologies for both private and public entities.

816.945.5611 • mloritz@cbiz.com

Questions? Email cbizmhwebinars@cbiz.com

7

Presenters



William M. Smith, Esq.
Managing Director,
CBIZ National Tax Office

Bill Smith is a managing director in the CBIZ National Tax Office. Bill monitors federal tax legislation and consults nationally on a broad range of tax issues for businesses and individuals. He is frequently sought after by a myriad of media outlets to comment on the changing tax environment and its effects on companies and individuals. He has authored numerous tax articles, is editor for CBIZ MHM tax newsletters and thought leadership articles, and lectures on a broad range of tax topics across the country.

301.961.1943 • billsmith@cbiz.com

Questions? Email cbizmhwebinars@cbiz.com

8

Agenda

- 01 Accounting Standards Updates
- 02 Private Company Reminders for 2020
- 03 Other Reminders & Updates
- 04 Legislative Update (Tax)

Questions? Email cbizhmwebinars@cbiz.com

9

ACCOUNTING STANDARDS UPDATE

Accounting Standards Update

- 5 New FASB Accounting Standards
 - Codification of SEC disclosure update and simplification
- 2 exposure documents on codification improvements



Questions? Email cbizhmwebinars@cbiz.com

11

Effective Dates (ASU 2019-10)

General Application:

- Two bucket approach
 - SEC Filers, excluding smaller reporting companies (SRCs)
 - All others
- “All others” would receive a two year delay for significant updates

SEC Filer Defined:

- An entity that is required to file or furnish its financial statements with:
 - The SEC
 - Appropriate agency under Section 12(i) of the 1934 Act
 Excludes entities whose financial statements are included in a submission by another SEC Filer

SRC Defined:

- Public float of less than \$250 million, or
- Less than \$100 million in revenue and
 - No public float, or
 - Public float of less than \$700 million

Questions? Email cbizhmwebinars@cbiz.com

12

Delayed Effective Dates (ASU 2019-10)

- **ASC 842 & Leases**

- Public business entities, certain not-for-profit entities, and employee benefit plans that file or furnish financial statements with the SEC – **No change**
(effective Jan. 1, 2019 for calendar year end entities)

- All others – **One year delay**

- **New effective date - Dec. 31, 2021 for calendar year end entities**

Questions? Email cbizmhwebinars@cbiz.com

13

Delayed Effective Dates (ASU 2019-10)

- **Derivative Financial Instruments - Hedging**

- Public business entities – **No change**
(effective Jan. 1, 2019 for calendar year end entities)

- All others – **One year delay**

- **New effective Dec. 31, 2021 for calendar year end entities**

Questions? Email cbizmhwebinars@cbiz.com

14

Delayed Effective Dates (ASU 2019-10)

- **Current Expected Credit Losses (CECL)**
 - Public business entities that are SEC filers, **excluding SRCs – No change**
(effective Jan. 1, 2020 for calendar year end entities)
 - All other entities:
 - **New effective date - Jan. 1, 2023 for calendar year end entities**

Questions? Email cbizhmwebinars@cbiz.com

15

Delayed Effective Dates (ASU 2019-10)

- **Elimination of Step 2 from goodwill impairment test**
 - Public business entities that are SEC filers, **excluding SRCs – No change**
(effective Jan. 1, 2020 for calendar year end entities)
 - All other entities:
 - **New effective date - Jan. 1, 2023 for calendar year end entities**

Questions? Email cbizhmwebinars@cbiz.com

16

Delayed Effective Dates (ASU 2019-09)

- **Long-Duration Insurance Contracts**
 - Public business entities that are SEC filers, **excluding SRCs – One year delay**
(effective Jan. 1, 2022 for calendar year end entities)
 - SRC determination is based on status as of Nov. 15, 2019
 - All other entities:
 - **New effective date - Dec. 31, 2024 for calendar year end entities**

Questions? Email cbizmhwebinars@cbiz.com

17

Stock Compensation and Revenue Recognition (ASU 2019-08)

Share-based payments granted to a customer are measured and classified based on ASC Topic 718

- Grant date is the date the grantor and grantee reach a mutual understanding of the key terms and conditions of the award
- **Initial measurement of grant-date fair value in accordance with ASC Topic 718 is treated as a reduction of transaction price (i.e. revenue)**
- Subsequent accounting is based on whether the award is equity or liability classified under ASC Topic 718

