



# Support Connection

## There is Hope on the Horizon

With another grueling, extended tax season almost behind us (can you say, “amended return?”), there is hope for a return to normalcy. At least a “New Normal”. COVID-19 may have changed some things forever, but TaxSlayer has hope that the next few years will in many ways, be better than ever. Many have been forced to adjust their business models to deal with a global pandemic. The lessons we have been forced to learn will help us grow in the years to come.

The tax industry has been slowly moving away from a brick & mortar storefront for several years, and the events of the last two seasons have accelerated that. TaxSlayer has been at the forefront of developing tools like our Mobile App and Customer Portal to allow returns to be done 100% remotely. The use of these tools, as well as our cloud based ProWeb software has seen tremendous growth the last two years.

We will continue to forge ahead in these areas, making improvements and modifications to help our customers excel in any circumstance. We are always here for you, yesterday, today & tomorrow. As always, if there is anything we can do for you, please let us know. We hope you have a great summer!

Sincerely,

Chad Wallace—Director of Customer Support

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### Special points of interest

- 1040-X e-file Changes
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## American Rescue Plan Act

### 1040-X e-File Changes

The IRS recently disclosed that some enhancements are coming to Form 1040-X. Coming next year, the IRS expects to allow taxpayers that have a refund or balance due when e-filing Form 1040-X to use the direct deposit information found on the original 1040 to process a payment or refund.

The ability to e-file amended Form 1040-NR is also scheduled to begin next year. As information on these changes is released TaxSlayer will post the updates in the Message Center.

The American Rescue Plan signed into law on March 11, 2021 had a significant impact on the recent filing season due to several provisions that retroactively affected taxpayers on their 2020 returns. Yet the impact of the American Rescue Plan will also be seen on the 2021 return, as many of the provisions were designed to provide tax relief to taxpayers dealing with the impact of Covid-19 during 2021. Here is a summary of the major tax provisions in the law that affect individual tax returns.

**Suspension of Tax on Portion of Unemployment Compensation** - Taxpayers with adjusted gross income of less than \$150,000 without considering any unemployment benefits received, were able to exclude up to \$10,200 of unemployment benefits from their taxable income. This \$10,200 exclusion applied equally to the taxpayer and the spouse on MFJ returns. This provision applied to 2020 tax returns only, and is not currently applicable for the 2021 tax year. Taxpayers receiving unemployment this year should anticipate having their unemployment included in their taxable income on their 2021 tax return.

**2021 Recovery Rebates to Individuals**—The American Rescue Plan also authorized a third round of economic stimulus payments. These payments were distributed to eligible taxpayers beginning this spring. The amount of the payment is \$1,400 (\$2,800 for MFJ filers) plus \$1,400 for each dependent claimed on the tax return. The advance payments of the 2021 recovery rebate credit were based on the information contained on the 2020 tax return (or the 2019 return if no 2020 return was filed at the time the payments were disbursed).

The income limit for the 2021 recovery rebate credit is \$150,000 (\$160,000 maximum) for MFJ filers, \$112,000 (\$120,000 maximum) for HOH filers and \$75,000 (\$80,000 maximum) for any other filing status. The reduction of the rebate credit is calculated by a ratio and no rebate is available once a taxpayer reaches the maximum income limitation for their filing status. As with the 2020 recovery rebate credit, any taxpayer that did not receive the full amount of the third stimulus payment will be able to claim a refundable credit on their 2021 tax return.

Eligibility for the 2021 recovery rebate credit requires the taxpayer to be a U.S citizen, have a valid social security number and they cannot be a dependent claimed on another tax return. The same provisions apply to military families claiming a recovery rebate credit on their 2021 tax return as did with the 2020 recovery rebate credit.

**Earned Income Tax Credit**—For 2021, the American Rescue Plan Act decreased the minimum age to collect EITC to 19 (not 25) unless the individual is a full-time student (age 24) or a former foster child (age 18). There is no maximum age limit in 2021 (formerly 65) for taxpayers to claim the credit. The maximum amount of EITC for taxpayers without children has been increased from \$543 in 2020 to \$1,502 in 2021 allowing taxpayers to collect the credit at significantly higher adjusted gross income levels than previously allowed. Also, all taxpayers claiming EITC in 2021 will have the option to use their 2019 earned income to calculate the credit instead of their 2021 earned income, if the 2019 amount is greater.

