

2020 Tax Law Changes

Revised by Gene Giesaking, TCE/VITA

January, 2021


■ Topics

- SECURE Act
- Families First Act*
- CARES Act*
- Consolidated Appropriations Act, 2021 (CAA 2021)
- Other tax changes
- Knowledge Check

* CAA 2021 changes highlighted in blue

**Setting Every Community Up
For Retirement
Enhancement
(SECURE Act)**

■ SECURE Act

- IRA Contributions
- Qualified Charitable Distributions
- Required Minimum Distribution Age
- Inherited IRAs
- Taxable Non-tuition Fellowship and Stipends
- Penalty-free Distribution for Birth or Adoption
- Expansion of Section 529 Plans
-  Multiple Tax Reverted

■ IRA Contributions

- Repeals maximum age (previously 70½) for making contributions to traditional IRA
 - Must have taxable compensation during the year
 - Taxable alimony counts as compensation
- Effective for tax years beginning after December 31, 2019

Continuing on after 2020 as of now

■ Qualified Charitable Distributions (QCD)

- Minimum age for qualified charitable distributions from individual retirement plans **remains at 70½**
- Excludible portion of QCD distribution is reduced by IRA deductions (Schedule 1 Line 19)
- A cumulative adjustment

■ Qualified Charitable Distributions (QCD)

Example: \$5,000 QCD and \$5,000 IRA contribution

- Without adjustment, no gross income and \$5,000 IRA deduction
 - AGI reduced, but IRA stayed the same (\$5k in, \$5k out)
- With adjustment, gross income offset by IRA deduction (no change to AGI), charitable contribution deduction

■ Required Minimum Distribution Age

- Age for beginning required minimum distributions (RMD) from defined contribution plan or IRA increased to 72 from 70½ for individuals who reach age 70½ after December 31, 2019
- Some or all of first distribution may be delayed until **April 1 of following calendar year** (no change)
 - If delayed, will have two distributions in that year

■ Taxable Non-tuition Fellowship and Stipends

- Paid to aid in the individual's pursuit of graduate or postdoctoral study
- Treated as compensation for the purpose of IRA contributions
- Must be included in gross income

■ Penalty-free Distribution for Birth or Adoption

- Can withdraw up to \$5,000 for the birth or adoption of a child
 - Distribution within one year after birth or adoption finalized
 - “Eligible adoptee:” any individual under age 18 or physically or mentally incapable of self-support
 - Not a child of the taxpayer’s spouse
- Can recontribute any portion of the distribution as a rollover contribution to an eligible retirement plan
- IRAs, 401(k), 403(b), etc. (but not from a defined benefit plan)

■ Expansion of Section 529 Plans

- Distributions permitted for:
 - Principal or interest on a student loan
 - Designated beneficiary's or their sibling's
 - Up to \$10,000 lifetime
 - Interest paid with these funds does not qualify for the student loan interest deduction
 - Participation in an apprenticeship program that is registered and certified by the U.S. Department of Labor.
 - Qualifying expenses are required fees, books, supplies and equipment
- Retroactive to 2019

Families First Coronavirus Response Act (Families First Act)

■ Families First Act

- Sick leave credit for self-employed
- Family leave credit for self-employed



SICK LEAVE Credit for Self-employed Individuals

Part 1

- If self-employed individual is unable to work because:
 - They're subject to a COVID-19 quarantine or isolation order
 - They're advised to self-quarantine because of COVID-19
 - They have COVID-19 symptoms and are seeking a medical diagnosis
- Up to 10 lost workdays between 4/1/20 and 12/31/20
- Profit for the year divided by 260
 - CAA 2021 allows use of 2020 or 2019 self-employment profit – whichever is more beneficial
 - Max \$511 per day (total max \$5,110)

SICK LEAVE Credit for Self-employed Individuals – Part 2

- If self-employed individual unable to work because they are
 - caring for someone who is subject to a COVID-19 quarantine or isolation order, or for someone who is advised to self-quarantine because of COVID-19
 - caring for a child whose school or place of care is closed due to COVID-19
 - caring for a child whose child care provider is unavailable due to COVID-19
- Up to 10 lost workdays between 4/1/20 and 12/31/20
- Profit for the year divided by 260 **X 67%**,
 - CAA 2021 allows use of 2020 or 2019 self-employment profit – whichever is more beneficial
 - Max \$200 per day (max \$2,000)

■ SICK LEAVE Credit for Self-employed Individuals

- Up to 10 lost workdays between 4/1/20 and 12/31/20*
- Combined part 1 or part 2
- Days cannot overlap for part 1 and part 2 purposes
- Use part 1 first
- * CCA 2021 extended period through 3/31/2021

FAMILY LEAVE Credit for Self-employed Individuals

- If the self-employed individual is unable to work because
 - They're caring for a child whose school or place of care is closed due to COVID-19
 - They're caring for a child whose child care provider is unavailable due to COVID-19
- Can claim family leave credit for up to 50 lost workdays between 4/1/20 and 12/31/20
- Profit for the year divided by 260 times 67%,
 - CAA 2021 allows use of 2020 or 2019 self-employment profit – whichever is more beneficial
 - Max \$200 per day (total max \$10,000)

■ Sick Leave AND Family Leave Credits

- Scaled down if individual also got sick leave or family leave from an employer as reported on W-2 or separate statement
- Self-employed individual can receive both sick leave credit and family leave credit for up to 60 lost workdays of credits
- These are refundable credits
- IRS to prescribe required eligibility documentation
- New Form 7202

■ Sick Leave AND Family Leave Credits

- *Note overlap of caring for child in both sick leave Part II and family leave credit*
- *Form instructions do not prohibit using the same lost workdays for both credits – future IRS guidance may change this*

For each business owner: Another special provision provides for a sick leave or family leave credit in certain circumstances.

