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Recovery Rebate Credit

2020 Provisions	2021 Provisions
Advance payments were based on most recent return—2019 (or 2018). **Maximum Credit for EIP 1 was $1,200** for Taxpayer (and Spouse on joint return) and **$500** for each child that qualifies for the Child Tax Credit (age 16 or under). Taxpayers and Spouse on joint return are required to have a valid Social Security Number in order for **any member** of the tax family to receive the credit. Dependents with a valid social security number receive the credit if the Taxpayer (and Spouse on a joint return) have a valid social security number. There are certain exception to the SSN requirement for **military families**. **Maximum Credit for EIP 2 was $600** for Taxpayer (and Spouse on joint return) and **$600** for each child on the return that qualifies for the Child Tax Credit. Taxpayer or the Spouse (on joint return) were required to have a valid Social Security Number. Income threshold for the credit for EIP 1 and EIP 2 was the following: • $150,000 for MFJ or QW • $112,500 for HOH • $75,000 for Single or MFS Taxpayers with income above the threshold amounts had EIP 1 and EIP 2 reduced by an amount equal to 5% of the income above the threshold amounts. Taxpayers that received an advance payment of either EIP 1 or EIP 2 based on the information in their prior return are **not required** to repay any excess. Taxpayers that did not receive advance payments could claim the	**Advance payments were based on most recent return—2020 (or 2019).** **Maximum Credit is $1,400** for all members of the tax family (Taxpayer, Spouse and any Dependent) **that have a valid Social Security Number.** Dependents over age 16 are eligible for the credit. Taxpayer (and/or Spouse on a joint return) **can have an ITIN** and it does not prevent any **dependent with a valid Social Security Number** claimed on the return from receiving the credit. Income threshold to receive the maximum credit in 2021 is the following: • $150,000 for MFJ or QW • $112,500 for HOH • $75,000 for Single or MFS Taxpayers with income above the threshold amounts will have the credit **reduced proportionately** until eliminated when income reaches the following amounts: • $160,000 for MFJ or QW • $120,000 for HOH • $80,000 for Single or MFS Taxpayers that received an advance payment based on the information in their prior return (2020 or 2019) are **not required** to repay any excess. Taxpayers that did not receive advance payments could claim the credit on the 2021 tax return.

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Earned Income Tax Credit

2020 Provisions	2021 Provisions
The **minimum age** to collect EITC for a taxpayer **without a qualifying child is 25**. A taxpayer **without a qualifying child** must be **under age 65** to claim EITC. Taxpayers claiming EITC in 2020 have the option to use their **2019 earned income** to calculate the credit instead of their 2020 earned income, **if the 2019 amount is greater than 2020 earned income**. The maximum **investment income** that a taxpayer can receive and collect EITC is **$3,650**. The maximum amount of EITC for a single taxpayer without children is **$543** in 2020. The maximum income for a single filer without a qualifying child is **$15,820**. Taxpayers filing MFS cannot claim the EITC.	For 2021 only, the **minimum age** for a taxpayer without a qualifying child to collect EITC is **19** unless : • the taxpayer is a full-time student (**age 24**) or • was in foster care since turning 14 or homeless at any time (**age 18**). For 2021 only, there is **no maximum age limit** for taxpayers to claim EITC. Taxpayers claiming EITC in 2021 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 than 2021 earned income**. **Taxpayers cannot use 2020 earned income to claim the credit**. The maximum **investment income** that a taxpayer can receive and still collect EITC is **$10,000** which will be adjusted in future years for inflation. The maximum amount of EITC for a single taxpayer without children has been increased to **$1,502** in 2021. The maximum income for a single filer without a qualifying child is increased to **$21,430**. Taxpayers separated from their spouse and living apart for the last six months of the year may be eligible for EITC if they have a qualifying child that lived with them for at least six months out of the year.