The final changes to the Earned Income Tax Credit are considered permanent changes and are in effect for 2021 and beyond. Under previous rules, the maximum investment income that a taxpayer could receive and still collect EITC was \$3,650. This amount has been raised to \$10,000 which will be adjusted in future years for inflation. This provision will benefit individuals that receive income from sources such as rental properties and Schedule K-1 (Form 1120S). The second permanent change will be to allow MFS taxpayers living apart for the last six months of the year to be eligible for EITC.

## American Rescue Plan Act continued

**Child and Dependent Care Credit** – The American Rescue Plan Act brought significant changes to the child and dependent credit for 2021. The credit will be a **refundable credit** on the 2021 tax return, which will significantly help low income taxpayers.

The second major change to the credit for 2021 is the amount of child care expenses now eligible for the credit. The amount has been increased from \$3,000 to \$8,000 for one child and from \$6,000 to \$16,000 for more than one child. Also, the percentage of childcare expenses eligible for the credit has been increased from 35% to 50% and the income phaseout amount has been raised from \$15,000 to \$125,000 and gets capped at 20% when AGI is \$400,000.

The phase-out structure allows many more families to claim the maximum credit amount. Prior to 2021, the credit was decreased when the taxpayer's income exceeded \$15,000. In 2021, the credit will not be reduced until the taxpayer's income reaches \$125,000. This will allow every household with an income of \$125,000 or less to get a credit worth 50% of their qualifying expenses spent on child care.

The percentage will be gradually reduced from 50% to 20% for households with income between \$125,000 and \$185,000. It stays at 20% for families with an AGI from \$185,000 to \$400,000, and will be gradually reduced again from 20% to 0% for taxpayers with an AGI between \$400,000 and \$440,000. Taxpayers with an AGI above \$440,000 will not qualify to claim the credit.

**Credit for Sick leave for the Self-employed**—The sick leave benefits for the self-employed due to COVID-19 are extended through September 30, 2021. The days re-set as of April 1, 2021. The previous qualification period was April 1, 2020 through March 31, 2021. This credit was reported on Form 7202 on the 2020 return, and will also be available to self-employed taxpayers in 2021.

**Credit for Family leave for the Self-employed**—The family leave benefits for the self-employed due to COVID-19 are also extended through September 30, 2021. The days also re-set as of April 1. This credit was also reported on Form 7202 on the 2020 return, and will also be available to taxpayers in 2021.

**Premium Tax Credit**—For 2020, taxpayers were not required to repay any advance premium tax credit that they would otherwise have had to repay due to their income being below 100% or above 400% of the federal poverty level for their family size. The IRS does not require a taxpayer to file Form 8962 on their 2020 tax return unless the taxpayer receives an additional premium tax credit.

For 2021 and 2022, the premium support has been adjusted to allow households with income above 400% of the federal poverty level to receive the Premium Tax Credit in the amount that health coverage exceeds 8.5% of their Household Income. Under the previous provisions, a taxpayer with income above 400% of the federal poverty level for their household size was not allowed any credit.

### Amending 2020 Tax Returns

Before the passage of the American Rescue Plan Act on March 11, 2021, millions of taxpayers had already filed their 2020 returns. Two provisions in the bill, the **unemployment exclusion** of \$10,200 and the elimination of the repayment requirement for excess advance **premium tax credit**, significantly altered the tax liability on many returns.

The IRS announced that there is no need to amend a taxpayer's return due to these changes. Returns that were filed earlier in the tax season will be automatically recalculated by the IRS to reflect the lower tax liability.

The time table for this recalculation of returns is late May and will continue throughout the summer and into the fall. The IRS states that taxpayers **should not amend tax returns** until this recalculation is completed

# Support Connection December Poll—Results

The December edition of the *Support Connection* included a reader poll that surveyed readers on their client profile and practice.

Just under 500 readers (499) participated in our “**TaxSlayer Pro Client Profile**” survey which may allow you to see how your practice aligns with other professionals. As promised, here are the results:

## IRS Notice 1444-C

Taxpayers that receive Notice 1444-C from the IRS should keep it with their tax records for use when filing their 2021 tax return.

The notice informs the taxpayer of the amount of the third economic stimulus payment that they received in 2021. The amount is not included in the taxpayer’s 2020 return but will be used in calculating any recovery rebate credit they may be entitled to the 2021 return.

Taxpayers can also use the IRS **online tool** to determine the amounts of all three stimulus payments they received.