Sick leave Part 1

A. Were you unable to work in your business because you were:

- subject to a COVID-19 quarantine or isolation order yes no
- advised to self-quarantine because of COVID-19 yes no
- had COVID-19 symptoms and sought a medical diagnosis yes no

As a result, how many days were you unable to work in your business from 4/1 to 12/31/20?

Sick leave Part 2

B. Were you unable to work in your business because you:

- cared for someone who was subject to a COVID-19 quarantine or isolation order yes no
- cared for someone who was advised to self-quarantine because of COVID-19 yes no
- cared for a child* whose school or place of care was closed due to COVID-19 yes no
- cared for a child* whose child care provider was unavailable due to COVID-19 yes no

As a result, how many days were you unable to work in your business from 4/1 to 12/31/20?

Family leave

C. Were you unable to work in your business because you:

- cared for a child* whose school or place of care was closed due to COVID-19 yes no
- cared for a child* whose child care provider was unavailable due to COVID-19 yes no

As a result, how many days were you unable to work in your business from 4/1 to 12/31/20?

* A child includes an individual who is under age 18 and is: your biological, adopted, or foster child; your stepchild; a legal ward; a child for whom you have day-to-day responsibilities for care or financial support. It also includes an adult son or daughter (18 years of age or older), who (1) has a mental or physical disability, and (2) is incapable of self-care because of that disability.

Please retain any documentation you have to support your lost workdays with your tax records.

Amount of employer sick leave pay (\$511-per-day limit) \$ (\$200-per-day limit) \$

For volunteer use:

Amount of employer family leave pay \$

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Form Finder

Enter the form number...

Basic Information

Federal Section

- Income
 - W-2 Wage Statement
- Deductions**
- Other Taxes
- Payments & Estimates
- Miscellaneous Forms

Health Insurance

State Section

Summary/Print

Credits

| | |
|-----------------------------------------------------------------------------------------|-------|
| Foreign Tax Credit Form 1116 | BEGIN |
| Child Care Credit Form 2441 | BEGIN |
| Education Credits Form 1098-T | BEGIN |
| Retirement Savings Credit Form 8880 | BEGIN |
| Residential Energy Credit Form 5695 | BEGIN |
| Adoption Credit Form 8839 | BEGIN |
| Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals Form 7202 | BEGIN |

Form F7202 - Credits for Sick Leave and Family Leave

Who is this Form 7202 for?

Taxpayer

Net earnings from self employment

Adjust your net earnings from self-employment

\$

Were you unable to work due to COVID-19? *

Yes

No

CANCEL

CONTINUE

Who is this Form 7202 for?

Taxpayer

Net earnings from self employment

Adjust your net earnings from self-employment

\$

Were you unable to work due to COVID-19? *

Yes

No

Tell us about any care you received or provided.

I required care for myself.

I provided care to another.

I provided care to my son or daughter because their school or place of care was closed.

CANCEL

CONTINUE

Were you unable to work due to COVID-19? *

Yes

No

Tell us about any care you received or provided.

I required care for myself.

Number of days you required care

Amount of qualified sick leave wages from employer for when you required care

I provided care to another.

I provided care to my son or daughter because their school or place of care was closed.

CANCEL

CONTINUE

I required care for myself.

Number of days you required care

Amount of qualified sick leave wages from employer for when you required care

I provided care to another.

Number of days you provided care to another

Amount of qualified sick leave wages from employer for when you cared for another

I provided care to my son or daughter because their school or place of care was closed.

CANCEL

CONTINUE

I provided care to another.

Number of days you provided care to another

Amount of qualified sick leave wages from employer for when you cared for another

I provided care to my son or daughter because their school or place of care was closed.

Number of days you provided care to a son or daughter

Amount of qualified family leave wages from employer

CANCEL

CONTINUE

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Form Finder

Enter the form number...

Basic Information

Federal Section

Income

W-2 Wage Statement

Deductions

Sick Leave and Family Leave Credit

2020

Help & Support

abby okjul

Save & Exit

Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals Form 7202

+ Add New Form 7202

Owner

Taxpayer



CONTINUE

Name(s) shown on Form 1040, 1040-SR, or 1040-NR

Your social security number

Part I Nonrefundable Credits

| | | |
|---|-------------------------------------------------------------------------------------------------------------------------------|---|
| 1 | Foreign tax credit. Attach Form 1116 if required | 1 |
| 2 | Credit for child and dependent care expenses. Attach Form 2441 | 2 |
| 3 | Education credits from Form 8863, line 19 | 3 |
| 4 | Retirement savings contributions credit. Attach Form 8880 | 4 |
| 5 | Residential energy credits. Attach Form 5695 | 5 |
| 6 | Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/> | 6 |
| 7 | Add lines 1 through 6. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 20 | 7 |

Part II Other Payments and Refundable Credits

| | | |
|----|---------------------------------------------------------------------------------------|-----|
| 8 | Net premium tax credit. Attach Form 8962 | 8 |
| 9 | Amount paid with request for extension to file (see instructions) | 9 |
| 10 | Excess social security and tier 1 RRTA tax withheld | 10 |
| 11 | Credit for federal tax on fuels. Attach Form 4136 | 11 |
| 12 | Other payments or refundable credits: | |
| a | Form 2439 | 12a |
| b | Qualified sick and family leave credits from Schedule(s) H and Form(s) 7202 | 12b |
| c | Health coverage tax credit from Form 8885 | 12c |
| d | Other: _____ | 12d |
| e | Deferral for certain Schedule H or SE filers (see instructions) | 12e |
| f | Add lines 12a through 12e | 12f |
| 13 | Add lines 8 through 12f. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 31 | 13 |

