Communications & Liaison
LEGISLATIVE AFFAIRS

IRS Congressional Update

News for members of Congress and their staffs – January 2021

Treasury and IRS begin delivering second round of Economic Impact Payments to millions of Americans

On December 29, the IRS and the Treasury Department began delivering a second round of Economic Impact Payments as part of the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 to millions of Americans who received the first round of payments earlier this year.

The initial direct deposit payments began arriving as on December 29 for some and will continue into next week. Paper checks were beginning to be mailed on December 30.

The IRS emphasizes that there is no action required by eligible individuals to receive this second payment. Some Americans may see the direct deposit payments as pending or as provisional payments in their accounts before the official payment date of Jan. 4, 2021. The IRS reminds taxpayers that the payments are automatic, and they should not contact their financial institutions or the IRS with payment timing questions.

As with the first round of payments under the CARES Act, most recipients will receive these payments by direct deposit. For Social Security and other beneficiaries who received the first round of payments via Direct Express, they will receive this second payment the same way.

Anyone who received the first round of payments earlier this year but doesn't receive a payment via direct deposit will generally receive a check or, in some instances, a debit card. For those in this category, the payments will conclude in January. If additional legislation is enacted to provide for an additional amount, the Economic Impact Payments that have been issued will be topped up as quickly as possible.

Eligible individuals who did not receive an Economic Impact Payment this year – either the first or the second payment – will be able to claim it when they file their 2020 taxes in 2021. The IRS urges taxpayers who didn't receive a payment this year to review the eligibility criteria when they file their 2020 taxes; many people, including recent college graduates, may be eligible to claim it. People will see the Economic Impact Payments (EIP) referred to as the Recovery Rebate Credit (RRC) on Form 1040 or Form 1040-SR since the EIPs are an advance payment of the RRC.

“Throughout this challenging year, the IRS has worked around the clock to provide Economic Impact Payments and critical taxpayer services to the American people,” said IRS Commissioner Chuck Rettig. “We are working swiftly to distribute this second round of payments as quickly as possible. This work continues throughout the holidays and into the new year as we prepare for the upcoming filing season. We urge everyone to visit IRS.gov in the coming days for the latest information on these payments and for important information and assistance with filing their 2021 taxes.”

Authorized by the newly enacted COVID-relief legislation, the second round of payments, or “EIP 2,” is generally $600 for singles and $1,200 for married couples filing a joint return. In addition, those with qualifying children will also receive $600 for each qualifying child. Dependents who are 17 and older are not eligible for the child payment.

Payments are automatic for eligible taxpayers

Payments are automatic for eligible taxpayers who filed a 2019 tax return, those who receive Social Security retirement, survivor or disability benefits (SSDI), Railroad Retirement benefits as well as Supplemental Security Income (SSI) and Veterans Affairs beneficiaries who didn’t file a tax return. Payments are also automatic for anyone who successfully registered for the first payment online at IRS.gov using the agency’s Non-Filers tool by Nov. 21, 2020 or who submitted a simplified tax return that has been processed by the IRS.

Who is eligible for the second Economic Impact Payment?

Generally, U.S. citizens and resident aliens who are not eligible to be claimed as a dependent on someone else’s income tax return are eligible for this second payment. Eligible individuals will automatically receive an Economic Impact Payment of up to $600 for individuals or $1,200 for married couples and up to $600 for each qualifying child. Generally, if you have adjusted gross income for 2019 up to $75,000 for individuals and up to $150,000 for married couples filing joint returns and surviving spouses, you will receive the full amount of the second payment. For filers with income above those amounts, the payment amount is reduced.

How do I find out if the IRS is sending me a payment?

People can check the status of both their first and second payments by using the Get My Payment tool, available in English and Spanish only on IRS.gov. The tool is being updated with new information, and the IRS anticipates the tool will be available again in a few days for taxpayers.

How will the IRS know where to send my payment? What if I changed bank accounts?

