Congressional Update

News for members of Congress and their staffs – April 2021

IRS delivering third round of Economic Impact Payments to Americans

The IRS announced in mid-March that the third round of Economic Impact Payments began reaching Americans. Following approval of the American Rescue Plan Act, the first batch of payments were sent by direct deposit. Additional batches of payments will be sent in the coming weeks by direct deposit and through the mail as a check or debit card. The vast majority of these payments will be by direct deposit.

No action is needed by most taxpayers; the payments will be automatic and, in many cases, similar to how people received the first and second round of Economic Impact Payments in 2020. People can check the Get My Payment tool on IRS.gov to see the payment status of the third stimulus payment.

"Even though the tax season is in full swing, IRS employees again worked around the clock to quickly deliver help to millions of Americans struggling to cope with this historic pandemic," said IRS Commissioner Chuck Rettig. "The payments will be delivered automatically to taxpayers even as the IRS continues delivering regular tax refunds. We urge people to visit IRS.gov for the latest details on the stimulus payments, other new tax law provisions and tax season updates."

For additional information, review Fact Sheet 2021-04, More details about the third round of Economic Impact Payments.

IRS extends additional tax deadlines for individuals to May 17

The Internal Revenue Service announced that individuals have until May 17, 2021 to meet certain deadlines that would normally fall on April 15, such as making IRA contributions and filing certain claims for refund.

This follows a previous announcement from the IRS on March 17, that the federal income tax filing due date for individuals for the 2020 tax year was extended from April 15, 2021, to May 17, 2021. Notice 2021-21 PDF provides details on the additional tax deadlines which have been postponed until May 17.

Time to make contributions to IRAs and health savings accounts extended to May 17

In extending the deadline to file Form 1040 series returns to May 17, the IRS is automatically postponing to the same date the time for individuals to make 2020 contributions to their individual retirement arrangements (IRAs and Roth IRAs), health savings accounts (HSAs), Archer Medical Savings Accounts (Archer MSAs), and Coverdell education savings accounts (Coverdell ESAs). This postponement also automatically postpones to May 17, 2021, the time for reporting and payment of the 10% additional tax on amounts includible in gross income from 2020 distributions from IRAs or workplace-based retirement plans. Notice 2021-21 also postpones the due date for Form 5498 series returns related to these accounts to June 30, 2021.

2017 unclaimed refunds – deadline extended to May 17

For tax year 2017 Federal income tax returns, the normal April 15 deadline to claim a refund has also been extended to May 17, 2021. The law provides a three-year window of opportunity to claim a refund. If taxpayers do not file a return within three years, the money becomes property of the U.S. Treasury. The law requires taxpayers to properly address, mail and ensure the tax return is postmarked by the May 17, 2021, date.

Additionally, foreign trusts and estates with federal income tax filing or payment obligations, who file Form 1040-NR, now have until May 17, 2021.

2021 AFSP deadline postponed to May 17

Tax preparers interested in voluntarily participating in the Annual Filing Season Program (AFSP) for calendar-year 2021 now have until May 17, 2021 to file their application with the Internal Revenue Service. The normal due date is April 15.

Details on this extension are in Notice 2021-21, posted on IRS.gov. For more information about the Annual Filing Season Program, visit the Tax Pros page on IRS.gov.

Estimated tax payment due April 15

Notice 2021-21, issued today does not alter the April 15, 2021, deadline for estimated tax payments; these payments are still due on April 15. Taxes must be paid as taxpayers earn or receive income during the year, either through withholding or estimated tax payments. In general, estimated tax payments are made quarterly to the IRS by people whose income isn't subject to income tax withholding, including self-employment income, interest, dividends, alimony or rental income. Most taxpayers automatically have their taxes withheld from their paychecks and submitted to the IRS by their employer.

Updates regarding tax relief as a result of the COVID-19 pandemic can be found at IRS.gov.

IRS to recalculate taxes on unemployment benefits; refunds to start in May

To help taxpayers, the Internal Revenue Service announced that it will take steps to automatically refund money this spring and summer to people who filed their tax return reporting unemployment compensation before the recent changes made by the American Rescue Plan.

The legislation, signed on March 11, allows taxpayers who earned less than $150,000 in modified adjusted gross income to exclude unemployment compensation up to $20,400 if married filing jointly and $10,200 for all other eligible taxpayers. The legislation excludes only 2020 unemployment benefits from taxes.

Because the change occurred after some people filed their taxes, the IRS will take steps in the spring and summer to make the appropriate change to their return, which may result in a refund. The first refunds are expected to be made in May and will continue into the summer.