Form 1040, Page 2-top

| | | | |
|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--|
| 16 | Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/> _____ | 16 | |
| 17 | Amount from Schedule 2, line 3 | 17 | |
| 18 | Add lines 16 and 17 | 18 | |
| 19 | Child tax credit or credit for other dependents | 19 | |
| 20 | Amount from Schedule 3, line 7 | 20 | |
| 21 | Add lines 19 and 20 | 21 | |
| 22 | Subtract line 21 from line 18. If zero or less, enter -0- | 22 | |
| 23 | Other taxes, including self-employment tax, from Schedule 2, line 10 | 23 | |
| 24 | Add lines 22 and 23. This is your total tax ▶ | 24 | |
| 25 | Federal income tax withheld from: | | |
| | a Form(s) W-2 | 25a | |
| | b Form(s) 1099 | 25b | |
| | c Other forms (see instructions) | 25c | |
| | d Add lines 25a through 25c | 25d | |
| 26 | 2020 estimated tax payments and amount applied from 2019 return | 26 | |
| 27 | Earned income credit (EIC) | 27 | |
| 28 | Additional child tax credit. Attach Schedule 8812 | 28 | |
| 29 | American opportunity credit from Form 8863, line 8 | 29 | |
| 30 | Recovery rebate credit. See instructions | 30 | |
| 31 | Amount from Schedule 3, line 13 | 31 | |
| 32 | Add lines 27 through 31. These are your total other payments and refundable credits ▶ | 32 | |
| 33 | Add lines 25d, 26, and 32. These are your total payments ▶ | 33 | |

• If you have a qualifying child, attach Sch. EIC.
 • If you have nontaxable combat pay, see instructions.



Refund

| | | | |
|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|------------|--|
| 34 | If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid | 34 | |
| 35a | Amount of line 34 you want refunded to you . If Form 8888 is attached, check here ▶ <input type="checkbox"/> | 35a | |
| Direct deposit? See instructions. | ▶ b Routing number: _____ ▶ c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings | | |
| | ▶ d Account number: _____ | | |
| 36 | Amount of line 34 you want applied to your 2021 estimated tax ▶ | 36 | |

Amount You Owe

For details on how to pay, see instructions.

| | | | |
|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|--|
| 37 | Subtract line 33 from line 24. This is the amount you owe now ▶ | 37 | |
| | Note: Schedule H and Schedule SE filers, line 37 may not represent all of the taxes you owe for 2020. See Schedule 3, line 12e, and its instructions for details. | | |
| 38 | Estimated tax penalty (see instructions) ▶ | 38 | |

■ SECURE or Families First Acts

Questions



Comments

Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

■ CARES Act

- EIP and Recovery Rebate Credit
- Paycheck Protection Program loan
- Payroll tax deferral for self-employed individuals
- Retirement funds – special uses
- Temporary waiver of required minimum distributions (RMD)
- Above the line deduction for charitable contributions
- Limit on cash donations
- Tax-free employer education benefits
- Qualified medical for HSA
- Tax-free higher education emergency grants

■ Economic Impact Payments (EIP)*

- EIP sent to eligible taxpayers during 2020
 - \$1,200 (\$2,400 MFJ)
 - \$500 per dependent under age 17 as of 12/31/2019
(or 12/31/2018 if that return was used)
- Income phaseout
 - MFJ \$150,000 – \$198,000
 - HoH \$112,500 – \$136,500
 - S, MFS, QW \$75,000 – \$99,000

* See CCA 2021 section for additional payments

■ Recovery Rebate Credit (RRC)

- Can claim a credit on 2020 tax return if entitled to more EIP
 - **Refundable** credit
 - Will need to know how much EIP was received
- Examples generating RRC
 - Qualified taxpayer received no EIP in 2020
 - Additional qualifying dependent on 2020 return
 - 2019 income above phaseout, 2020 income below phaseout

■ EIP and RRC

- EIP and RRC are not taxable income
- Taxpayers **eligible** to be claimed on another's return not eligible for EIP or RRC
- Taxpayers must have valid Social Security number*
- EIP and RRC will be offset for past-due child support
 - Does not apply to other Federal offsets

■ 2020 Recovery Rebate Credit

- Excessive EIP does not have to be paid back
 - Possible exception for deceased recipients' estates
- No form – there will be a worksheet in the 1040 instructions
- IRS cannot reissue White House letter (notice 1444)
- No IRS plans to have a look-up tool

Form Finder

Enter the form number...

Basic Information

Filing Status

Personal Information

Dependents/Qualifying Person

IRS Identity Protection PIN

Recovery Rebate Credit

Federal Section

Health Insurance

COVID-19 Tax Relief

Did you receive an Economic Impact Payment (stimulus check) in 2020?



NOTE:

This information is strictly used to ensure you have received the full amount you are entitled. It will not increase your taxable income or taxes due.

Yes

Payment amount (Found on Notice 1444) *

\$ 1700

No

CANCEL

CONTINUE

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Form Finder

Enter the form number...

Basic Information

- Filing Status
- Personal Information
- Dependents/Qualifying Person
- IRS Identity Protection PIN
- Recovery Rebate Credit

2020

Help & Support

joanne emerson

Save & Exit

Just so you know

We will use this information to make sure you get the maximum amount of tax credit owed to you. The stimulus check does not have to be repaid back, but entering the correct amount will let us help you receive the maximum possible tax credit.

Select Continue if you still want to skip or Back if you've changed your mind.

CONTINUE

BACK

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Dependents (see instructions):

If more than four dependents, see instructions and check here

| (1) First name | Last name | (2) Social security number | (3) Relationship to you | (4) <input checked="" type="checkbox"/> if qualifies for (see instructions): Child tax credit | Credit for other dependents |
|----------------|-----------|----------------------------|-------------------------|--------------------------------------------------------------------------------------------------|-----------------------------|
| | | | | <input type="checkbox"/> | <input type="checkbox"/> |
| | | | | <input type="checkbox"/> | <input type="checkbox"/> |
| | | | | <input type="checkbox"/> | <input type="checkbox"/> |
| | | | | <input type="checkbox"/> | <input type="checkbox"/> |

Attach Sch. B if required.