The IRS will use the data already in our systems to send the new payments. Taxpayers with direct deposit information on file will receive the payment that way. For those without current direct deposit information on file, they will receive the payment as a check or debit card in the mail. For those eligible but who don’t receive the payment for any reason, it can be claimed by filing a 2020 tax return in 2021. Remember, the Economic Impact Payments are an advance payment of what will be called the Recovery Rebate Credit on the 2020 Form 1040 or Form 1040-SR.

Will people receive a paper check or a debit card?

For those who don't receive a direct deposit by early January, they should watch their mail for either a paper check or a debit card. To speed delivery of the payments to reach as many people as soon as possible, the Bureau of the Fiscal Service, part of the Treasury Department, will be sending a limited number of payments out by debit card. Please note that the form of payment for the second mailed EIP may be different than for the first mailed EIP. Some people who received a paper check last time might receive a debit card this time, and some people who received a debit card last time may receive a paper check.

IRS and Treasury urge eligible people who don't receive a direct deposit to watch their mail carefully during this period for a check or an Economic Impact Payment card, which is sponsored by the Treasury Department's Bureau of the Fiscal Service and is issued by Treasury's financial agent, MetaBank®, N.A. The Economic Impact Payment Card will be sent in a white envelope that prominently displays the U.S. Department of the Treasury seal. It has the Visa name on the front of the Card and the issuing bank, MetaBank®, N.A. on the back of the card. Information included with the card will explain that this is your Economic Impact Payment. More information about these cards is available at EIPcard.com.

Are more people eligible now for a payment than before?

Under the earlier CARES Act, joint returns of couples where only one member of the couple had a Social Security number were generally ineligible for a payment – unless they were a member of the military. But this month's new law changes and expands that provision, and more people are now eligible. In this situation, these families will now be eligible to receive payments for the taxpayers and qualifying children of the family who have work-eligible SSNs. People in this group who don't receive an Economic Impact Payment can claim this when they file their 2020 taxes under the Recovery Rebate Credit.

Is any action needed by Social Security beneficiaries, railroad retirees and those receiving veterans' benefits who are not typically required to file a tax return?

Most Social Security retirement and disability beneficiaries, railroad retirees and those receiving veterans' benefits do not need take any action to receive a payment. Earlier this year, the IRS worked directly with the relevant federal agencies to obtain the information needed to send out the new payments the same way benefits for this group are normally paid. For eligible people in this group who didn't receive a payment for any reason, they can file a 2020 tax return.

I didn't file a tax return and didn't register with the IRS.gov non-filers tool. Am I eligible for a payment?

Yes, if you meet the eligibility requirement. While you won't receive an automatic payment now, you can still claim the equivalent Recovery Rebate Credit when you file your 2020 federal income tax return.

Will I receive anything for my tax records showing I received a second Economic Impact Payment?

Yes. People will receive an IRS notice, or letter, after they receive a payment telling them the amount of their payment. They should keep this for their tax records.

Where can I get more information?

For more information about Economic Impact Payments and the 2020 Recovery Rebate, key information will be posted on IRS.gov/eip. Later this week, you may check the status of your payment at IRS.gov/GetMyPayment. For other COVID-19-related tax relief, visit IRS.gov/Coronavirus.

Get Ready for Taxes

The annual Get Ready for Taxes campaign is underway to help constituents prepare for filing their next tax return. Here are some things for constituents to consider when preparing their 2020 tax return next year:

The 2020 Recovery Rebate Credit

In preparing their 2020 tax returns, taxpayers will be able to determine the amount of the CARES Act's 2020 Recovery Rebate Credit, for which they may be eligible. If they didn't receive the full amount as an Economic Impact Payment in 2020, they can claim the difference when filing their 2020 returns in 2021.

Interest on Refunds is Taxable

Taxpayers who received a federal tax refund in 2020 may have been paid interest. Refund interest payments are taxable and must be reported on federal income tax returns. In January 2021, the IRS will send Form 1099-INT to anyone who received interest totaling $10 or more.

