Congressional Update

News for members of Congress and their staffs – June 2021

Expanded Child Tax Credit helps families across the country; important details to share with eligible recipients

The American Rescue Plan (ARP) includes an important provision that expands the benefits of the Child Tax Credit (CTC) for eligible families across the country. More information will be added on IRS.gov, and the IRS encourages widely sharing information about this new credit. Visit IRS.gov/childtaxcredit2021 for the latest information.

Highlights of the new law include:

- increases the CTC,
- makes the CTC available for children who turn age 17 in 2021,
- makes the CTC fully refundable for most taxpayers, and
- allows many taxpayers to receive half of the estimated 2021 CTC, in advance, during the last half of 2021.

Previously, the credit was worth up to $2,000 per qualifying child. ARP increases it to as much as $3,000 per child ages 6 through 17 at the end of 2021, and $3,600 per child ages 5 and under at the end of 2021.

The maximum credit is available to taxpayers with a modified adjusted gross income of:

- $75,000 or less for single filers and married persons filing separate returns,
- $112,500 or less for heads of household, and
- $150,000 or less for married couples filing a joint return and qualifying widows and widowers.

The credit for 2021 is fully refundable for taxpayers whose main home is in the United States for more than half the year and for bona fide residents of Puerto Rico. These taxpayers can get the maximum credit this year even if they don't owe any income taxes. Before this year, the refundable portion of the CTC required taxpayers to have earned income or pay Social Security taxes and was limited to $1,400 per child.

Starting in July, Treasury and the IRS will advance one half of the estimated 2021 child tax credit in monthly payments to eligible taxpayers. Eligible taxpayers are taxpayers who have a main home in the United States for more than half the year. The monthly advance payments will be estimated from their 2020 return, or their 2019 tax return if 2020 information is not available. Please remind your constituents of the importance of filing a 2020 tax return if they

haven't done so. It will help determine the amount of advance payments they can receive.

Taxpayers may need to repay the advance payments if they don't claim the same qualifying children for 2021, their main home will not be in the United States for more than half of 2021, or other 2021 information changes.

Advance payments will be calculated and paid automatically. There's no need to enroll. In coming weeks, eligible taxpayers will be able to choose to unenroll from receiving the advance payments and an online application is currently in development to facilitate this process. Later this year, taxpayers will also be able to notify the IRS of changes in their income, filing status, or number of qualifying children. Details will be available soon.

For the most up-to-date information about the CTC and the advance payments, taxpayers should visit IRS.gov/childtaxcredit2021.

Getting in-person service at IRS Taxpayer Assistance Centers

The IRS reminds the public that IRS.gov is the fastest and easiest way to access easy-to-use tools. The Let Us Help You page lists many resources taxpayers can use at any time. Online, taxpayers can request transcripts, tax forms and make electronic payments, for example, 24 hours a day, 7 days a week. Taxpayers who use online options for tax help can often avoid visiting an IRS Taxpayer Assistance Center (TAC) for in-person services.

When taxpayers can't resolve an issue using online resources, they should call 844-545-5640 to get an appointment to receive face-to-face help at an IRS TAC. Calling first is important because, many times, IRS assistors can resolve taxpayers' concerns during the calls. Appointments also help ensure the IRS meets CDC social distancing guidelines for everyone's safety. Taxpayers can visit Contact Your Local Office on IRS.gov to find the TAC locations nearest them, services offered, office hours and tips for arriving prepared.

TACs – like the IRS telephone centers – experience peak demand for in-person services. The agency reiterates its mission to serve as many taxpayers as possible, and it appreciates taxpayers' patience while it helps others understand their tax responsibilities.

A Closer Look: IRS thanks taxpayers for filing and paying taxes, urges those who don't normally file not to miss possible refunds

The two recent executive columns in "A Closer Look" feature important filing season information for taxpayers.

This column features Chuck Rettig, IRS Commissioner, thanking everyone who filed and paid their taxes and highlighting the vital role taxpayers play in the nation's tax system simply by filing their tax return.

This recent column features David Alito, Deputy Commissioner, Wage and Investment Division, urging people to file a 2020 tax return, even if they don't have to. If people qualify for certain tax credits or already paid some federal income tax, the IRS might owe them a refund that they can only get by filing a return.

TE/GE Compliance Program and Priorities

The IRS office of Tax Exempt and Government Entities (TE/GE) uses a data-driven approach to identify and prioritize compliance efforts to concentrate on the most noncompliant taxpayers. TE/GE issues a program letter at the beginning of each fiscal year that outlines the year's compliance program.

To improve taxpayer service, TE/GE now updates the Compliance Program and Priorities quarterly for the latest initiatives and the compliance approach used. Initiatives involve either an examination or compliance or education contacts about specific items on a filed return.

The eight new compliance initiatives released in April include:

Employee Plans (retirement plans)

- Small exempt organizations that sponsor retirement plans
- One-participant 401(k) plans
- Worker classification
- Plan liabilities and unrelated business income

Exempt Organizations (charities and nonprofits)

- Officers treating organization as a Schedule C business
- Form 990-N filers and gross receipts model

Tax Exempt Bonds

- Student loan bonds market segment
- Form 8038-G yield restriction

Estimated Tax Payments

Taxes must be paid as income is earned or received during the year, either through withholding or estimated tax payments.

If the amount of income tax withheld from a salary or pension is not enough, or if someone receives income such as interest, dividends, alimony, self-employment income, capital gains, prizes and awards, they may have to make estimated tax payments. If someone is in business for themselves, they generally need to make estimated tax payments. Estimated tax is used to pay not only income tax, but other taxes such as self-employment tax and alternative minimum tax.