Questions? Email cbizmhwebinars@cbiz.com

18

Updates to Credit Losses – CECL (ASU 2019-11)

- Expected recoveries for Purchased Financial Assets with Credit Deterioration (PCD assets)
 - Allowance for credit losses should include expected recoveries not to exceed aggregated amount of the amortized cost basis previously or expected to be written off
- Transition relief for troubled debt restructuring
 - Elect to use the effective interest rate on the date of adoption of ASC Topic 326 instead of in effect immediately before restricting

Questions? Email cbizhmwebinars@cbiz.com

19

Updates to Credit Losses – CECL (ASU 2019-11)

- Disclosures for Accrued Interest Receivables
 - Expanding the practical expedient to disclose separately the total amount of accrued interest included in the amortized cost basis as a single balance
- Financial Assets Secured by Collateral Maintenance Provisions
 - An entity must reasonably expect a borrower to continually replenish collateral to apply the practical expedient to measure the estimate of expected credit loss as the difference between amortized cost basis and fair value of the collateral

Questions? Email cbizhmwebinars@cbiz.com

20

Income Tax Simplification (ASU 2019-12)

- Removes the exception to the incremental approach for intra-period tax allocation
- Removes an exception to the general methodology for calculating income taxes in an interim period when year-to-date loss exceeds the anticipated loss for the year
- Foreign Entities
 - Requires recognition of deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment
 - Permissible to not recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary

Questions? Email cbizmhwebinars@cbiz.com

21

Income Tax Simplification (ASU 2019-12)

- Requires the recognition of franchise tax partially based on income as an income based tax
 - Any incremental tax is treated as a non-income-based tax
- Requires evaluation of when a step up in tax basis of goodwill should be considered part of a business combination or a separate transaction
- Require reflection of that effect of an enacted change in tax laws in the interim period that includes the enactment

Questions? Email cbizmhwebinars@cbiz.com

22

Income Tax Simplification (ASU 2019-12)

- Specify that current and deferred tax expense is not required to be allocated to a legal entity in its separate financial statements if that entity is not subject to tax
 - Permit an election to allocate tax if the entity is not subject to tax and disregarded by taxing authorities
- Effective dates:
 - Public business entities Jan. 1, 2021 for calendar year entities
 - All others: Dec. 31, 2022 for calendar year entities
 - Early adoption is permitted

Questions? Email cbizmhwebinars@cbiz.com

23

Russell Golden – Chairman, FASB – Recent Speech

Remaining goals

- Labor Reform
- Liabilities and equity
- Accounting for goodwill and identifiable intangible assets
- Performance and segment disclosures

**Longer
Term
Projects**

FASB FINANCIAL
ACCOUNTING
STANDARDS BOARD

Questions? Email cbizmhwebinars@cbiz.com

24

Reference Rate Reform Project

- LIBOR is scheduled to sunset at the end of 2021
- Proposal for optional accounting relief to be available in 2020, 2021, and 2022, if:
 - Contract contains a reference rate, and
 - The change relates to rate replacement

Questions? Email cbizmhwebinars@cbiz.com

25

Reference Rate Reform Project

Proposal for optional accounting relief to be available in 2020, 2021, and 2022:

- Allow one-time transfer for debt securities from the held-to-maturity classification
- Simplified accounting evaluations for contract modifications
- Preservation of hedge accounting for contract modifications
 - Hedge breakage or ineffectiveness made visible in the financial statements

Change will be prospective,
expect final guidance in Q1 2020

Questions? Email cbizmhwebinars@cbiz.com

26

Other proposals

- Hedge Accounting
 - Addresses the accounting for forecasted transactions
- Liability and Equity Determinations
 - Improvements to reduce costs and complexity for convertible instruments and contracts in an entity's own stock
 - Go from 5 models down to 2 models
- Business Combinations (Phase 3)
- Classification of Debt
- Disclosure Framework

Questions? Email cbizhmwebinars@cbiz.com

27



PRIVATE COMPANY REMINDERS - 2020

Private Company Standards Effective in 2020

- Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities (ASU 2017-08)
- Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception (ASU 2017-11)
- Not-for-Profit Entities (Topic 958): Updating the Definition of Collections (ASU 2019-03)
- Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting (ASU 2018-07)