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Child Tax Credit—Basic Provisions

2020 Provisions	2021 Provisions
Child Tax Credit is **$2,000** for each **qualifying child under age 17** that is claimed as a dependent on the tax return. The refundable portion of the Child Tax Credit (Additional Child Tax Credit) is up to **$1,400** for each qualifying child. To receive the Additional Child Tax Credit the taxpayer must have **earned income.** The refundable amount is calculated on Schedule 8812 and it is limited to **15%** of the earned income on the return over **$2,500**. Child Tax Credit is phased out if the Taxpayer's Adjusted Gross Income is more than the following: • $400,000 for MFJ • $200,000 for all other filing statuses For taxpayers with AGI above the threshold amounts, the credit is reduced by an amount equal to 5% for each $1,000 of income or part thereof that exceeds the limits.	Child Tax Credit is a fully **refundable** credit as long as the Taxpayer (or Spouse) had a principal place of abode in the United States (including the territories) for more than half of the year. The Child Tax Credit amounts for 2021 are **$3,600** for each qualifying child **under age 6** and **$3,000** for each qualifying child **over 5** and **under 18** (ages 6 to 17). **No income, including no earned income is required to claim the Child Tax Credit**. Child Tax Credit is subject to two phase out provisions. First phase out reduces the credit to **$2,000** and it occurs if the Taxpayer's Adjusted Gross Income is more than the following: • $150,000 for MFJ • $112,500 for HOH • $75,000 for all other filing statuses Second phase out occurs when the Taxpayer's Adjusted Gross Income is more than the following: • $400,000 for MFJ • $200,000 for all other filing statuses For taxpayers with AGI above the second phase out amounts, the credit is reduced by an amount equal to 5% for each $1,000 of income or part thereof that exceeds the limits.

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Child Tax Credit—Advance Payments/Reconciliation

2020 Provisions	2021 Provisions
No advance payments of the Child Tax Credit or reconciliation occurred in 2020.	**Advance payments were based on the qualifying children claimed on the most recent return—2020 (or 2019).** If the Taxpayer claims a different number of qualifying children on the 2021 return it may result in an additional credit (if an additional child is claimed) or a repayment of the advance payment (if fewer children are claimed). **Advance Payments started on July 15** and were made monthly thereafter on the 15th of the month. Advance payment amounts were $300/month for each child under 6 and $250/month for each child 6-17. These amounts MUST be reconciled on the 2021 tax return. The actual amount of the Child Tax Credit will be determined by the information entered on the 2021 return. Taxpayer will receive a notice (**Letter 6419**) in January of 2022 that reports the number of qualifying children that was used to determine the amount of advance payments made to the Taxpayer and aggregate amount of the advance Child Tax Credit payments. These amounts will be required for **reconciling** the Child Tax Credit on the 2021 tax return. Reconciliation/repayment relief is based on the Taxpayer's Adjusted Gross Income based on the following income thresholds: • $60,000 to $120,000 for MFJ or QW • $50,000 to $100,000 for HOH • $40,000 to $80,000 for Single or MFS If the Taxpayer's AGI is **below** these thresholds they will **not** be required to repay any advance payments. However, if the Taxpayer's AGI is above these thresholds they will repay **all** of the advance payments. When the Taxpayer's AGI falls between the thresholds, the Taxpayer will have to repay a portion of any advance payments.

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Child Tax Credit—Puerto Rico

2020 Provisions	2021 Provisions
Residents of **Puerto Rico** can only claim the Child Tax Credit when they have **three of more** qualifying children and reported income that demonstrated they paid Social Security Taxes, Medicare and/or Self-Employment Taxes. This credit was claimed on Form 1040-PR or Form 1040-SS.	Residents of **Puerto Rico** and the **other U.S territories** are now subject to the **same eligibility requirements** for claiming the Child Tax Credit as Mainland taxpayers. Consistent with Mainland fliers, there is no income requirement to claim the credit for 2021. Puerto Rico residents and the residents of the other U.S. territories claiming the Child Tax Credit can receive **$3,600** for each qualifying child under age 6 and **$3,000** for each qualifying child age 6 to 17. Residents of **Puerto Rico** did **not** receive Advance Payment of the Child Tax Credit and will claim the full credit in 2021 but they must file Form 1040-PR or Form 1040-SS to claim the credit. Residents of the U.S. territories other than Puerto Rico will claim the Child Tax Credit on their territorial tax return. Some of the territories did advance payments of the Child Tax Credit and Taxpayers in those territories will be required to reconcile any advance payments on their territorial return.