Standard Deduction for—

- Single or Married filing separately, \$12,400
- Married filing jointly or Qualifying widow(er), \$24,800
- Head of household, \$18,650
- If you checked any box under *Standard Deduction*, see instructions.

| | | | | |
|-----------|-------------------------------------------------------------------------------------------------------------|------------|--|------------|
| 1 | Wages, salaries, tips, etc. Attach Form(s) W-2 | | | 1 |
| 2a | Tax-exempt interest | 2a | | 2b |
| 3a | Qualified dividends | 3a | | 3b |
| 4a | IRA distributions | 4a | | 4b |
| 5a | Pensions and annuities | 5a | | 5b |
| 6a | Social security benefits | 6a | | 6b |
| 7 | Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/> | | | 7 |
| 8 | Other income from Schedule 1, line 9 | | | 8 |
| 9 | Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income | | | 9 |
| 10 | Adjustments to income: | | | |
| a | From Schedule 1, line 22 | 10a | | |
| b | Charitable contributions if you take the standard deduction. See instructions | 10b | | |
| c | Add lines 10a and 10b. These are your total adjustments to income | | | 10c |
| 11 | Subtract line 10c from line 9. This is your adjusted gross income | | | 11 |
| 12 | Standard deduction or itemized deductions (from Schedule A) | | | 12 |
| 13 | Qualified business income deduction. Attach Form 8995 or Form 8995-A | | | 13 |
| 14 | Add lines 12 and 13 | | | 14 |
| 15 | Taxable income. Subtract line 14 from line 11. If zero or less, enter -0- | | | 15 |

| | | | |
|----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--|
| 16 | Tax (see instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/> _____ | 16 | |
| 17 | Amount from Schedule 2, line 3 | 17 | |
| 18 | Add lines 16 and 17 | 18 | |
| 19 | Child tax credit or credit for other dependents | 19 | |
| 20 | Amount from Schedule 3, line 7 | 20 | |
| 21 | Add lines 19 and 20 | 21 | |
| 22 | Subtract line 21 from line 18. If zero or less, enter -0- | 22 | |
| 23 | Other taxes, including self-employment tax, from Schedule 2, line 10 | 23 | |
| 24 | Add lines 22 and 23. This is your total tax | 24 | |
| 25 | Federal income tax withheld from: | | |
| a | Form(s) W-2 | 25a | |
| b | Form(s) 1099 | 25b | |
| c | Other forms (see instructions) | 25c | |
| d | Add lines 25a through 25c | 25d | |
| 26 | 2020 estimated tax payments and amount applied from 2019 return | 26 | |
| 27 | Earned income credit (EIC) | 27 | |
| 28 | Additional child tax credit. Attach Schedule 8812 | 28 | |
| 29 | American opportunity credit from Form 8863, line 8 | 29 | |
| 30 | Recovery rebate credit. See instructions | 30 | |
| 31 | Amount from Schedule 3, line 13 | 31 | |
| 32 | Add lines 27 through 31. These are your total other payments and refundable credits | 32 | |
| 33 | Add lines 25d, 26, and 32. These are your total payments | 33 | |
| 34 | If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you overpaid | 34 | |
| 35a | Amount of line 34 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/> | 35a | |
| Direct deposit? See instructions. | b Routing number _____ c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings | | |
| | d Account number _____ | | |
| 36 | Amount of line 34 you want applied to your 2021 estimated tax | 36 | |
| Amount You Owe | 37 Subtract line 33 from line 24. This is the amount you owe now | 37 | |
| For details on how to pay, see instructions. | Note: Schedule H and Schedule SE filers, line 37 may not represent all of the taxes you owe for 2020. See Schedule 3, line 12e, and its instructions for details. | | |
| | 38 Estimated tax penalty (see instructions) | 38 | |

• If you have a qualifying child, attach Sch. EIC.
• If you have nontaxable combat pay, see instructions.



Refund

■ EIP and RRC

- Individuals that use the Non-Filer tool and need to file a real 2019 tax return
 - If try to e-file, will reject
 - Will need to file a paper Form 1040 return
 - Page one should have “Amended EIP return” at the top

■ Paycheck Protection Plan (PPP) Loan

- A self-employed person was eligible for a PPP loan
- Max 2.5 month's worth of their 2019 Schedule C profit (profit/12*2.5)
- It is forgiven but not taxable income*
- Funds are “used” to pay self-employed person for lost profit – no reduction of expenses needed**

* State laws may differ

** CAA 2021 specifies all expenses remain deductible

■ Payroll Tax Deferral for Self-Employed

- Can defer the employer portion of Social Security tax
- Compute the S-E income attributed to 3/27/20 – 12/31/20
- 50% will be due December 31, 2021
- Balance will be due December 31, 2022

■ New SE Tax Deferral Worksheet

Self-Employed COVID Worksheet (type-in fillable)

To be completed only if you or your spouse had a business during 2020.

Name of the business owner:

For each business you own: A special provision for 2020 allows you to defer payment of the employer portion of the Social Security tax that is included in your self-employment tax. The amount involved is about 5.7% of your self-employment profit from 3/27/20 to 12/31/20. You need to estimate your profit for that time span or use the IRS example allocation ratio of 77.5% of your full-year profit. If elected, one-half of the deferred tax would be due in 2021 and the second half would be due in 2022. Your estimated payments, if any, need to include the repayment.