Questions? Email cbizmhwebinars@cbiz.com

29

Financial Instruments with Down Round Features (ASU 2017-11)

- Simplifies accounting for certain equity-linked financial instruments and embedded features with down-round features
 - Down-round features result in the strike price being reduced based on the pricing of a future equity offering
- Converts the nonpublic entity indefinite deferral for mandatorily redeemable financial instruments to a scope exception

Questions? Email cbizmhwebinars@cbiz.com

30

Financial Instruments with Down Round Features

- A freestanding financial instrument previously was required to be classified as a liability solely due to a down-round feature
- Existence of a down round feature will no longer preclude classification as equity
 - These instruments may no longer be accounted for as derivative liabilities at fair value

Questions? Email cbizhmwebinars@cbiz.com

31

Down Round Recognition and Measurement

- Recognize the effect of a down-round feature in an equity-classified freestanding financial instrument when the down round feature is triggered
- Effect is treated as a dividend
- The value of the effect is the difference between the following amounts determined immediately after the down round feature is triggered:
 - The fair value of the financial instrument (without the down round feature) at the currently stated strike price, and
 - Fair value of the financial instrument (without the down round feature) at the reduced strike price.

Questions? Email cbizhmwebinars@cbiz.com

32

Transition

Transition:

- The amendments should be applied in either of the following ways:
 - Retrospectively to outstanding financial instruments with a down round feature by means of a cumulative-effect adjustment once effective
 - Retrospectively to outstanding financial instruments with a down round feature for each prior reporting period presented

Questions? Email cbizmhwebinars@cbiz.com

33

Share-Based Payment Accounting – Non-Employees (ASU 2018-07)

- Objective was to simplify the accounting for Non-Employees
- Expands the scope of ASC Topic 718 to all share-based payments to acquire **goods or services** to be used in operations
- Topic 718 continues to exclude grants awarded to:
 - Obtain financing
 - Sell goods or services to customers (ASC Topic 606)

Questions? Email cbizmhwebinars@cbiz.com

34

Changes to Measurement Date

Current GAAP	Updated GAAP
<p>Equity-classified nonemployee share-based payments are measured on the earlier of:</p> <ul style="list-style-type: none"> • the date at which a commitment for performance by the counterparty is reached, and • the date at which the counterparty's performance is complete. 	<p>Equity-classified nonemployee share-based payment awards are measured at the grant date.</p> <ul style="list-style-type: none"> • Grant date is when the grantor and a grantee reach a mutual understanding of the key terms and conditions of a share-based payment award

Questions? Email cbizmhwebinars@cbiz.com

35

Changes to Measurement of Performance Conditions

Current GAAP	Updated GAAP
<p>Performance conditions of nonemployee share-based payment awards are measured at the lowest aggregate fair value</p>	<p>Measurement of performance conditions incorporates the probability of satisfying the conditions</p> <ul style="list-style-type: none"> - Measurement, not fair value

Questions? Email cbizmhwebinars@cbiz.com

36

Changes to Classification Reassessment

Current GAAP	Updated GAAP
<p>Equity-classified nonemployee share-based awards are subject to Topic 815 Derivatives and Hedging and are therefore reassessed when:</p> <ul style="list-style-type: none"> • The good has been delivered or service rendered, and • All other conditions have been satisfied to earn the right to benefit 	<p>Generally awards will continue to be subject to Topic 718 unless modified subsequent to vesting</p>

Questions? Email cbizmhwebinars@cbiz.com

37

Changes to Calculated Value

Current GAAP	Updated GAAP
<p>Nonemployee equity share options include estimated expected volatility</p>	<p>A historical industry-sector index may be used when it is not practicable to estimate the expected volatility</p>

Only applies to nonpublic entities

Questions? Email cbizmhwebinars@cbiz.com

38

Nonpublic Business Entities Expedients

- Permits a onetime election to change liability-classified nonemployee share-based payment awards to intrinsic value
 - Continue to remeasure each reporting period
- Expected term may be determined as the midpoint between vesting date and contractual term for nonemployee awards with service/performance conditions
 - Must use the same accounting policy for employee and nonemployee awards

Questions? Email cbizmhwebinars@cbiz.com

39

Transition

Cumulative effect adjustment at the beginning of the year of adoption for:

- Unsettled liability classified awards
- Equity-classified awards without an established measurement date, and
- Effects of measurements on assets in progress that include nonemployee share-based payment costs