Child Tax Credit—Taxpayers Living Abroad

2020 Provisions	2021 Provisions
Taxpayers Living Abroad can claim the Child Tax Credit on their return as long as they **do not claim the Foreign Earned Income Exclusion on Form 2555**.	Taxpayers Living Abroad **that did not have a principal place of abode in the United States** (including the U.S. territories) will be allowed to claim a Child Tax Credit of up to $2,000 ($1,400 refundable) under the same provisions as in 2020 if they **do not claim the Foreign Earned Income Exclusion on Form 2555**.

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Child and Dependent Care Credit

2020 Provisions	2021 Provisions
Child and Dependent Care Credit was a **nonrefundable** credit which it has been since it was first enacted. There are four basic requirements for a Taxpayer to claim the Child and Dependent Care Credit. It requires the following: • Care is given to a Qualifying Person which is a child age **12 or under** or a disabled spouse or dependent. • The Taxpayer and Spouse on a joint return must have **earned income**. • The expenses must be **incurred in order for** the Taxpayer and Spouse on a joint return to **work**. • **Provider information** (EIN/SSN) must be given. Child care or dependent care expenses were subject to the following limits: • **$3,000** for one qualifying individual • **$6,000** for more than one qualifying individual The credit is a percentage of the eligible child care expenses and that percentage is based on the Taxpayer's Adjusted Gross Income. A maximum credit of **35%** of eligible expenses is available for Taxpayers with AGI of up to **$15,000**. Once AGI is **above $15,000**, the credit is reduced by an amount equal to **1%** for each **$2,000** of income or part thereof that exceeds $15,000 until AGI reaches **$43,000**. Above **$43,000** the credit is **20%** of the eligible expenses and there is no limit. Based on expense and AGI limitations, the maximum credit that a Taxpayer can claim is the following: • **$1,050** for one qualifying individual (**$3,000** x **35%**) • **$2,100** for more than one qualifying individual (**$6,000** x **20%**)	Child and Dependent Care Credit is a **refundable** credit for the first time since it was enacted. The eligibility requirements for claiming the credit remain the **same as in 2020**, except the Taxpayer or Spouse must have a principal place of abode in the United States for more than six months of the year. Child care or dependent care expenses are subject to the following limits: • **$8,000** for one qualifying individual • **$16,000** for more than one qualifying individual The Credit is 50% of eligible expenses until the Taxpayer's AGI reaches **$125,000**. The credit is then reduced by an amount equal to **1%** for each **$2,000** of income or part thereof that exceeds the limits until AGI reaches **$183,000**. Once AGI is above **$183,000**, the credit percentage of eligible expenses remains at 20% until AGI reaches **$400,000**. Then the credit percentage is again reduced by an amount equal to **1%** for each **$2,000** of income or part thereof that exceeds **$400,000** until AGI reaches **$438,000**. Above **$438,000,** there is no credit. Based on expense and AGI limitations, the maximum credit that a Taxpayer can claim is the following: • **$4,000** for one qualifying individual (**$8,000** x **50%**) • **$8,000** for more than one qualifying individual (**$16,000** x **50%**) For Taxpayers that do not have a principle place of abode in the United States for more than six months of the year, the Child and Dependent Care Credit is **not refundable**. However, all of the other enhanced provisions for 2021 apply including all monetary amounts.