- Do you want to defer payment of part of your self-employment tax? yes no
 - If yes, enter your profit for 3/27/20 to 12/31/20: \$ or check to use 77.5% (✓)
 - If yes, how much do you want to defer? % of my tax or check to use the maximum (✓)
-

■ Payroll Tax Deferral for Self-Employed

■ New Part III in Schedule SE

| Part III Maximum Deferral of Self-Employment Tax Payments | | |
|-------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|----|
| If line 4c is zero, skip lines 18 through 20, and enter -0- on line 21. | | |
| 18 | Enter the portion of line 3 that can be attributed to March 27, 2020, through December 31, 2020 . . . | 18 |
| 19 | If line 18 is more than zero, multiply line 18 by 92.35% (0.9235); otherwise, enter the amount from line 18 . . . | 19 |
| 20 | Enter the portion of lines 15 and 17 that can be attributed to March 27, 2020, through December 31, 2020 | 20 |
| 21 | Combine lines 19 and 20 | 21 |
| If line 5b is zero, skip line 22 and enter -0- on line 23. | | |
| 22 | Enter the portion of line 5a that can be attributed to March 27, 2020, through December 31, 2020 . . . | 22 |
| 23 | Multiply line 22 by 92.35% (0.9235) | 23 |
| 24 | Add lines 21 and 23 | 24 |
| 25 | Enter the smaller of line 9 or line 24 | 25 |
| 26 | Multiply line 25 by 6.2% (0.062). Enter here and see the instructions for line 12e of Schedule 3 (Form 1040) | 26 |

Schedule SE (Form 1040) 2020

■ Payroll Tax Deferral – New Line Schedule 3

- Claimed as a “payment” on Schedule 3, Line 12(e)

| | | |
|----------------------------------------------------------------|---------------------------------------------------------------------------------------|------------|
| 11 Credit for federal tax on fuels. Attach Form 4130 | | 11 |
| 12 | Other payments or refundable credits: | |
| a | Form 2439 | 12a |
| b | Qualified sick and family leave credits from Schedule(s) H and Form(s) 7202 | 12b |
| c | Health coverage tax credit from Form 8885 | 12c |
| d | Other: _____ | 12d |
| e | Deferral for certain Schedule H or SE filers (see instructions) | 12e |
| f | Add lines 12a through 12e | 12f |

■ Retirement Funds – Special Use Rules

- “Qualified individuals” with coronavirus-related distributions in tax year 2020
 - 10% early distribution penalty waived
 - Can spread income over a 3-year period
 - Can recontribute funds with 3 years – treated as a rollover
 - Up to \$100,000 distribution
- Form 8915-E (non-COVID disasters remain out of scope)
- 3-year spread or recontribution are currently out of scope
 - Recontribution prior to 4/15/21 would be in scope

■ Retirement Funds – Special Use Rules

- Notice 2020-50: a qualified individual is anyone who:
 - is diagnosed, or whose spouse or dependent is diagnosed, with the virus SARS-CoV-2 or the coronavirus disease 2019 (collectively, "COVID-19") by a test approved by the Centers for Disease Control and Prevention (including a test authorized under the Federal Food, Drug, and Cosmetic Act); or
 - experiences adverse financial consequences as a result of the individual, the individual's spouse, or a member of the individual's household (that is, someone who shares the individual's principal residence):
 - being quarantined, being furloughed or laid off, or
 - having work hours reduced due to COVID-19;
 - being unable to work due to lack of childcare due to COVID-19;
 - closing or reducing hours of a business that they own or operate due to COVID-19;
 - having pay or self-employment income reduced due to COVID-19; or
 - having a job offer rescinded or start date for a job delayed due to COVID-19.

■ Retirement Funds – Special Use Rules

- *The individual/spouse/household member must qualify, not the distribution*
- *From any qualified retirement account*
- *Includes pensions and minimum distributions*
 - *Repayment option has limits*

■ Deferral of Coronavirus-Related Distributions

- Designated eligible taxable distributions up to \$100,000
- All taxed in 2020 or 1/3rd taxed in each of 2020, 2021, and 2022
- Reduce taxable amount by any repayments
- Taxpayer can choose whether to designate, or not designate, any eligible distribution
- Must treat all designated distributions the same

■ Repayment of Coronavirus-Related Distributions

- Can repay up to \$100,000 at ANY time within 3 years from day **after** date of distribution
- Cannot repay inherited IRA distribution, pension, RMD (?), annuity
- Repay to ANY qualified account that can accept it
 - Includes, for example, 401(k) to IRA
 - Multiple repayments up to \$100,000 total allowed
- If repaid, treated as a rollover
- Does **not** count for 1-in-12 months rule
 - If repay amount previously taxed, file amended return

COVID Retirement Distribution (Form 1099-R) Worksheet

Complete only if you received a retirement plan distribution during 2020. Your name: _____

Spouse, please complete a second form if you received a retirement distribution

1. Were you or your spouse or dependent diagnosed with COVID-19 by a test? yes no
2. Did you or your spouse experience adverse financial consequences as a result of you, your spouse, or a member of your household (that is, someone who shares your principal residence):
 - being quarantined, furloughed, or laid off due to COVID-19,
 - being unable to work due to lack of childcare due to COVID-19,
 - closing or reducing hours of a business that they own or operate due to COVID-19,
 - having pay or self-employment income reduced due to COVID-19, or
 - having a job offer rescinded or start date for a job delayed due to COVID-19. yes no

If you checked yes to either of the above, you have choices for 2020 with respect to your retirement plan distribution as described below. If you checked no to both questions, stop here.

First choice: You can spread the taxable part of your eligible distribution over 3 years. If you select this option, 1/3rd of your eligible distributions will be taxed in 2020, 1/3rd in 2021, and 1/3rd in 2022. This election applies to virtually all retirement distributions. You can designate one or more distributions for this election up to a limit of \$100,000.