Questions? Email cbizmhwebinars@cbiz.com

40



OTHER REMINDERS & UPDATES

Private Company Standards Effective 2019

- **Revenue from Contracts with Customers** (ASU 2014-09; 2015-14; 2016-08; 2016-10; 2016-12)
- Recognition of Breakage for Certain Prepaid Stored-Value Products (ASU 2016-04)
- Service Concession Arrangements (ASU 2017-10)
- Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets (ASU 2017-05)
- Classification of Certain Cash Receipts and Cash Payments (ASU 2016-15)
- **Restricted Cash (a consensus of the FASB Emerging Issues Task Force) (ASU 2016-18)**
- **Recognition and Measurement of Financial Assets and Financial Liabilities (ASU 2016-01; 2018-03)**
- **Clarifying the Definition of a Business (ASU 2017-01)**
- Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (ASU 2018-02)
- Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory (ASU 2016-16)
- Employee Benefit Plan Master Trust Reporting (ASU 2017-06)
- Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (ASU 2017-07)
- U.S. Steamship Entities: Elimination (ASU 2017-15)

Questions? Email cbizhmwebinars@cbiz.com

42

Public Company Standards Updates Effective - 2020

- Measurement of Credit Losses on Financial Instruments (ASU 2016-13; ASU 2018-19; ASU 2019-05)
- Simplifying the Test for Goodwill Impairment (ASU 2017-04)
- Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (ASU 2018-15)
- Targeted Improvements to Related Party Guidance for Variable Interest Entities (ASU 2018-17)
- Collaborative Arrangements: Clarifying the Interaction between Topic 808 and Topic 606 (ASU 2018-18)
- Film Costs and Entertainment—Intangibles (ASU 2019-02)
- Improvements to Financial Instruments—Credit Losses, Derivatives and Hedging, and Financial Instruments (ASU 2019-04)
- Changes to the Disclosure Requirements for Fair Value Measurement (ASU 2018-13)
- Not-for-Profit Entities: Updating the Definition of Collections (ASU 2019-03)

Questions? Email cbizmhwebinars@cbiz.com

43

SEC Update Revenue Recognition

- Significant increase in comment letters resulting from ASC Topic 606
- Focus on significant judgements/estimates
 - Performance obligations
 - Timing of revenue recognition
 - Principal v Agent

Questions? Email cbizmhwebinars@cbiz.com

44

Revenue Recognition - Principal vs Agent

Registrant

- Contract with the customer
- Provides some of the services
- Ability to direct the other service provider to provide services on its behalf
- Other service provider does not have a contract with the customer
- Controls when services are performed
- Other service provider cannot refuse to perform
- Responsible for most customer complaints

Other service provider

- Identified in the contract
- Provides services that are regulatory restricted
- Registrant can only dictate general parameters of the service
- Has discretion in how it performed

Questions? Email cbizhmwebinars@cbiz.com

45

Revenue Recognition – Performance Obligations

Stating “the customer wants” a “solution” is not sufficient to establish a single performance obligation

Example of a single performance obligation:

Registrant licenses software that enables development, deployment, and monetization of apps

- Promise includes updates to ensure continued compatibility with phones, TVs etc.

Questions? Email cbizhmwebinars@cbiz.com

46

Current Expected Credit Losses (CECL)

- CECL model eliminates the incurred loss model - the expected loss model creates an allowance to arrive at the amount expected to be collected
- Mortgage loan portfolio that is to be measured using a discounted cash flow model
 - The lender may make additional advances to the borrower

Questions? Email cbizhmwebinars@cbiz.com

47

Current Expected Credit Losses (CECL)

- **Topic 326 also applies to non-financial companies and assets other than loans, including:**
 - Trade receivables
 - Contract assets
- **Considerations:**
 - Include losses over the contractual life
 - Pooling by risk characteristics is required
 - Increase in disclosure