Interest on Unemployment is Taxable

With millions of Americans receiving taxable unemployment compensation, many of them for the first time, the Internal Revenue Service reminds people receiving unemployment compensation that it is taxable when they file their federal income tax return. Remember to include any tax withholding as well.

Charitable Deduction Changes

New for 2020, taxpayers who don't itemize deductions may still take a charitable deduction of up to $300 for cash contributions made in 2020 to qualifying organizations.

Refunds

2020 was a tough year and many taxpayers will be anxiously awaiting their tax refund, including those who will claim the CARES Act's 2020 Recovery Rebate Credit. Here are some key points to help taxpayers understand refund timing and avoid refund delays.

Although the IRS issues most refunds in less than 21 days, the IRS cautions taxpayers not to rely on receiving a refund by a certain date, especially when making major purchases or paying bills. Some returns may require additional review and take longer.

For example, refunds for people claiming the Earned Income Tax Credit (EITC) or Additional Child Tax Credit (ACTC) can't be issued before mid-February. The law requires the IRS to hold the entire refund — even the portion not associated with the EITC or ACTC, including any Recovery Rebate Credit.

In addition, refunds can be delayed when information on a taxpayer's return doesn't match income and other information reported to the IRS. Before preparing and submitting their return, taxpayers should ensure they have all the information necessary to file accurately, including information provided to them on these forms:

- W-2, Wage and Tax Statement,
    - Note: Information on someone's final 2020 pay-period pay statement may not match what's on their 2020 year-end W-2.
- 1099, all types,
- 1098, all types, and
- 1095-A, Health Insurance Marketplace Statement.
    - Note: Form 1095-A is used to report certain information to the IRS about individuals who enroll in a qualified health plan through the Marketplace. Form 1095-A also is furnished to individuals to allow them to claim the premium tax credit, to reconcile the credit on their returns with advance payments of the premium tax credit (advance credit payments), and to file an accurate tax return.

See also, Taxpayers should renew expiring ITINs to avoid a refund delay, on IRS.gov for those who use an Individual Taxpayer Identification Number.

After filing their 2020 return, taxpayers can use the IRS's Where's My Refund? tool to check the status of their refund.

Help preparing and filing an accurate 2020 tax return

Options for preparing and filing 2020 tax returns include:

Use IRS Free File

Beginning in January 2021, almost everyone can file electronically for free on IRS.gov or with the IRS2Go app. The IRS Free File program, available only through IRS.gov, offers brand-name tax preparation software packages to use at no cost. The software does all the work of finding deductions, credits and exemptions. It's free for those who earned $72,000 or less in 2020. Some of the Free File packages also offer free state tax return preparation.

Those comfortable preparing their own taxes can use Free File Fillable Forms, regardless of their income, to file their tax returns either by mail or online.

Use the VITA Locator Tool

The IRS's Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs offer free basic tax return preparation to qualified individuals. The VITA Locator Tool will help them locate an open VITA site in their area.

Find a tax professional

The IRS's Directory of Federal Tax Return Preparers with Credentials and Select Qualifications can help taxpayers find preparers in their area who currently hold professional credentials recognized by the IRS or who hold an Annual Filing Season Program Record of Completion. Taxpayers should remember these tips when searching for a tax preparer.

Gather all needed tax records before filing

Taxpayers need to have all necessary tax records including forms W-2 and 1099 before filing their returns. This checklist helps taxpayers avoid common errors.

IRS to employers: February 1 is deadline for Form W-2, other wage statements

Employers must file Form W-2 and other wage statements by February 1, 2021, to avoid penalties and help the IRS prevent fraud.

New IRS Feature offers "A Closer Look" on compliance topics

"A Closer Look" covers a variety of timely issues of interest to taxpayers and the tax community. It also provides a detailed look at key issues affecting everything from IRS operations and employees to issues involving taxpayers and tax professionals. People can check here for prior posts and new updates.