### What is your professional designation?

Paid Preparer.....	82.33%
Enrolled Agent.....	11.65%
CPA.....	3.01%
Other.....	3.01%

### How would you describe the geographic area of your practice?

Large City/Urban.....	32.72%
Small City/Suburban.....	32.11%
Rural.....	10.77%
Mixed.....	24.39%

### How many individual returns do you prepare during the tax season?

50 or less.....	12.45%
50—100.....	19.68%
101—250.....	28.71%
251—500.....	23.29%
500+.....	15.86%

### How many business/entity returns do you prepare during the tax season?

None.....	17.37%
1—5.....	38.99%
6—10.....	17.17%
11—20.....	14.75%
20+.....	11.72%

### How do you structure your fees?

Hourly Bill Rate.....	2.01%
Charge by the Form.....	49.98%
Flat Fee.....	39.36%
Other.....	12.65%

### What is your average fee for doing an individual tax return?

\$150 or less.....	29.46%
\$151—\$300.....	49.49%
\$301—\$500.....	16.83%
\$501+.....	2.80%
No Response.....	4.41%

# Support Connection December Poll—Results

## What is your average fee for doing a business/entity tax return?

\$250 or less.....	16.13%
\$251—\$500.....	39.31%
\$501—\$750.....	14.52%
\$751+.....	7.25%
Not Applicable.....	22.78%

We want to thank everyone who participated in the survey!

## IRS Compliance Agenda –Coming Soon?

On May 20, 2021 the Treasury Department released a report outlining the need for the IRS to raise revenue, improve efficiency, and ensue a more equitable tax system. This report details how the tax gap of revenue collected verses the taxes actually due has risen since 2013 from \$441 billion to \$584 billion in 2019. Recently, Chuck Rettig, the IRS Commissioner appointed by President Trump, stated that the tax gap could be as high as \$1 trillion annually and has publicly supported this plan. Basically, the IRS estimates it currently collects only 86% of what American taxpayers owe.

This report outlines the Biden Administration’s plan to close the tax gap and modernize the IRS. A crackdown on preparers that submit inaccurate returns is a major segment of the overall plan to close the tax gap. The four focus points outlined in the report are:

- Provide the IRS with additional financial resources to address sophisticated tax evasion.** During the past decade the IRS budget fell by 20% which has led to a sustained decline in both the workforce and infrastructure at the IRS. The plan is to have multi-year growth at the IRS of 10% annually over the next decade.
- Provide the IRS with more complete information.** The IRS relies heavily on third parties to submit source documents such as W-2’s and 1099’s to ensure accuracy and compliance on tax returns. It is estimated that over 95% of returns that are predicated on source documents submitted by third parties are accurate while less than 50% of returns that do not report revenue based on source documents are compliant. The Treasury Department is seeking to strengthen and enhance third party reporting requirements.
- Overhaul outdated technology.** In this aspect of the plan, the Treasury seeks to overhaul the electronic file system that is used by the IRS. The current system is the oldest in the federal government and still uses some filing systems and equipment that dates back to the 1960’s. Modernizing the technology at the IRS is considered a key aspect of all future compliance efforts.
- Regulating paid tax preparers and increasing penalties for those who commit or abet evasion.** The report specifically states that “Taxpayers often make use of unregulated preparers *who lack the training to provide accurate tax assistance.*” The report further states that the IRS needs to be given “*the authority to regulate and establish minimum competency standards for all paid tax preparers.*” Treasury advocates that the need for more stringent standards for tax preparers, enhanced enforcement, and significant penalties for individuals that submit returns that lack sufficient basis in tax law and/or the supporting documentation is critical to closing the tax gap.

As part of the report, the Treasury Department used the results of a recent General Accounting Office study that found **less than 50%** of all paid preparers, and preparers that do returns for other taxpayers but fail to sign the return (so-called ghost preparers), calculate returns accurately. The GAO concluded that paid preparers that consistently submit inaccurate returns “submit more returns” than tax preparers that consistently submit accurate returns. This accuracy gap among preparers is either “due to incompetence or an intentional disregard for accuracy.” Accordingly, Treasury is once again seeking to regulate tax preparers which would greatly impact the industry.

### IRS Tax Forum

The IRS Tax Forum will be held virtually this summer. Early registration runs through June 15 for fee of \$240. After that date the fee will be increased to \$289.