Questions? Email cbizhmwebinars@cbiz.com

48

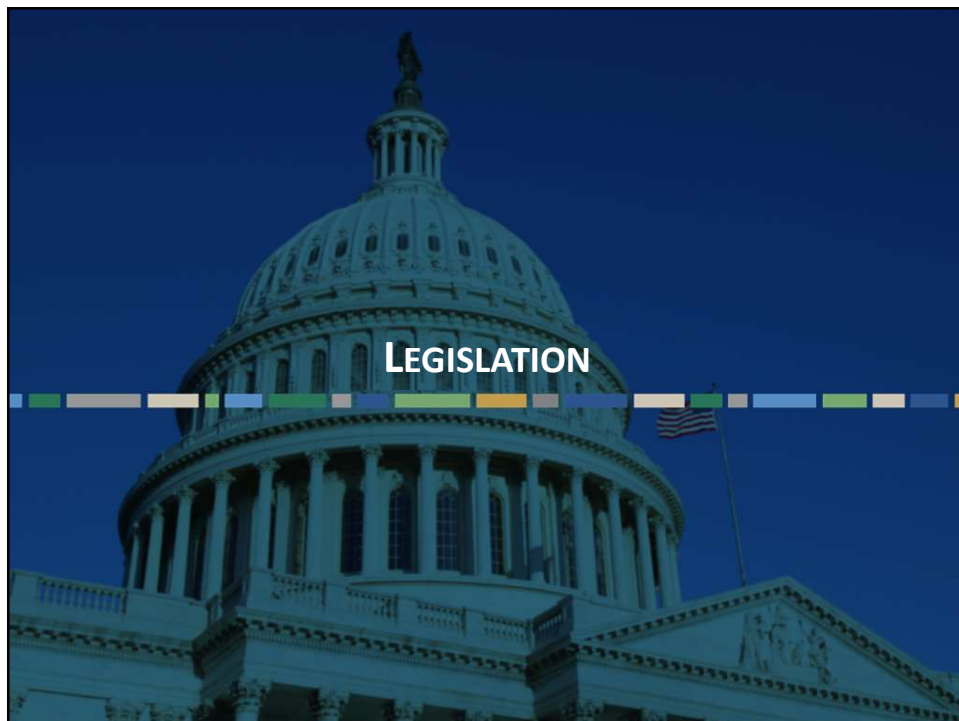
Example 5 from Topic 326

Past-Due Status	Amortized Cost Basis	Credit Loss Rate	Expected Credit Loss Estimate
Current	\$ 5,984,698	0.27%	\$ 16,159
1–30 days past due	8,272	7.2%	596
31–60 days past due	2,882	23.4%	674
61–90 days past due	842	52.2%	440
More than 90 days past due	1,100	73.8%	812
	<u>\$ 5,997,794</u>		<u>\$ 18,681</u>

- Key Points:
 - Evaluate whether receivables are a single pool
 - Determine the historical loss rates by aging category
 - Adjust for current and reasonable, supportable forecasted economic conditions

Questions? Email cbizhmwebinars@cbiz.com

49



TCJA After Two Years

- **Qualified Business Income Final Regulations**
 - Netting rules for multiple businesses when at least one has negative QBI
 - Elective aggregation rules to treat multiple businesses as one
 - Impact upon self-employment, net investment income, and alternative minimum tax (AMT)
 - Sources of W-2 wages for limitation purposes (the IRS also released a notice providing additional guidance on determining W-2 wages for QBI deduction purposes)
 - Determination of unadjusted basis of property involving carryover basis transactions
 - Treatment of Section 1231 gains and losses for QBI purposes
 - Scope of Specified Service Trades or Businesses (SSTBs)

Questions? Email cbizmhwebinars@cbiz.com

51

TCJA After Two Years

- **QBI Clarification for Rental Real Estate -- Safe Harbor**
 - Maintain separate books and records to reflect income and expenses for each rental real estate enterprise
 - Treat commercial and residential properties as separate trades or businesses
 - If rental real estate enterprises have been in existence for less than four years, taxpayers must be able to demonstrate through written documentation that they performed more than 250 hours of rental services per year
 - For rental real estate enterprises that have been in existence longer, taxpayers must be able to demonstrate through written documentation that they have more than 250 hours of rental services performed in at least three of the past five years
 - Maintain contemporaneous records, including time reports, logs, or similar documents about services performed

Questions? Email cbizmhwebinars@cbiz.com

52

TCJA After Two Years

• Tax Revenue Recognition

- The TCJA created an “[Earlier of Test](#)” for tax revenue recognition that requires taxpayers to include revenue in gross income at the earlier of
 - The time when the revenue is recognized under the traditional “All Events Test,” or
 - When it is included for financial accounting purposes (appearing in either an applicable financial statement or other qualifying financial statements).
- Section 451(b) proposed regulations clarify that the applicable financial statement acceleration rule applies year-by-year. The rule only applies in instances when the applicable financial statement covers the entire tax year.
- Section 451(c) proposed regulations extend the deferral method to taxpayers without an applicable financial statement, using criteria similar to that provided under [Rev. Proc. 2004-34](#).

