

The IRS delivered the draft 2020 W-4 by May 31. Now what?

The IRS coughed up the first draft of the 2020 W-4 and employer instructions on time, to the relief of many. Comments are trickling in on those drafts. They are not supportive.

Maybe that's a function of dissatisfied people commenting while those stakeholders who've already been mollified commented earlier in the process, when the IRS was discreetly workshopping the drafts. Only time will tell.

Meanwhile, the [Taxpayer First Act of 2019](#), which drops the e-filing threshold for information returns considerably and quickly, sailed through the Senate under a special rule, called unanimous consent. The bill is waiting for the president's signature.

While we wait for the second drafts of the W-4 and the employer instructions, and perhaps some word from the IRS on TFA 19, we've been accumulating all sorts of information related to the TCJA—the Tax Cuts and Jobs Act of 2017.

Another paycheck checkup week?

Yes, they're back and don't expect them to go away any time this year.

The IRS is again urging employees to check their withholding by using its [withholding calculator](#).

We're not going to spend a lot of time on this, since we spent a lot of time on it last year. You can go [here](#), [here](#) and [here](#) for more information on paycheck checkups.

Executive compensation excise taxes

The TCJA imposes a 21% excise tax on tax-exempt organizations that pay their top five employees more than \$1 million a year.

Snag: Lots of private, for-profit companies set up related tax-exempt private foundations that carry out the companies' charitable works. Often, company execs serve on these foundations' boards for no pay.

Surprise tax bite: If board members earn more than \$1 million from their companies for their everyday work, the related private foundations are nevertheless on the hook for the tax, even though they don't pay these board members a dime.

The IRS is promising relief in proposed regulations.

On another tax-exempt matter, time and opportunity may be running out for a legislative fix to the TCJA provision that requires tax-exempt organizations to pay the UBIT on the cost of employer-provided parking.

SALT lawsuit continues on

The TCJA limits state and local tax deductions to \$10,000. That hasn't gone over very well in New York, New Jersey, Connecticut and Maryland. They [sued](#), claiming the \$10,000 cap was unconstitutional.

The federal government countered with a motion for summary judgment.

Then things got very quiet. Until now. Oral arguments on this motion are scheduled for today, June 18.

While we're waiting for the disposition of this motion, the IRS has issued final regulations on the SALT limitation for individuals. (SALT stands for state and local tax.) The regs nix state workarounds, which mostly allowed taxpayers to donate to charitable organizations in return for state tax credits. The regs require taxpayers to reduce their charitable deductions on their 1040s by the amount of any state or local tax credits they receive or expect to receive in return. A classic *quid pro quo*.

There's also a safe harbor, which basically allows individuals to skirt the *quid pro quo* nature of the regs. But there are two catches: First, you have to itemize your deductions on Schedule A, which is pretty hard to do now that the standard deduction amounts have almost doubled and second, the safe harbor applies only up to the \$10,000 limit.

IRS calls balls and strikes on valuing pro teams

It's baseball season. My team is in first place (!), but it's a long season.

Before the TCJA, the value of contracts for players who were traded fell under the like-kind rule, so there was no gain or loss to the team owner. The TCJA repealed the like-kind exchange rule for everything except real estate transactions. This left all pro sports teams, especially basketball and baseball teams, in a bind.

The IRS has now come up with a safe harbor that allows pro teams to treat certain player and staff-member contracts and draft picks as having a zero value for determining gain or loss to be recognized on the trade of a player or staff-member contract or a draft pick.

Well, that's a relief, since the nonwaiver baseball trade deadline is a scant six weeks away.

Sexual harassment awards

The TCJA disallows tax deductions for attorneys' fees related to sexual harassment awards if there's a nondisclosure agreement. Unfortunately, this provision was drafted so broadly that it reached into victims' pockets, as well as corporate pockets.

The IRS has clarified that the deduction disallowance does not apply to victims' attorneys' fees.

That's good.