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Form 8962—Premium Tax Credit

2020 Provisions	2021 Provisions
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 did not require a taxpayer that received a Form 1095-A to file Form 8962 on their 2020 tax return **unless the taxpayer was entitled to receive an additional premium tax credit.** Taxpayers that filed returns with Form 8962 before this provision went into effect retroactively on March 11, 2021, were to be sent adjustments by the IRS during the summer of 2021	Taxpayers **are required** to repay any excess Advance Premium Tax Credit. This repayment will be reported on Form 8962 which must be filed with the return if the Taxpayer received a Form 1095-A. New for 2021 and 2022, the premium support has been enhanced. Taxpayers with Household Income between **100% to 150%** of the Federal Poverty Level (FPL) **will not be required to pay anything** towards the cost of the Second Lowest Cost Silver Plan in their market (SLCSP). Households reporting **unemployment compensation** will automatically be treated as having Household Income of **133% of the FPL** regardless of the actual income reported on the return. Also households with **income above 400%** of the FPL are now eligible to receive a Premium Tax Credit. Taxpayers with Household Income in excess of 400% will pay 8.5% of their Household Income towards the cost of the SLCSP. Under the previous provisions, a taxpayer with income above 400% of the federal poverty level for their household size was not allowed any credit.

Unemployment Compensation

2020 Provisions	2021 Provisions
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.	Taxpayer receiving unemployment in 2021 must include all of their unemployment in their taxable income on their 2021 tax return. **There is no exclusion in 2021 for unemployment compensation.**

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Form 7202—Credit for Sick Leave and Family Leave

2020 Provisions	2021 Provisions
As part of the CARES Act, a self-employed taxpayer could receive a **refundable credit** for sick leave due to their diagnosis of Coronavirus. The **maximum number** of days that could be claimed was **10** and the amount of the credit was their **average daily income from self-employment** up to a maximum of **$511/day**. A self-employed taxpayer could also receive a refundable credit for up to **50 days of family leave** to care for a family member that had a coronavirus diagnosis or to care for a child that was not able to attend school or day care due to a stay at home order or closure of the facility due to the Coronavirus pandemic. The amount of the family leave credit was **67% of their average daily income from self-employment** up to a maximum of **$200/day**. Taxpayers could claim both benefits but could not use the same days for sick leave benefits and family leave. All benefits are claimed on Form 7202. The qualification period for the original sick and family leave benefit for the self employed was **April 1, 2020 through March 31, 2021**.	The self-employed taxpayer can continue to claim on Form 7202 any unused sick or family leave benefit from the first qualification period of April 1, 2020 through March 31, 2021. All of the terms and conditions of the credit for sick leave and family leave for the self-employed that were applicable in 2020 remain in effect for 2021. **A second qualification period has been added for 2021 which runs from April 1, 2021 through September 30, 2021.** The calculation of the **benefit amounts** and the **eligibility requirements** for both the sick leave and family leave **have not changed from 2020**. The maximum number of days that a taxpayer can claim for either sick leave or family leave for this second qualification period (April 1 to September 30) is a **combined 10 days**. Just like 2020, Taxpayers cannot use the same days to claim both sick leave and family leave.

Deferral of Portion of Self-Employment Tax

2020 Provisions	2021 Provisions
The CARES Act allowed self-employed individuals and household employers to defer the payment of the portion of the SE Tax that represents the employer part for Social Security. Half of the deferred portion would be paid in 2021 and the balance is due in 2022. The **first deferred installment is due by December 31, 2021**, and the second installment is due by December 31, 2022.	There is **no additional deferral** of any portion of the 2021 SE Tax. Taxpayers that deferred a portion of their SE Tax in 2020 should make their 2021 payment at www.IRS.gov/payments by December 31. This installment **is not collected on the 2021 tax return** but should be made directly to the IRS by December 31, 2021 in order to avoid a penalty.