Questions? Email cbizmhwebinars@cbiz.com

53

TCJA After Two Years

• SALT Workarounds

- [Final regulations](#) bar state workarounds for the TCJA’s \$10,000 state and local tax deduction limitation.
 - Some states had offered state tax credits for taxpayers who made charitable contributions to a state or local government fund. These credits were designed to offset taxpayers’ state and local tax obligations.
 - The final regulations require taxpayers who receive state tax credits to reduce their federal charitable contribution deductions by the amount of the credit they receive or expect to receive.
 - Taxpayers receiving a state tax deduction for a charitable contribution do not have to reduce their federal deduction, nor do the taxpayers have to reduce their federal charitable deduction if the credit is not more than 15% of their contribution.
- A New York U.S. District Court recently [dismissed a lawsuit](#) from a group of states that tried to block the tax reform’s \$10,000 limitation on state and local tax.

Questions? Email cbizmhwebinars@cbiz.com

54

TCJA After Two Years

• Qualified Opportunity Zone Regulations

- A QOZ fund or business can lease property if certain requirements are met. This allows taxpayers who held property in a QOZ prior to the enactment of the TCJA to potentially benefit from the QOZ's capital gains deferral and exclusion provisions.
- Clarified the "substantially all" requirements for the holding period and use of the tangible business property d exclusion provisions
 - 70% of the property must be used in a qualified opportunity zone.
 - Tangible property must be QOZ business property for at least 90% of the QO Fund's or QOZ business's holding period.
 - The partnership or corporation must be a QOZ business for at least 90% of the QO Fund's holding period.

Questions? Email cbizmhwebinars@cbiz.com

55

Further Consolidated Appropriations Act, 2020 (Dec. 20)

• SECURE Act

- A suite of retirement savings plan incentives.
 - Increased credit – from \$500 to \$5,000 – for employers that establish new retirement plans.
 - New rule permits small employers to offer retirement plans by a pooled retirement plan provider.
 - For individuals, the retirement plan incentives include a delay to the age at which required minimum distributions must commence – from 70 ½ to 72 – and removes the prohibition against IRA contributions for persons attaining age 70 ½.
 - Individuals also will be able to withdraw up to \$5,000 penalty-free from retirement accounts in the year following the birth or adoption of a child.

Questions? Email cbizmhwebinars@cbiz.com

56

Further Consolidated Appropriations Act, 2020 (Dec. 20)

- ACA Provisions
 - The FCAA repeals permanently the “Cadillac” tax that certain employers face when they sponsor health plans that cost more than \$10,200 for individuals and \$27,500 for families.
 - Also repealed the 2.3% medical device excise tax and the annual fee imposed on health insurance providers.

Questions? Email cbizhmwebinars@cbiz.com

57

Further Consolidated Appropriations Act, 2020 (Dec. 20)

- Extenders – Individuals (extended retroactively to 2018 and through 2020)
 - Exclusion from taxable income for mortgage debt cancellation
 - Inclusion of mortgage insurance premiums as mortgage interest for itemized deduction purposes, and
 - A deduction for adjusted gross income of up to \$4,000 for qualified tuition and related expenses.
 - For 2019 and 2020, the floor used to determine the deductible amount of medical expenses for itemized deduction purposes is reduced from 10% to 7.5%.

Questions? Email cbizhmwebinars@cbiz.com

58

Further Consolidated Appropriations Act, 2020 (Dec. 20)

- Extenders – Businesses (extended retroactively to 2018 and through 2020)
 - Energy-efficient commercial buildings deduction under Section 179D
 - The 30% investment tax credit, commonly used for investments in solar energy property, was not extended, and is scheduled to phase out beginning in 2020
 - Empowerment zone incentives

Questions? Email cbizhmmwebinars@cbiz.com

59

Further Consolidated Appropriations Act, 2020 (Dec. 20)