Pros: you have more time to pay the tax on the distribution(s). You may receive a larger refund or have a smaller balance due for 2020; but will have a smaller refund or larger balance due in 2021 and/or 2022.

Cons: if your tax rate increases in 2021 or 2022 compared to 2020, it might cost more. Future tax law changes may increase or decrease future tax rates. You can refer to the 2020 tax rate schedules on the reverse side for your filing status.

Would you like to spread one or more taxable distributions over the 3 years? yes no

Second choice: You also have the right to repay a distribution and avoid paying the tax until a later year. However, you cannot repay either a pension or a distribution from an account you inherited from

■ Temporary Waiver of RMDs

- RMD waived for 2020 **only**
- Can recontribute RMD by 8/31/20
 - Does not count as a rollover for 1-in-12-months rule

■ Above-the-Line Charitable Contribution Deduction

- Max \$300 cash contribution per return
- Taxpayer not itemizing
 - IRS specifies up to \$150 if filing MFS (IR-2020-278)
- Tax year 2020 ~~only~~
- See CAA 2021 section for tax year 2021

■ Charitable Contribution Limit

- Cash contributions allowed up to 100% of AGI
- Was 60%
- Tax year 2020 and 2021 (CAA 2021)

■ Expanded Employer Provided Education Benefit

- Employers may pay up to \$5,250 annually for education
- Payments excluded from employee's income by employer (not wages on W-2; may be in box 14)
- Now includes student loan repayments
- Payments made 3/27/20 – 12/31/20*
- No deduction or credit for items paid by employer

* See CAA 2021 section for later years

■ Health Care Spending – HSAs

- Qualified medical expenses
 - Menstrual care products are included
 - Requirement that medicine or drug be prescribed no longer applies
 - Over-the-counter products and medications
 - Applies to amounts paid after Dec. 31, 2019
- HSA is now part of Advanced certification

Higher Education Emergency Financial Aid Grants

- School grant under the CARES Act for unexpected expenses, unmet financial need, or expenses related to the disruption of campus operations on account of the COVID-19 pandemic
 - Food, housing, course materials, technology, health care, or childcare
- Not includible in gross income
- No deduction or credit for expenses paid with the grant including
 - Tuition and fees deduction or the Lifetime Learning Credit*
- Will not be included on Form 1098-T – need to ask in interview/see student's school financial account
- * CAA 2021 specifies no reduction of expenses for American Opportunity Credit

■ SECURE, Families First, CARES

Questions



**What does this
stuff look like
in TaxSlayer???**

Comments



Consolidated Appropriations Act, 2021

■ Provisions for Tax-Aide in 2020

- More Recovery Rebate Credit
- Emergency Financial Aid Grants
- Educator Adjustment to Gross Income
- Sick and Family Leave Credits for Self-Employed
- Early Retirement Distributions
- Lookback for EIC/ACTC
- Tax Software

More Recovery Rebate Credit (RRC)

- Each individual must have valid SSN or ATIN on the return
 - Decedents dying before January 1, 2020 treated as not having a SSN
- \$600 for single, \$1,200 MFJ
 - \$600 if only one spouse has SSN (this is different than EIP/RRC under CARES Act)
 - MFJ members of military get full \$1,200 if at least one spouse has SSN
- \$600 per dependent child
 - If can be claimed as a dependent of another, not eligible for RRC
- Same income phase-out levels as under CARES Act
- ❓ RRC #2, if any, applies to 2020 return even if payment not received until 2021

■ More Recovery Rebate Credit

- Treasury has until January 15, 2021 to issue advance payments of the additional recovery rebate
- IRS can base payments on 2019 tax return data
- Taxpayer can claim more credit on 2020 return
- Still no provision to return an excess payment

■ Educator Adjustment to Gross Income

- Qualified educators get a \$250 adjustment to gross income for out-of-pockets supplies/professional development expenses
 - **New:** supplies include PPE (personal protective equipment) costs
 - Paid or incurred after March 12, 2020

■ Sick and Family Leave Credits for Self-Employed

- **New:** can elect to use current or prior year's Self-employment net earnings
 - Applies as if part of the FFCRA (Families First act)
- Applies to the **individual**
 - Either or both taxpayer and spouse can make this election
- ❓ Note: credits are extended through 3/31/21 – assume any 2021 credits will be reported on 2021 tax return

■ Early Retirement Distributions

- Waiver of the addition to tax also applies to money purchase pension plan distributions
 - Appears this is a technical correction
 - Thus all early distributions will be eligible for penalty waiver
- Effective as if part of the CARES Act

■ Lookback for EIC/ACTC

- Taxpayer can elect to use 2019 earned income in lieu of 2020 earned income for
 - Earned income credit
 - Additional child tax credit
- Prior year earned income is the sum of the earned income of both spouses for MFJ returns

■ PPP Loans

- All expenses fully deductible, even if used to get PPP loan forgiveness
- For our taxpayers, would only be a grant to replace lost profit – expenses not an issue (deduct as per normal rules)
- PPP2 “loans” will go through March 31, 2021

■ Consolidated Appropriations Act, 2021

- Lifetime Learning Credit will have increased income limits (same as American Opportunity Credit)*

***Provisions Made Permanent Starting 2021**

■ Consolidated Appropriations Act, 2021

- Employer-provided educational assistance, including loan repayments
- Exclusion for discharge of main home debt
 - Maximum reduced to \$750,000 (down from \$2,000,000)
 - Applies to discharges after December 31, 2020

Provisions for 5 Years – 2021 Through 2025

■ Consolidated Appropriations Act, 2021

- Business meal deduction for self-employed is 100% deductible for 2021-2022
 - Must be provided by a restaurant
 - Reverts to 50% for 2023
- Residential energy credit

