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CERTIFIED FINANCIAL PLANNER™
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The 2020 Tax Season is Not Over Yet!

Even though the filing deadline (without extension) for 2020 Federal Tax Returns will have passed (May 17, 2021) by the time you are reading this Newsletter, there could be some unresolved issues that remain.

The American Rescue Plan enacts the following provisions affecting your 2020 Federal Tax Return.

Unemployment Benefits

If you received Unemployment Benefits in 2020 and your Adjusted Gross Income (AGI) is less than \$150,000, then up to \$10,200 (per taxpayer for married couples filing jointly) of those benefits are non-taxable. Since this provision was enacted after some taxpayers had already filed their returns, the IRS will automatically calculate the refund amount (without the need to amend the tax return) and send it to the taxpayer. These refunds are expected to begin in late May and continue through the summer.

Excess Healthcare Premium Tax Credit

Another tax provision enacted part way through the filing period this year was for the Excess Healthcare Premium Tax Credit. This is the credit that is available to those taxpayers that elected to purchase healthcare through the Government Website.

The American Rescue Plan Act of 2021 suspends the requirement that taxpayers increase their tax liability by all or a portion of their excess Advance Payments of the Premium Tax Credit (excess APTC) for tax year 2020.

A taxpayer's excess APTC is the amount

about a missing Form 8962 should disregard the letter if they have excess APTC for 2020. The IRS will process tax returns without Form 8962 for tax year 2020 by reducing the excess advance premium tax credit repayment amount to zero.

As a reminder, this change applies only to reconciling tax year 2020 APTC.

THE AMERICAN RESCUE PLAN

by which the taxpayer's advance payments of the Premium Tax Credit (APTC) exceed his or her Premium Tax Credit (PTC).

Taxpayers with excess APTC for 2020 are not required to file Form 8962, Premium Tax Credit, or report an excess advance Premium Tax Credit repayment on their 2020 Form 1040 or Form 1040-SR.

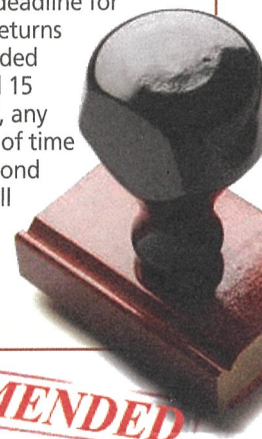
The American Rescue Plan Enacts Provisions Affecting Your 2020 Federal Tax Return.

Taxpayers who have already filed their 2020 tax return and who have excess APTC for 2020 do not need to file an amended tax return or contact the IRS. The IRS will reduce the excess APTC

repayment amount to zero with no further action needed by the taxpayer. The IRS will reimburse people who have already repaid any excess advance Premium Tax Credit on their 2020 tax return. Taxpayers who received a letter

Amended Return?

If you forgot some key information, I could file an amended return for you. You have 3 years after the filing deadline to change your return. Most 2017 returns have a deadline of May 17, 2021. Call me if you have discovered tax documents or information that you originally omitted from a previously filed Tax Return. Even though the tax filing deadline for 2020 tax returns was extended from April 15 to May 17, any extension of time to file beyond May 17 still has an October 15, 2021 due date.



Form **8962** Premium Tax Credit (PTC)

OMB No. 1545-0074

Department of the Treasury Internal Revenue Service

▶ Attach to Form 1040, 1040-SR, or 1040-NR.
▶ Go to www.irs.gov/Form8962 for instructions and the latest information.

Your social security number

You cannot take the PTC if your filing status is married filing separately unless you qualify for an exception (see instructions). If you qualify, check the box ☐

Part I Annual and Monthly Contribution Amount

1 Tax family size. Enter your tax family size (see instructions)	2a Modified AGI. Enter your modified AGI (see instructions)	2b Enter the total of your dependents' modified AGI (see instructions)	3 Household income. Add the amounts on lines 2a and 2b (see instructions)

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TRUTH vs MYTH

Myth: You must file a tax return to get a stimulus payment.

Truth: No! The IRS used your most recent filed tax return to determine your eligibility to receive a stimulus check. The IRS also went to great lengths to ensure that those not required to file tax returns also got their checks. The IRS worked closely with the Social Security Administration (SSA) and the Department of Veterans Affairs (VA) to make sure that non-filers who received benefits from SSA — including benefits for survivors, the disabled (SSDI) and Supplemental Security Income (SSI) recipients — or the VA got a check.

Myth: You owe income tax on your stimulus payment.

Truth: Nope. The payment is not income and taxpayers will not owe tax on it. The payment will not reduce a taxpayer's refund or increase the amount they owe when

they filed their 2020 tax return. A payment also will not affect income for purposes of determining eligibility for federal government assistance or benefit programs.

Myth: College students are not eligible for stimulus payments.

Truth: For the first two rounds of stimulus checks, if you were 17 or older and were not claimed as a dependent on someone else's tax return, you were eligible for a stimulus check. Whether or not you were in school did not matter. You also had to meet the income requirements. To receive a full stimulus payment, your adjusted gross income (AGI) had to be at or below \$75,000 for individuals and \$150,000 for married couples filing joint returns.

Most college students did not have to worry about the income requirements. What they did have to worry about is being claimed as a dependent by their parents. That negated their eligibility to receive a first or second stimulus check. The third stimulus payment removed the age restriction, so if your parents claim you as a dependent and you are 20 years old, they could get extra

stimulus money because of you. The same applies to elderly dependents — the \$1,400 goes to the person who claimed the elderly dependent, not directly to the dependent.