- Extenders – Businesses (extended retroactively to 2019 and through 2020)
 - [New Markets Tax Credit](#),
 - Credit for employers that provide paid family medical leave,
 - The [Work Opportunity Tax Credit](#), and
 - Other incentives including a “look-through” rule that applies to certain transactions between related controlled foreign corporations

Questions? Email cbizhmmwebinars@cbiz.com

60

Further Consolidated Appropriations Act, 2020 (Dec. 20)

- Not-For-Profits
 - TCJA classified certain transportation and parking expenses a not-for-profit incurs on behalf of its employees as unrelated business taxable income (UBTI)
 - The FCAA repeals the parking expense “tax” on not-for-profits.
 - Not-for-profit organizations are not be subject to the requirement to include the costs of so-called qualified transportation and qualified parking benefits in taxable income, retroactive to the date the requirement took effect (generally Jan. 1, 2018).
 - Employee parking expenses of for-profit companies remain nondeductible.

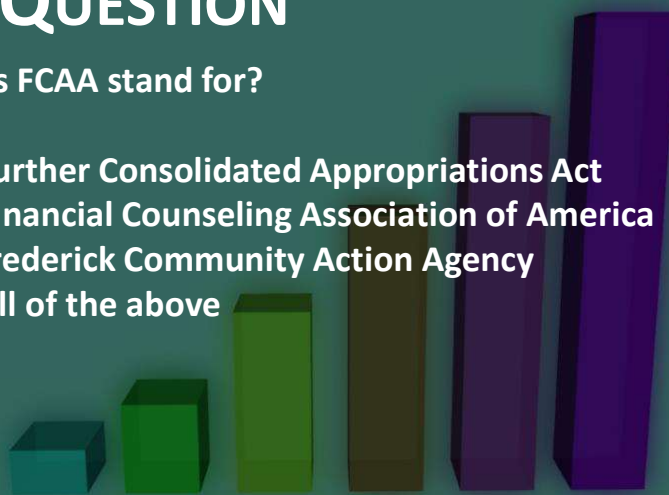
Questions? Email cbizmhwebinars@cbiz.com

61

TIME FOR A POLL QUESTION

What does FCAA stand for?

- a. Further Consolidated Appropriations Act
- b. Financial Counseling Association of America
- c. Frederick Community Action Agency
- d. All of the above





Notice 2019-66

- On December 9, the IRS announced in [Notice 2019-66](#) that the expanded requirement to report partners' shares of partnership capital on the tax basis method for *all* partners will not apply to 2019 returns.
- The one-year delay leaves intact the requirement to report partners' shares of partnership capital on the tax basis method for those partners with negative tax basis capital balances.
- The IRS is also delaying certain other information reporting requirements that it previously announced for 2019 filings of Form 1065.

Release 2019-182: Conservation Easement Enforcement

- In December 2016, the IRS issued *Notice 2017-10*, which designated certain syndicated conservation easements as listed transactions.
 - Investors in pass-through entities receive promotional material offering the possibility of a charitable contribution deduction worth at least two and half times their investment.
- On November 13, 2019, the IRS announced a significant increase in enforcement actions for syndicated conservation easement transactions.
- “We will not stop in our pursuit of everyone involved in the creation, marketing, promotion and wrongful acquisition of artificial, highly inflated deductions based on these aggressive transactions. Every available enforcement option will be considered, including civil penalties and, where appropriate, criminal investigations that could lead to a criminal prosecution,” said IRS Commissioner Chuck Rettig.
- Taxpayers may avoid the imposition of penalties relating to improper contribution deductions if they fully remove the improper contribution and related tax benefits from their returns by timely filing a qualified amended return or timely administrative adjustment request.

Questions? Email cbizmhwebinars@cbiz.com

65



Coal Property Holdings, LLC v. Comm’r, 153 TC No. 7

- A limited liability company (LLC) was not entitled to charitable contribution deduction because the conservation purpose of the easement was not "protected in perpetuity" as required by Code Sec. 170(h)(5)(A).
- The taxpayer had donated a conservation easement to a qualified charitable organization.
- The easement deed provided that, if the property were sold following judicial extinguishment of the easement, the donee organization would receive a share of the proceeds, "after the satisfaction of prior claims," determined by a formula.
- The easement did not satisfy the requirements of Reg. §1.170A-14(g)(6) because the portion of the proceeds to which the donee was entitled was improperly reduced by amounts paid in satisfaction of prior claims against the taxpayer.