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Coronavirus-Related Retirement Plan Distributions

2020 Provisions	2021 Provisions
The CARES Act allowed eligible participants in certain retirement plans — including Traditional IRAs — to take an early distribution of up to $100,000 during calendar year 2020 without paying the 10% penalty tax on withdrawals before an account owner is 59-1/2. This penalty free provision will also apply to certain early withdrawals from other qualified retirement plans such as 401(k) plans. These distributions were designated as Coronavirus-Related Distributions. A significant aspect of a Coronavirus-Related Distributions of up to $100,000 were eligible to have the income recognized over three years. This was done on Form 8915-E and one third of the amount of the Coronavirus-Related Distribution was included on the 2020 tax return. The remaining amounts will be reported on the 2021 and 2022 returns.	Retirement plan and IRA distributions that are taken at any time after December 31, 2020 are not considered Coronavirus-Related Distributions. **Only distributions taken in connection with a FEMA designated disaster will be eligible for deferral treatment in 2021**. No distribution from any retirement plans or IRAs for Coronavirus layoffs or illness will be deemed a qualified disaster distribution and eligible for any waiver of the 10% penalty for early withdrawal. The recognition of second installment of income from a 2020 Coronavirus-Related Distribution will be reported on Form 8915-F in 2021. Form 8915-E has been retired by the IRS and replaced by Form 8915-F which will cover multiple years of qualified disaster distributions and recognition of deferred amounts.

Charitable Contributions

2020 Provisions	2021 Provisions
The CARES Act allowed Taxpayers that used the Standard Deduction to deduct **$300** in **cash contributions** as an **above the line Adjustment to Income**. The $300 amount was the **same for all filing statutes**. The CARES Act raised the limitation on cash contributions for taxpayers that used Schedule A to deduct up to 100% of their income as a charitable contribution instead of the 60% limitation that was imposed with the passage of the Tax Cuts and Jobs Act.	Taxpayers that used the Standard Deduction will be allowed to deduct **$300** in **cash contributions** for all filing statutes other than MFJ as a **below the line Deduction**. Taxpayers filing as MFJ and using the Standard Deduction will be allowed to deduct **$600** in cash contributions. For Taxpayers using Schedule A, the limitation on cash contributions will remain 100% of their income.

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Other Miscellaneous Tax Changes

2020 Provisions	2021 Provisions
Form 8917—Tuition and Fees Deduction—The Tuition and Fees Deduction was extended through the end of 2020. It allowed Taxpayers to deduct up to $4,000 from their income for qualifying tuition expenses paid for Taxpayer, Spouse or Dependents.	**Form 8917—Tuition and Fees Deduction—**The Tuition and Fees Deduction has been eliminated and is no longer available.
Lifetime Learning Credit—This nonrefundable credit is **20 percent of the first $10,000 of qualified education expenses** or a maximum of $2,000 per return. In 2020, the amount of the credit was phased out between **$59,000 and $69,000 ($118,000 and $138,000** if filing a joint return).	**Lifetime Learning Credit—**This credit **remains** 20 percent of the first $10,000 of qualified education expenses or a maximum of $2,000 per return. **In 2021,** the amount of the credit will phased out between **$80,000 and $90,000 ($160,000 and $180,000** if filing a joint return). These amounts now match the income limits for the American Opportunity Credit.
Meals Deduction—Taxpayers can only deduct 50% of the cost of business meals.	**Meals Deduction—**Taxpayers can deduct 100% of the cost of business meals that are purchased from a restaurant or are food deliveries from a restaurant or catering service. De minimis benefits like coffee and snacks do not fall into this category and are still only 50% deductible.
Net Operating Loss Carryback—CARES Act provided a special provision allowing a five year NOL carryback for 2020.	**Net Operating Loss** —A Net Operating Loss incurred in 2021 will revert to Tax Cuts and Jobs Act provisions that provide that an NOL will only carry forward.
Excess Business Loss Limitations—CARES Act repealed the limitations on Excess Business Loss for 2020.	**Excess Business Loss Limitations**— Excess Business Loss Limitations are in effect for 2021. These limitations will be calculated on Form 461—Limitations on Business Losses.