Provisions for 2 Years – 2021 and 2022

■ Provisions for 2021

- Cash contributions
 - 100%-of-AGI deduction limitation to apply through 2021
 - Deduction **from** AGI for 2021
 - For those not itemizing deductions
 - Up to \$300 or \$600 if MFJ
- PMI (private mortgage insurance) treated as interest

■ Consolidated Appropriations Act, 2021

Questions

Comm



Other Tax Changes

■ Other Tax Changes

- Expensing cost of goods
- AGI threshold for medical expenses
- Estimated tax payments
- Individual Taxpayer Identification Numbers (ITINs)
- Extenders
- Form 1040

■ Expensing Cost of Goods

- Self-employed taxpayers can expense purchases effective 1/1/2018
- Enter as supplies or “other expenses” (not in cost of goods sold)
 - Cost of goods sold section of Schedule C remains **out of scope**

■ AGI Threshold for Medical Expenses

- Threshold for itemized medical deductions 7.5%*
- ~~Threshold reverts to 10% on January 1, 2021~~

***Made Permanent Starting 2021**

■ Estimated Tax Payments

- 2020 payments for 2020 normally due 4/15/20 or 6/15/20
- Treated as timely when made by July 15, 2020
- Significant processing delays at IRS

Individual Taxpayer Identification Numbers (ITINs)

- ITINs expiring
 - Not used in the last three consecutive tax years
- Middle digits 88 will expire 12/31/20
- Middle digits "90", "91", "92", "94", "95", "96", "97", "98", or "99" assigned before 2013 expire 12/31/20
- Need to renew if ITIN will be used on a U.S. federal tax return filed in 2021

■ Extenders Extended Through 2020


- Exclusion from gross income of qualified principal residence indebtedness*
- Mortgage insurance premiums deductible as qualified residence interest*
- Deduction for qualified tuition & fees*
- Credit for nonbusiness energy property (residential energy credit)*

*Provisions Made Permanent Starting 2021

■ Tuition & Fees Deduction

- The **Tuition** and Fees Deduction expired in 2017, but the expiration date has been extended to December 31, **2020***. Eligible taxpayers may claim the **Tuition** and Fees Deduction for **tax years** 2019 and **2020** and they may also claim the deduction retroactively for **tax year** 2018.

***Provisions Made Permanent Starting 2021**

- 
- This deduction allows you to claim up to \$4,000 of qualified higher **education tuition** and fees. The **tuition** and fees deduction isn't a **tax** credit. Instead, it's an adjustment to income (also known as an “above-the-line” deduction).

■ Non-Business Energy Credit

- **The Non-Business Energy Property Tax Credits have been retroactively extended from 12/31/2017 through 12/31/2020**
- **Tax Credit:** 10% of cost up to \$500 or a specific amount from \$50-\$300.
Expires: December 31, 2020*
Details: Must be an existing home & your [principal residence](#). New construction and rentals **do not** apply.

■ Energy Efficiency Improvements

- **Insulation: 10% of the cost, up to \$500 (NOT INCLUDING INSTALLATION)**
- **Roofs (Metal & asphalt): 10% of the cost, up to \$500 (NOT INCLUDING INSTALLATION)**
- **Windows, Doors, and Skylights: 10% of the cost, up to \$500 (NOT INCLUDING INSTALLATION). Windows are capped at \$200.**
- ***(See Pub. 4012 for additional details)***

■ Residential Property Improvements

- **Air Source Heat Pumps: Tax Credit Amount: \$300***
- **Central Air Conditioning: Tax Credit Amount: \$300***
- **Gas, Propane, or Oil Hot Water Boiler: Tax Credit Amount: \$150***
- **Gas, Propane, or Oil Furnace: Tax Credit Amount: \$150***
- **Water Heater (non-solar): Tax Credit Amount: \$300***
- **Advanced Main Air Circulating Fan: Tax Credit Amount: \$50**
- **Biomass Stove: Tax Credit Amount: \$300**
- **(* = must be ENERGY STAR certified)**

(See Pub. 4012 for additional details)

■ Residential Energy Efficient Expenditures

- Solar electric property
- Solar water heaters
- Geothermal heat pumps
- Small wind turbines
- Fuel cell property (additional limitation applies)
- 26% in 2020 and **22% in 2021**

(See Pub. 4012 for additional details)

2020 Form 1040

Withholding breakdown

| | | |
|-----------|------------------------------------------|------------|
| 25 | Federal income tax withheld from: | |
| a | Form(s) W-2 | 25a |
| b | Form(s) 1099 | 25b |
| c | Other forms (see instructions) | 25c |
| d | Add lines 25a through 25c | |

■ 2019 Form 1040X

- IRS will accept e-filed Form 1040X for 2019 **if** original 2019 return was e-filed
 - Expect TaxSlayer to offer option
 - Non-Filer “return” to claim EIP is **not** considered an e-filed 2019 return – paper Form 1040 must be mailed

VOID CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.

OMB No. 1545-0116

2020

Form **1099-NEC**

Nonemployee Compensation

**Copy 1
For State Tax
Department**

1 Nonemployee compensation

\$

PAYER'S TIN

RECIPIENT'S TIN

2

RECIPIENT'S name

3

Street address (including apt. no.)