Here are some of our most recent editions of "A Closer Look:"

How the IRS Ensures Compliance with the Tax Laws

Features Sunita Lough, Deputy Commissioner for Services and Enforcement, discussing how the IRS ensures compliance with the tax laws.

IRS audit rates significantly increase as income rises

Features IRS Deputy Commissioner for Services and Enforcement Sunita Lough providing details on IRS audits. Despite common misperceptions about IRS examination rates, the reality is that the likelihood of an audit significantly increases as income grows.

How the IRS prioritizes compliance work on high income non-filers through national and international efforts

Features Eric Hylton, Commissioner, Small Business/Self Employed Division, discussing how the IRS is prioritizing high income non-filers to support fairness and integrity in our nation's tax system.

Did you miss the deadline to register online for the Economic Impact Payment?

You may still be eligible to receive a payment in 2021 if:

- You did not register online or by mail, and did not get a payment in 2020 or,

- You received a payment, but it wasn't the full amount of the Economic Impact Payment. The maximum credit is $1,200, or $2,400 if married filing jointly, plus $500 for each qualifying child.

Then:

- When you file a 2020 Form 1040 or 1040SR you may be eligible for the Recovery Rebate Credit. Save your IRS letter - Notice 1444, Your Economic Impact Payment -with your 2020 tax records. You'll need the amount of the payment in the letter when you file in 2021.

Gig economy income is taxable

What is gig work?

Gig work is certain activity you do to earn income, often through an app or website (digital platform), like:

- Drive a car for booked rides or deliveries
- Rent out property or part of it
- Run errands or complete tasks
- Sell goods online
- Rent equipment
- Provide creative or professional services
- Provide other temporary, on-demand or freelance work

Note: This list does not include all types of gig work.

What are digital platforms?

Digital platforms are businesses that match workers' services or goods with customers via apps or websites. This includes businesses that provide access to:

- Ridesharing services
- Delivery services
- Crafts and handmade item marketplaces
- On-demand labor and repair services
- Property and space rentals

Note: This list does not include all types of digital platforms.

You must report income earned from the gig economy on a tax return, even if the income is:

- From part-time, temporary or side work
- Not reported on an information return form—like a Form 1099-K, 1099-MISC, W-2 or other income statement
- Paid in any form, including cash, property, goods or virtual currency.

More information is on the Gig Economy Tax Center.

Social distancing: Stay home and stay safe with IRS online tools

Make your first stop IRS.gov where you'll find online tools to help you get the information you need. The tools are easy-to-use and available 24 hours a day. Millions of people use them to help file and pay taxes, find information about their accounts and get answers to tax questions.

Get the help you need when you're ready to file with these online tools:

- **File your taxes**
- **Refunds**
- **Volunteer to help eligible taxpayers file their tax returns**
- **Download publications**
- **View Your Account Information**
- **Get an Identity Protection PIN (IP PIN)**

Do I need to renew my individual taxpayer identification number?

If you need to file a tax return in 2021 and your individual taxpayer identification number (ITIN) has expired or will expire before you file in 2021, IRS recommends you submit your renewal application now to prevent potential delays in the processing of your return. If you use an expired ITIN on a U.S. tax return, it will be processed and treated as timely filed, but without any exemptions or credits claimed and no refund will be paid at that time. You will receive a notice explaining the delay in any refund and that the ITIN has expired.

Links

- Highlights from the 2020 National Tax Security Awareness Week
- Implementing the Taxpayer First Act
- IRS 15th annual EITC Awareness Day set for January 29
- IRS warns people about a COVID-19-related text message scam
- Tax help for taxpayers affected by COVID-19
- Status of affected IRS operations and services
- Get Transcript frequently asked questions
- Common errors businesses should avoid when claiming employer tax credits
- Unemployment benefits are taxable (.pdf)
- Paycheck Checkup
- IRS issues standard mileage rates for 2021

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.

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