Not paying enough tax through withholding and estimated tax payments may result in penalties. Penalties may also apply if payments are late, even if a refund is due when the return is filed.

Estimated tax payments are due as follows for income earned:

- January 1 to March 31 – the estimated tax due date is April 15
- April 1 to May 31 – the estimated tax due date is **June 15**
- June 1 to August 31 – the estimated tax due date is September 15

- September 1 to December 31 – the estimated tax due date is January 15 of the following year

IRS Publication 505, Tax Withholding and Estimated Tax, shares what's new for this tax year and provides information on who does, and doesn't, have to pay estimated tax and how to calculate the amount needed. Information is also available in multiple languages on IRS.gov; keywords "estimated taxes."

With many now earning some or all their income through the gig economy, the IRS has seen a rise in estimated tax penalties in recent years. Those working in the gig economy can find helpful information, including information on estimated taxes, on the IRS's Gig Economy Tax Center, which is also available in multiple languages.

Selling a home

Summertime is high season for home sales. And in the current real estate market, some sellers are doing well. Many will qualify to exclude any gain on the sale of their main residence from their income. But in a hot market, some may not.

Under the tax code, taxpayers can exclude up to $250,000 ($500,000 on a joint return in most cases) if they meet ownership and use tests. What those tests are and other tax information on home sales is available in IRS Publication 523, Selling Your Home (pdf). Information in the publication includes how to:

- Determine the adjusted basis of a home,
- Calculate the gain or loss on the sale of a home and
- Report the sale of a home on a tax return.

More information is available on IRS.gov, keywords "sale of home" or "sale of residence."

Help the IRS grow Low Income Taxpayer Clinics in communities without coverage

Low Income Taxpayer Clinics (LITCs) represent individuals whose incomes are below a certain level and who need help resolving tax disputes with the IRS. LITCs can represent taxpayers in audits, appeals and tax collection cases before the IRS and in court. LITCs can also help taxpayers respond to IRS notices and correct account problems. In addition, LITCs can provide information about taxpayer rights and responsibilities in different languages for individuals who speak English as a second language. Services are offered for free or a small fee. Importantly, LITCs are independent from the IRS and the Taxpayer Advocate Service.

Clinics participating in the LITC Program ensure the fairness and integrity of the tax system for taxpayers who are low-income or speak English as a second language by:

- Providing pro bono representation on their behalf in tax disputes with the IRS,
- Educating them about their rights and responsibilities as taxpayers and
- Identifying and advocating on issues that impact these taxpayers.

Those who know of an organization that may be interested in becoming an LITC grant recipient can help the IRS spread the word about the LITC Program and encourage organizations to

apply now. Applications are being accepted through June 18.

People can:

- Contact a community partner that is a good fit for the LITC Program (a nonprofit organization, academic institution or legal services provider). Provide the partner with the IRS news release or flyer announcing the opening of the application period and explaining the application process.
- Follow the Taxpayer Advocate Service on social media (Facebook, Twitter, LinkedIn) and encourage other organizations to share the LITC posts on their social media pages.
- Refer interested applicants to the new eligibility screening tool that helps potential applicants determine eligibility for the LITC Program.
- Ask an organization to email the LITC Program Office with their contact information so the IRS can reach out to them.

The IRS strives for sufficient clinic coverage in each state, the District of Columbia and Puerto Rico. At present, there is no LITC coverage in Nevada, North Dakota, West Virginia, Wyoming and Puerto Rico. In addition, several states (Arizona, Florida, Idaho and Pennsylvania) have LITCs that don't cover all counties, leading to "coverage gaps." Special consideration will be given to qualified applicants with plans to provide services in these currently underserved areas.

A complete list of underserved counties, program requirements and instructions on how to apply can be found in Publication 3319, Low Income Taxpayer Clinics (LITC) Grant Application Package and Guidelines (pdf).

To learn more about the LITC Program and how the IRS can work together to identify potential applicants in your community, please reach out to Karen Tober with the LITC Program Office at Karen.Tober@irs.gov or 202-317-4095.

Additional information on IRS.gov

A tax checklist for newly married couples

The tax gap

2020 Recovery Rebate Credit

Advance child tax credit

Coronavirus tax relief and Economic Impact Payments

Get up-to-date status on affected IRS operations and services during COVID-19

SOI Tax Stats - Coronavirus Aid, Relief, and Economic Security Act (CARES Act) statistics

Tax relief in disaster situations

Tax Treatment of Unemployment Compensation

As hurricane season nears, IRS reminds people to prepare for natural disasters

Third Economic Impact Payments

Irvine man arrested on federal grand jury indictment alleging he fraudulently obtained $5 million in COVID relief loans

Individual arrested and charged with operating notorious darknet cryptocurrency “mixer”

Chinese national sentenced to 14 years in prison for laundering drug proceeds on behalf of traffickers in Mexico

Local president of "We Build The Wall" faces new federal indictment

Help on IRS.gov

Filing – **Payments** – **Refunds** – **Credits & Deductions** – **Forms & Instructions** – **Tax Questions**

IRS in other languages

Spanish - **Chinese** - **Korean** - **Russian** - **Vietnamese** - **ASL** (YouTube)

IRS on social media

YouTube – Twitter – Instagram - Facebook

IRS2Go is the official mobile app of the IRS, available in both English and Spanish.

The *IRS Congressional Update* is a monthly newsletter, prepared by IRS Legislative Affairs. For information on resolving taxpayer account issues, visit Taxpayer Advocate Service.