The 2021 Tax Forum starts on Tuesday July 20 and continue for five consecutive weeks ending on August 19. Webinars will be held twice daily, every Tuesday, Wednesday and Thursday at 11:00am and 2pm Eastern Time.

The classes will not be repeated, however two of the webinars will also be conducted in Spanish. The IRS keynote address will be on the first day of the Tax Forum.

## Changes to the Child Tax Credit for 2021

The American Rescue Plan Act made changes to the Child Tax Credit for 2021 that will significantly affect many taxpayers when they file their 2021 tax returns. As a result of this legislation, many taxpayers with minor children can anticipate receiving monthly payments representing 1/12 of the anticipated credit on the 2021 tax return starting in July 2021. Any advance credit received by the taxpayer will ultimately be reconciled on their 2021 tax return when they file next year.

Set forth below are answers to some of the common questions that tax professionals and taxpayers have about the 2021 Child Tax Credit.

### What is the age requirement for the Child Tax Credit?

The maximum age requirement has been raised for 2021 to be a child **under age 18**. This will, for the first time, make a 17-year-old an eligible dependent for the Child Tax Credit, including any advance payments of the credit.

### What are the dollar amounts of the Child Tax Credit in 2021?

The credit has been increased to \$3,600 for children under age 6 and \$3,000 for children aged 6 to 17.

### What are the eligibility requirements for claiming the 2021 Child Tax Credit?

The child must be a U.S. citizen or resident with a valid social security card. The child must live in the taxpayer's home for at least half of the year and the taxpayer must claim the child as a dependent on their 2021 tax return. For the first time, residents of Puerto Rico and U.S. Territories are eligible for the credit.

### What are the income thresholds for claiming the higher Child Tax Credit?

The income limitations for the higher Child Tax Credit of \$3,600/\$3000 are Married Filing Joint with incomes of \$150,000, Head of Household with incomes of \$112,500, and \$75,000 for all other filing statuses. The credit will be reduced by \$50 for each \$1,000 of income over these limits. Taxpayers whose income exceeds these thresholds will still be eligible to receive the \$2,000 Child Tax Credit if their income is not greater than \$400,000 for Married Filing Jointly or \$200,000 for all other filing statuses.

### What is the minimum income for claiming the Child Tax Credit?

There is no minimum income or earned income requirement to claim the Child Tax Credit in 2021. In prior years, the Child Tax Credit was a nonrefundable credit applied against the tax liability of the taxpayer. The Additional Child Tax Credit was the portion of the credit that was refundable and it required a taxpayer to have a minimum of \$2,500 in earned income. The refundable credit was 15% of the earned income over \$2,500 up to a maximum of \$1,400 per child. In 2021 the entire Child Tax Credit is refundable, and there is no earned income requirement.

### How will the advance payment amounts be determined?

The IRS will base the monthly payment amounts on the information from the most recent tax return, 2020 or 2019. Using the most recently filed return, the IRS will determine the ages and number of children that a taxpayer can claim in 2021. The IRS will also use direct deposit information that they have on file for approximately 80% of eligible taxpayers to send the advance payments. Taxpayers that do not have direct deposit information on file with the IRS will be sent paper checks or debit cards. **Individuals that have not filed a return in 2020 or 2019 have the opportunity to claim this credit by accessing a non-filers portal that should be operational in June.**

### Will taxpayers receive any notices concerning the advance payments of Child Tax Credit?

Yes. Based on information contained in the 2020 (or 2019) return, the IRS is sending taxpayers a notice prior to the commencement of payments informing the taxpayer of their potential eligibility for the advance payment,

and the taxpayer will be informed of the amount that the IRS has determined they are eligible to receive. This notice should be sent to potentially eligible taxpayers in June. After the final monthly payments are sent, the IRS will send the taxpayer a notice summarizing all of the payments that they have received during 2021.

### When will the advance payment be sent to eligible taxpayers each month?

Payments are to be sent on the closest business day to the 15th of the month starting in July and ending in December.

### What if the taxpayer's situation has changed since they filed their 2020 tax return with respect to the children they will claim on their 2021 tax return?

The IRS is required to create an online portal which is to become operational before the advance payments commence in July. Taxpayers are to use the portal to update any information regarding their eligible children and to add or delete children that will be claimed on their 2021 tax return. This portal will be separate from the portal that is used by non-filers

### How will the advance payment of CTC affect the 2021 tax return?

Advance payment received by a taxpayer **will be reconciled on the 2021 return**. Taxpayers that receive advance payments of the CTC, but do not claim the child as a dependent in 2021 will have to repay the advance. The CTC is not being treated in the same manner as the 2020 economic recovery payments where taxpayers did not have to repay any excess amount. With respect to the advance payments of the CTC, a taxpayer that received the CTC in 2020 but will not claim that child in 2021 should use the IRS portal to notify the IRS of the change in circumstance.