For those taxpayers who already have filed and figured their tax based on the full amount of unemployment compensation, the IRS will determine the correct taxable amount of unemployment compensation and tax. Any resulting overpayment of tax will be either refunded or applied to other outstanding taxes owed.

For those who have already filed, the IRS will do these recalculations in two phases, starting with those taxpayers eligible for the up to $10,200 exclusion. The IRS will then adjust returns for those married filing jointly taxpayers who are eligible for the up to $20,400 exclusion and others with more complex returns.

There is no need for taxpayers to file an amended return unless the calculations make the taxpayer newly eligible for additional federal credits and deductions not already included on the original tax return.

For example, the IRS can adjust returns for those taxpayers who claimed the Earned Income Tax Credit (EITC) and, because the exclusion changed the income level, may now be eligible for an increase in the EITC amount which may result in a larger refund. However, taxpayers would have to file an amended return if they did not originally claim the EITC or other credits but now are eligible because the exclusion changed their income.

These taxpayers may want to review their state tax returns as well.

According to the Bureau of Labor Statistics, over 23 million U.S. workers nationwide filed for unemployment last year. For the first time, some self-employed workers qualified for unemployed benefits as well. The IRS is working to determine how many workers affected by the tax change already have filed their tax returns.

The new IRS guidance also includes details for those eligible taxpayers who have not yet filed.

The IRS has worked with the tax return preparation software industry to reflect these updates so people who choose to file electronically simply need to respond to the related questions when electronically preparing their tax returns. See New Exclusion of up to $10,200 of Unemployment Compensation for information and examples. For others, instructions and an updated worksheet about the exclusion were available in March and posted to IRS.gov/Form 1040. These instructions can assist taxpayers who have not yet filed to prepare returns correctly.

A Closer Look: Tax volunteers support taxpayers in need

In the latest issue of "A Closer Look," Frank Nolden, director, IRS Stakeholder Partnership, Education and Communication, discusses the benefits and history of volunteer tax preparation sites. "The Volunteer Income Tax Assistance and Tax Counseling for the Elderly programs … help millions of low-to-moderate income taxpayers accurately prepare and file their tax returns for free with help from IRS-certified volunteers," Nolden said.

A Closer Look: Free File can help people with no filing requirement find overlooked tax credits

In this issue of "A Closer Look," Dietra Grant, director of Customer Account Services, discusses the benefits of using Free File options to get tax breaks. "So many people were adversely affected last year in the job market, and their income may be substantially different in 2020 than it was in 2019. Don't leave money on the table, use Free File online to help," said Grant.

2021 Supplemental LITC Grant application period now open

Please join us in spreading the word about the Low Income Taxpayer Clinic (LITC) Grant program and encouraging individuals and organizations to learn more about the program and consider applying. Now is a great opportunity for qualified organizations to receive an 18-month grant to conduct start-up

activities in 2021 and be up and running in 2022. The IRS opened the supplemental application period on March 15, 2021. Applications must be received by April 16, 2021. Priority consideration will be given to qualified applicants that can provide services in currently underserved areas. At present, the following states do not have an LITC: Nevada, North Dakota, West Virginia and Wyoming. Puerto Rico also does not have an LITC. Additionally, several states have coverage gaps, including Arizona, Florida, Idaho and Pennsylvania. Successful applicants will receive funding for an 18-month grant starting in the summer of 2021.

Interested parties are encouraged to watch this video about applying for an LITC grant and review Publication 3319 (.pdf), which includes key program guidelines and the most recent grant application package. If you or potential applicants have questions or need additional information about the LITC Program or the application process, please contact Karen Tober with the LITC Program Office by email at Karen.Tober@irs.gov or by phone at 202-317-4095. The regular application period for the 2022 grant year will open in early May.

TAS publishes annual Congressional Data Book

Each year, the Taxpayer Advocate Service (TAS) publishes a Congressional Data Book that breaks out key tax return data by state and congressional district, including data on various items of income, deduction, and credit. The TAS Congressional Data Book shows how many taxpayers in each state and congressional district have claimed various tax benefits, as well as the total amount claimed. The latest data book provides a breakout on the basis of Tax Year 2018 returns.

With this data, one can compute the percentage of taxpayers in each area that claim each tax benefit and the average amount of the benefit for each taxpayer claiming it. This is true for tax credits like the Earned Income Tax Credit, the Child Tax Credit, and the Child and Dependent Care Tax Credit as well as for tax deductions like the state and local tax deduction and the deduction for charitable contributions, among others.