Myth: It is too late to get a stimulus check.

Truth: The IRS has already pushed out millions of stimulus payments, either by paper check, direct deposit, or prepaid debit card. Nevertheless, some people who were entitled to a stimulus payment have not gotten one. If you didn't receive either or both of the first two stimulus payments, you may have been eligible (income limits applied) to claim the missing money when your 2020 tax return was filed. The third round of coronavirus stimulus checks in the American Rescue Plan were approved in mid-March, but there is already a lot of confusion around the \$1,400 payments.

Partially because it was approved during the tax-filing time for 2020 Tax Returns, one of the biggest misconceptions is that the funds will get added to taxpayers' tax refunds for 2020. That is not true.

The third economic impact

payment (EIP) is an advance on a tax credit for 2021, and the taxes you filed this spring — as well as the refund you are probably getting — are for 2020.

So, while it is possible your coming refund may be larger because you claimed the first two recovery rebate credits, it is not related to this new law for the \$1,400 stimulus payment.

Any extra stimulus money you get in your 2020 refund is from the CARES Act and the Consolidated Appropriations Act (which created the first and second stimulus payments last March-September and December-March, respectively).

At this point, the \$1,400 stimulus check is separate. It will either be direct deposited into your bank account or show up in the mail as a paper check or debit card. If you don't receive the full amount of your third stimulus check because the IRS does not have updated information, you may not get your money until next year. You might have to submit your 2021 tax return to get your stimulus money. The IRS will not begin accepting 2021 returns until late January or early February 2022.

for each of 2020, 2021, and 2022. However, you have the option of including the entire distribution in your income for the year of the distribution.

✓ **This Provision Is Available For 2020 Only**

The CARES Act allows a charitable cash contributions deduction of up to \$300 for taxpayers that do not itemize. This provision is available for 2021 only.

✓ **This Provision Is Available For 2020 Only**

✓ **Earned Income Tax Credit**

Several changes have been made to the earned income tax credit. It introduces special rules for individuals with no children: For 2021, the applicable minimum

age is decreased to 19, except for students (24) and qualified former foster youth or homeless youth (18). The maximum age is eliminated. The credit's phaseout percentage is increased to 15.3%, and the phaseout amounts are increased. The credit would be allowed for certain separated spouses.

The threshold for disqualifying investment income would be raised from \$2,200 to \$10,000. Temporarily, taxpayers would be allowed to use their 2019 income instead of 2021 income in figuring the credit amount.

✓ **Child and Dependent Care Credit**

Various changes have been enacted to the child and

dependent care credit, effective for 2021 only, including making it refundable. The credit will be worth 50% of eligible expenses, up to a limit based on income, making the credit worth up to \$4,000 for one qualifying individual and up to \$8,000 for two or more. Credit reduction will start at household income levels over \$125,000. For households with income over \$400,000, the credit can be reduced below 20%.

The act also increases the exclusion for employer-provided dependent care assistance to \$10,500 for 2021.

✓ **Student Loans**

Amended Sec. 108(f) specifies that gross income does not include any amount that

would otherwise be included in income due to the discharge of any student loan after Dec. 31, 2020, and before Jan. 1, 2026.



A married couple each over 65 years old can have an income of \$146,415 for 2020 and owe only \$3 in federal income taxes! How can that be?

- 1 Each taxpayer collected \$10,200 of Unemployment Benefits in 2020. Since their total income was under \$150,000, they can exclude the Unemployment Benefits that they received under The American Rescue Plan. Their income is \$0 at this point.
- 2 The couple has \$31,765 in Social Security Benefits for 2020. 85% of these benefits will be income (\$27,000). Their Standard Deduction for 2020 is \$27,000 reducing this income to \$0.
- 3 The couple did not receive either of the first two stimulus checks (\$2,400 + \$1,200)

5 The couple has \$15,500 of interest income. The tax on this income is \$3,603 and uses the credit in #3 above to result in a \$3 tax due balance.

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God Bless America

Apr 15	1Q 2021 Federal Tax Estimate due.
May 17	2020 Tax Returns due without extensions.
June 15	2Q 2021 Federal Tax Estimates due.
Sept 15	3Q 2021 Federal Tax Estimates due.
Oct 15	2020 Tax Returns due with extensions.

*Anytime you have any questions, don't
hesitate to call me. I am here for you!*

The American Rescue Plan of 2021 was executed in March and created major changes in tax provisions that affected federal tax returns for 2020 as well as for 2021 returns. Most of the Plan's provisions provide for putting more money into taxpayer's hands now...when it's needed most due to the devastating economic effects of the COVID19 pandemic.

child tax credit.

The new credit for 2021

increases the credit from \$2,000 per child to \$3,000 and increases the age for eligible children to under 18 years old from under 17 years old. Additionally, children under age 6 are eligible for \$3,600.

21 By End. This child tax credit is required to pay half of the credit in advance, delivering monthly payments of up to \$300 per child directly into parents' bank accounts, through the end of

2021. Upper income taxpayers will not be eligible for the higher credit. Those with AGIs of greater than \$75,000 for single filers, \$112,500 for heads of household and \$150,000 for married joint filers will see the credit reduce by \$50 for each \$1,000 of AGI over these thresholds. These higher income families will only have their credits reduced to \$2,000. This is also a change since previously, the credit completely phased out on joint returns above \$400,000 AGI and single returns above \$200,000.

Taxpayers 72 and older must take Required Minimum Distributions (RMDs) for 2021

See "Tax Tips" on Page 2 >