Questions? Email cbizhmwebinars@cbiz.com

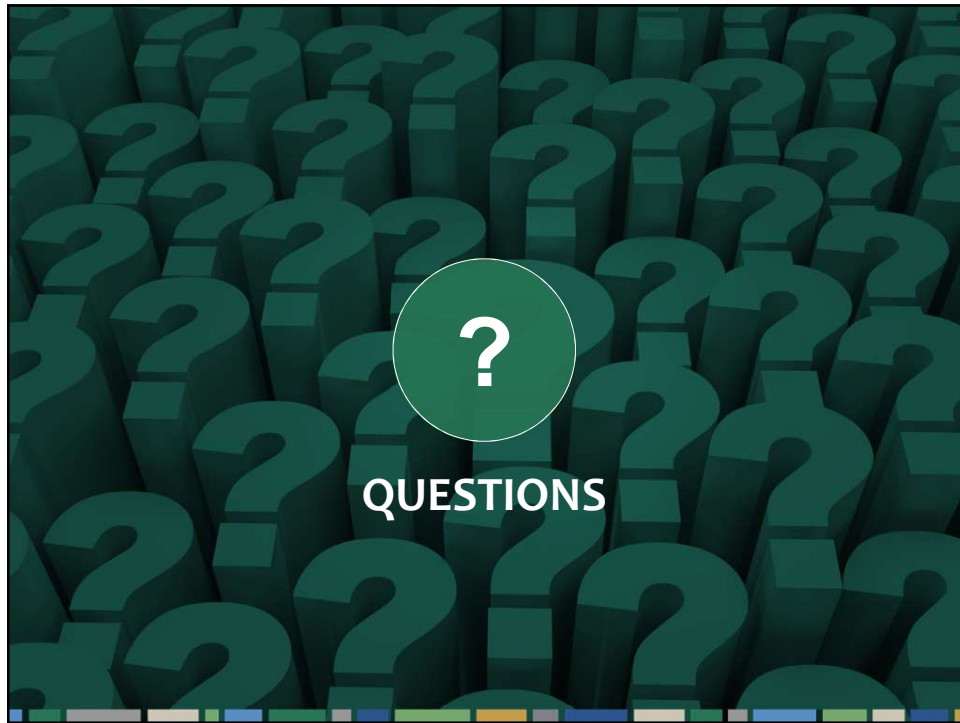
67

Nor. Cal. Small Business Assistants Inc. v. Commissioner 153 TC No. 4

- A California-based medical marijuana dispensary’s motion for summary judgment based in part on the constitutionality of Code Sec. 280E was dismissed.
- The disallowance of tax deductions is not a penalty, so Sec. 280E does not violate the Eighth Amendment (“Excessive bail shall not be required, nor excessive fines imposed, nor cruel and unusual punishments inflicted.”).
- Furthermore, Code Sec. 280E applies to marijuana dispensaries regardless of whether they are legal under state law. Marijuana is considered a Schedule I controlled substance under federal law.
- Finally, deductions prohibited by Code Sec. 280E includes any deductions claimed by the business, not Code Sec. 162 deductions only.
 - The first line of section 280E: “No deduction or credit shall be allowed”.

Questions? Email cbizhmwebinars@cbiz.com

68



Connect with Us

MHM		CBIZ
linkedin.com/company/ mayer-hoffman-mccann-p.c.		linkedin.com/company/ cbiz-mhm-llc
@mhmcpc		@cbizmhm
youtube.com/ mayerhoffmanmccann		youtube.com/ BizTipsVideos
slideshare.net/mhmpc		slideshare.net/CBIZInc

Questions? Email cbizmhmwebinars@cbiz.com

70

If You Enjoyed This Webinar...



Upcoming Courses:

- [2/4: Eye on Washington Quarterly Update Q4 2019](#)



Recent Publications:

- [Extenders Bill Brings Big Changes for Not-for-Profits](#)
- [4 Applications of Revenue Recognition & Contribution Accounting in Not-for-Profits](#)
- [Top 5 Accounting and Tax Stories of 2019](#)
- [IRS Backs Down from Expanded Requirement to Disclose Partnership Tax Capital on 2019 Returns](#)

Questions? Email cbizmhwebinars@cbiz.com

71

THANK YOU

CBIZ & Mayer Hoffman McCann P.C.
cbizmhwebinars@cbiz.com