Congressional members and their staffs can use the information to:

- Learn more about the tax returns filed by constituents in their congressional districts;
- Coordinate outreach with their assigned local taxpayer advocate, congressional district liaison, state and local government agencies; and
- Identify taxpayers who could benefit from programs such as IRS Free File options and Volunteer Income Tax Assistance services and promote those options and services on your website and on social media.

For current and prior year data books, visit the TAS website.

Education tax credits can help offset the cost of higher education

Whether it's online, in-person, part-time or full-time, higher education is expensive. The good news is there are tax credits that can help offset these costs. These credits reduce the amount of tax someone owes. If the credit reduces tax to less than zero, the taxpayer can even receive a refund.

Taxpayers who pay for higher education in 2021 can see these tax savings when they file their federal

tax return next year. If taxpayers, their spouses, or their dependents take post-high school coursework, they may be eligible for a tax benefit.

There are two credits available to help taxpayers save money on schooling, the American Opportunity Tax Credit (AOTC) and the Lifetime Learning Credit (LLC). Taxpayers use Form 8863, Education Credits, to claim the credits.

To be eligible to claim either of these credits, a taxpayer or a dependent must have received a Form 1098-T from an eligible educational institution. There are exceptions for some students.

Here are some key things taxpayers should know about each of these credits.
The American Opportunity Tax Credit is:

- Worth a maximum benefit up to $2,500 per eligible student.
- Only for the first four years at an eligible college or vocational school.
- For students pursuing a degree or other recognized education credential.
- Partially refundable. People can potentially get up to $1,000 back.

The Lifetime Learning Credit is:

- Worth a maximum benefit up to $2,000 per tax return, per year, no matter how many students qualify.
- Available for all years of postsecondary education and for courses to acquire or improve job skills.
- Available for an unlimited number of tax years.

Taxpayers can use the Interactive Tax Assistant tool on IRS.gov to check eligibility for the AOTC and LLC.

For a complete explanation of all education benefits, read IRS Publication 970, Tax Benefits for Education.

IRS provides resources, services for visually impaired taxpayers

The IRS Alternative Media Center offers resources and accessibility services for taxpayers. Tax-related content is available in several formats for use with assistive technology, including screen-reading software, refreshable Braille displays and screen magnifying software. For more information, visit the Alternative Media Center.

Where's My Refund?

The IRS issues more than 9 out of 10 refunds in less than 21 days. However, it's possible your tax return may require additional review and take longer. Where's My Refund? has the most up-to-date information available about your refund. The tool is updated daily so you don't need to check more often.

Ways to pay your taxes

If you owe taxes, the IRS offers several options where you can pay immediately or arrange to pay in installments. The IRS encourages struggling taxpayers to reach out.

2021 Virtual IRS Nationwide Tax Forum registration is now open

IRS Commissioner Chuck Rettig released a YouTube video regarding open registration for the 2021 Virtual IRS Nationwide Tax Forum for tax professionals. The forum begins July 20 and will include live webinars every Tuesday, Wednesday and Thursday for a 5-week period.

The 2021 Virtual Tax Forum is a great opportunity to:

- Learn and earn continuing education credits from the comfort and safety of your home
- Hear the latest updates on tax law, cybersecurity, ethics and other topics
- Get reliable information directly from the IRS
- Visit industry-leading vendors at our Virtual Expo
- Share your experiences and discuss innovative ideas with the IRS through focus groups

Register now at www.irstaxforum.com.

Additional information on IRS.gov

Dallas tax preparer sentenced, ordered to pay $11.9 million for filing fraudulent tax returns

Multi-drug trafficker and money launderer sentenced to 34 years in federal prison

FCA US LLC pleads guilty to making illegal payments to UAW officials

IRS projects stimulus payments to non-filer Social Security and other federal beneficiaries will be disbursed later this week

American Rescue Plan Act of 2021
Recovery Rebate Credit

IRS Resuming Certification of Tax Debt to State Department / Revocation or Denial of Passport in Case of Certain Unpaid Taxes

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

Tax Relief in Disaster Situations

Office of Chief Counsel Unveils National Virtual Settlement Days Effort this year to reach more taxpayers in more parts of the nation

Coronavirus Tax Relief and Economic Impact Payments

IRS expands help to taxpayers in multiple languages with new forms, communication preferences

Taxpayer First Act

IRS Online Account can help taxpayers get ready to file their tax return

Small Business Online Tax Calendar

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.