### Can a taxpayer opt out of receiving the advance payments of the Child Tax Credit?

Once the IRS establishes the online portal, any taxpayer will be able to opt out of receiving advance payments of the CTC.

### If a taxpayer does not receive any advance payments of the Child Tax Credit, can the CTC be claimed on the 2021 tax return?

Yes. If the taxpayer opts out of the advance payments or otherwise does not receive any advance payment of the Child Tax Credit, they will still be able to claim the entire credit amount on their 2021 tax return as a refundable credit.

### How will children born after the advance payments commence be treated?

Newborns can be added at the online portal and the monthly advance payment amount will start on the next payment date. Any portion of the credit for the newborn not received as an advance will be claimed on the 2021 return.

### What happens in 2022 to the Child Tax Credit?

The Child Tax Credit reverts to the 2020 level in 2022 unless Congress chooses to extend some or all of the temporary changes for 2021. There will be no advance payments of the credit starting in January and the credit amount will be up to \$2,000 for each child under age 17. The refundable Additional Child Tax Credit will be \$1,400 per child and the refundable portion of the credit will again be limited by 15% of the taxpayer's earned income more than \$2,500.

## Upcoming Due Dates

### June 15, 2021

**Texas, Oklahoma and Louisiana** residents have until **June 15, 2021** to file all 2020 tax returns and make all quarterly payments due after February 11, 2021.

### September 15, 2021

**Form 1065**—U.S Return of Partnership Income—on extension

**Form 1120-S**—S Corporations—on extension

## 2021 Filing Statistics –COVID-19 Continues to Impact

The year to date filing statistics for electronically filed tax returns by both Tax Professionals and individuals that self-prepare continue to show the impact that COVID-19 has had on the country and on our ability to file tax returns. In 2020, the filing statistics were reasonably consistent for both Tax Professionals with the 2019 pattern. However, when various states systematically began to shelter in place, tax return filing slowed. On March 18, 2020 the IRS announced the filing deadline was extended to July 15 and tax returns prepared and filed by tax professionals slowed dramatically.

This year the start of e-file was delayed by eighteen days as compared to last year. However the weekly filing of returns has been more consistent and is tracking much closer to the weekly volume that we saw during the 2019 season. The main difference is the season started later and continued through May 17. Furthermore a significant section of the country (Texas, Oklahoma and Louisiana) have until June 15 to file.

Week Ending that includes	Tax Professionals 2019	Tax Professionals 2020	Tax Professionals 2021	Self-prepared 2021
April 15	70,476,000	53,651,000	55,450,000	52,340,000
<b>May 15</b>	<b>72,084,000</b>	<b>59,355,000</b>	<b>69,718,000</b>	<b>57,940,000</b>
June 15	73,471,000	64,154,000	N/A	N/A
July 15	74,206,000	73,806,000	N/A	N/A

### Support Hours of Operation

All Eastern Time

#### Non-Tax Season

Support may be open additional hours when returns on extension are due

#### May 18 to Dec 31, 2021

Monday - Friday  
9:00 AM to 5:00 PM

#### Holidays - Support is Closed

Memorial Day

May 31, 2021

Independence Day

July 5, 2021

Labor Day

September 6, 2021

#### TaxSlayer Pro Contact Information

Sales	888-420-1040
Sales Fax	706-868-1955
Email	sales@taxslayer.com
Pro Support	706-868-0985
Pro Support Fax	706-868-0263
Email	prosupport@taxslayer.com

#### IRS Phone Numbers

E-file Help Desk	866-255-0654
PTIN Registration/Information	877-613-7846
Refund Status	800-829-1954
Tax Fraud	800-829-0433
FTC Identity Theft Hotline	877-438-4338
Identity Theft (Form 14039)	800-908-4490
Practitioner Assistance	866-860-4259
Business Assistance	800-829-4933
Social Security Administration	800-772-1213
Taxpayer Assistance	800-829-1040
Financial Mgmt. Services	800-304-3107
E-services Secure Access Registration Assistance	888-841-4648
Healthcare.gov	800-318-2596