4 Federal income tax withheld

\$

City or town, state or province, country, and ZIP or foreign postal code

FATCA filing requirement

Account number (see instructions)

5 State tax withheld

\$

6 State/Payer's state no.

7 State income

\$

\$

\$

1099-NEC

| | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|------------------------------------------------|
| PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. | | 1 Rents \$ | OMB No. 1545-0115 2021 | Miscellaneous Information |
| | | 2 Royalties \$ | | |
| | | 3 Other income \$ | | |
| PAYER'S TIN | RECIPIENT'S TIN | 5 Fishing boat proceeds \$ | 6 Medical and health care payments \$ | Copy 1 For State Tax Department |
| RECIPIENT'S name Street address (including apt. no.) City or town, state or province, country, and ZIP or foreign postal code | | 7 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/> \$ | 8 Substitute payments in lieu of dividends or interest \$ | |
| | | 9 Crop insurance proceeds \$ | 10 Gross proceeds paid to an attorney \$ | |
| | | 11 Fish purchased for resale \$ | 12 Section 409A deferrals \$ | |
| Account number (see instructions) | FATCA filing requirement <input type="checkbox"/> | 13 Excess golden parachute payments \$ | 14 Nonqualified deferred compensation \$ | |
| | | 15 State tax withheld \$ | 16 State/Payer's state no. | 17 State income \$ |
| | | \$ | | \$ |



Form Finder

Enter the form number...

Basic Information

Federal Section

Income

W-2 Wage Statement

Deductions

Other Taxes

Payments & Estimates

Miscellaneous Forms

Health Insurance

State Section

Income

W-2 *(Most Common Form)*

Wages and tax statement

EDIT

Form 1099-G Box 2

State or local income tax refunds, credits, or offsets

BEGIN

1099-DIV, INT, OID

Interest income, dividends, and distributions

BEGIN

1099-R, RRB-1099, RRB-1099-R, SSA-1099

Distributions from pensions, annuities, retirement, IRAs, social security, etc.

BEGIN

Form 1099-G Box 1

Unemployment Compensation

BEGIN

1099-MISC

Miscellaneous income

BEGIN

1099-NEC

Nonemployee compensation

BEGIN

This is new for me as of 010521

| | | | |
|--------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Your first name and middle initial | Last name | | Your social security number : : : : : : : : : |
| If joint return, spouse's first name and middle initial | Last name | | Spouse's social security number : : : : : : : : : |
| Home address (number and street). If you have a P.O. box, see instructions. | | Apt. no. | Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse |
| City, town, or post office. If you have a foreign address, also complete spaces below. | State | ZIP code | |
| Foreign country name | Foreign province/state/county | Foreign postal code | |
| At any time during 2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency? | | | <input type="checkbox"/> Yes <input type="checkbox"/> No |

Knowledge Check



■ Knowledge Check



- In order to itemize the deductions for medical expenses, they must exceed _____ % of AGI

■ Knowledge Check



- In order to itemize the deductions for medical expenses, they must exceed 7.5 % of AGI

■ Knowledge Check



- Taxpayers who take the standard deduction will be able to take a \$300 charitable contribution deduction every tax year from now on starting in 2020.
- True
- False

■ Knowledge Check



- Taxpayers who take the standard deduction will be able to take a \$300 charitable contribution deduction every tax year from now on starting in 2020.
- True
- **False**

■ Knowledge Check



- MFJ filing status can take \$600 of charitable deduction as adjustment to income, \$300 for each spouse.
- True
- False

■ Knowledge Check



- MFJ filing status can take \$600 of charitable deduction as adjustment to income, \$300 for each spouse.
- True
- **False**

■ Knowledge Check



You can make a qualified 529 Plan distribution to pay for:

- a. Registered apprenticeship program
 - b. Tutor for your 5th grader who is at home due to COVID
 - c. Student Loan payback
 - d. Personal computer for college
-
- True
 - False

■ Knowledge Check



You can make a qualified 529 Plan distribution to pay for:

- a. Registered apprenticeship program
 - b. Tutor for your 5th grader who is at home due to COVID
 - c. Student Loans
 - d. Personal computer for college
-
- **True**
 - **False**

■ Knowledge Check



A self employed individual was able to:

1. Get a Paycheck Protection Plan loan. T/F
2. Take sick leave credit because their child's daycare was closed in June.
T/F
3. Take a refundable credit for either, or both, sick leave and family leave.
T/F
4. Take family leave credit for having a baby in October. T/F

■ Knowledge Check



A self employed individual was able to:

1. Get a Paycheck Protection Plan loan. **T**
2. Take sick leave credit because their child's daycare was closed in June. **T**
3. Take a refundable credit for either, or both, sick leave and family leave. **T**
4. Take family leave credit for having a baby in October. **T**

■ Knowledge Check



A self employed individual

5. Can defer the employer half of employment tax that was imposed from March 27, 2020 – Dec 31 2020. T/F
6. Must pay the entire deferred employment tax by December 31, 2021. T/F
7. With expenses over _____ is out of scope.

■ Knowledge Check



A self employed individual

5. Can defer the employer half of employment tax that was imposed from March 27, 2020 – Dec 31 2020. **T**
6. Must pay the entire deferred employment tax by December 31, 2021. **F**
7. With expenses over **\$35,000** is out of scope.

■ Knowledge Check



What is the stimulus payment called on Form 1040?

■ Knowledge Check



What is the stimulus payment called on Form 1040?

The Recovery Rebate Credit

■ Knowledge Check



If a single taxpayer's income increases from \$70,000 in 2019, to \$115,000 in 2020, will they be required to repay any EIP?

- YES
- NO

■ Knowledge Check



If a single taxpayer's income increases from \$70,000 in 2019, to \$115,000 in 2020, will they be required to repay any EIP?

- YES
- **NO**

■ Tax Software

- Anticipate TaxSlayer will update programming
- We do not know what will change or when changes will be available
- Sign up for TaxSlayer blog to receive updates as they are posted
- If you see something that is not working correctly, check the blog to see if it's a known issue first
 - Please do not submit a ticket on the Portal – send the issue to TaxSlayer Support (support@vita.taxslayerpro.com)
 - Please be patient – will take time for IRS to provide directions and TaxSlayer to implement

■ Tax Law Changes



■ More Tax Law Changes to Come?

Questions



Comments