Communications & Liaison
LEGISLATIVE AFFAIRS

IRS Congressional Update

News for members of Congress and their staffs – February 2021

2021 tax filing season begins February 12; IRS outlines steps to speed refunds during pandemic

The nation's tax season will start on Friday, February 12, 2021, when the IRS will begin accepting and processing 2020 tax year returns.

The February 12 start date for individual tax return filers allows the IRS time to do additional programming and testing of IRS systems. Tax law changes enacted on December 27, 2020, provided a second round of Economic Impact Payments and other benefits, prompting the move.

This programming work is critical to ensuring IRS systems run smoothly. If filing season were opened without the correct programming in place, then there could be a delay in issuing refunds to taxpayers. These changes ensure that eligible people will receive any remaining stimulus money as a Recovery Rebate Credit when they file their 2020 tax return.

To speed refunds during the pandemic, the IRS urges taxpayers to file electronically with direct deposit as soon as they have the information they need. People can begin filing their tax returns immediately with tax software companies, including IRS Free File partners. These groups are starting to accept tax returns now, and the returns will be transmitted to the IRS starting February 12.

“Planning for the nation’s filing season process is a massive undertaking, and IRS teams have been working nonstop to prepare for this as well as delivering Economic Impact Payments in record time,” said IRS Commissioner Chuck Rettig. “Given the pandemic, this is one of the nation’s most important filing seasons ever. This start date will ensure that people get their needed tax refunds quickly while also making sure they receive any remaining stimulus payments they are eligible for as quickly as possible.”

Last year’s average tax refund was more than $2,500. More than 150 million tax returns are expected to be filed this year, with the vast majority before the Thursday, April 15, deadline.

Under the PATH Act, the IRS cannot issue a refund involving the Earned Income Tax Credit (EITC) or Additional Child Tax Credit (ACTC) before mid-February. The law provides this additional time to help the IRS stop fraudulent refunds and claims from being issued, including to identity thieves.

The IRS anticipates a first week of March refund for many EITC and ACTC taxpayers if they file electronically with direct deposit and there are no issues with their tax returns. This would be the same experience for taxpayers if the filing season opened in late January. Taxpayers will need to check Where's My Refund for their personalized refund date.

Overall, the IRS anticipates 9 out of 10 taxpayers will receive their refund within 21 days of when they file electronically with direct deposit and there are no issues with their tax filing. The IRS urges taxpayers and tax professionals to file electronically. To avoid delays in processing, people should avoid filing paper returns wherever possible.

Tips for taxpayers to make filing easier

To speed refunds and help with their tax filing, the IRS urges people to follow these simple steps:

- File electronically and use direct deposit for the quickest refunds.
- Check IRS.gov for the latest tax information, including the latest on Economic Impact Payments. There is no need to call.
- Those who may be eligible for stimulus payments should carefully review the guidelines for the Recovery Rebate Credit. Most people received Economic Impact Payments automatically, and anyone who received the maximum amount does not need to include any information about their payments when they file. However, those who didn't receive a payment or only received a partial payment may be eligible to claim the Recovery Rebate Credit when they file their 2020 tax return. Tax preparation software, including IRS Free File, will help taxpayers figure the amount.
- Remember, advance stimulus payments are not taxable, and they do not reduce the taxpayer's refund when they file in 2021.

Key filing season dates

There are several important dates taxpayers should keep in mind for this year's filing season:

- January 15. IRS Free File opens. Taxpayers can begin filing returns through Free File partners; tax returns will be transmitted to the IRS starting February 12. Tax software companies also are accepting tax filings in advance.
- January 29. Earned Income Tax Credit Awareness Day to raise awareness of valuable tax credits available to many people – including the option to use prior-year income to qualify.
- February 12. The IRS begins 2021 tax season. Individual tax returns begin being accepted and processing begins.
- February 22. Projected date for the IRS.gov Where's My Refund tool being updated for those claiming EITC and ACTC, also referred to as PATH Act returns.
- First week of March. Tax refunds begin reaching those claiming EITC and ACTC (PATH Act returns) for those who file electronically with direct deposit and there are no issues with their tax returns.

- April 15. Deadline for filing 2020 tax returns.
- October 15. Deadline to file for those requesting an extension on their 2020 tax returns.

Filing season opening

The 2021 filing season opening follows IRS work to update its programming and test its systems to factor in the second Economic Impact Payments and other tax law changes. These changes are complex and take time to help ensure proper processing of tax returns and refunds as well as coordination with the tax software industry, resulting in the February 12 start date.

The IRS must ensure systems are prepared to properly process and check tax returns to verify the proper amount of Economic Impact Payments are credited on taxpayer accounts – and provide remaining funds to eligible taxpayers.

Although tax seasons frequently begin in late January, there have been five instances since 2007 when filing seasons did not start for some taxpayers until February due to tax law changes made just before the start of tax time.

IRS Free File available; claim Recovery Rebate Credit and other tax credits

IRS Free File – online tax preparation products available at no charge – launched on January 15, 2021, giving taxpayers an early opportunity to claim credits like the Recovery Rebate Credit and other deductions.

Leading tax software providers make their online products available for free as part of a 19-year partnership with the Internal Revenue Service. There are nine products in English and two in Spanish.

“As we continue to confront the COVID-19 pandemic, IRS Free File and certain other similar online tax preparation products such as MilTax – Tax Services for the Military offered through the Department of Defense – offers taxpayers a free way to do their taxes from the safety of their own home and claim the tax credits and deductions they are due,” said IRS Commissioner Chuck Rettig.

“We encourage eligible taxpayers to take a look at using Free File, MilTax and similar free online tax preparation products this year, to follow the lead of over 4 million people who took advantage of these free services just last year,” the commissioner said. “An IRS tax refund is often the single largest payment families receive during the year. We know how critical that refund is, especially this year."

IRS Free File online products are available to any taxpayer or family who earned $72,000 or less in 2020. MilTax online software will be available on January 19, 2021.

IRS Free File providers will accept completed tax returns and hold them until they can be filed electronically once the IRS begins processing returns. The Free File Fillable Forms, the electronic version of IRS paper forms, also will be available later when the filing season begins. This product is best for people comfortable preparing their own taxes, and is safe and secure.

How IRS Free File Online works

Each IRS Free File provider sets its own eligibility rules for products based on age, income and state residency. However, for those who make $72,000 or less, they will find at least one product that matches their needs, and usually more. Some providers also offer free state preparation. Active duty military can use any IRS Free File product if their income was $72,000 or less.

Here's a step-by-step overview of how to find the right Free File product:

1. Go to IRS.gov/FreeFile.
2. Use the "Free File Online Look up" tool for help in finding the right product, or
3. Review each offer by a provider by using the 'Browse All Offers' tool.
4. Select a product.
5. Follow links to the provider's website to begin.

No computer? No problem. IRS Free File products support mobile phone access.

Recovery Rebate Credit and other benefits

IRS Free File is all taxpayers need to claim the Recovery Rebate Credit and other tax benefits such as the Earned Income Tax Credit (EITC).

In 2020, the IRS issued two Economic Impact Payments as part of the economic stimulus efforts. The first payments were up to $1,200 person and $500 per qualifying child. The second payments were up to $600 per eligible person and $600 per qualifying child.

For 2021, eligible taxpayers who did not receive the full amount can claim it as the Recovery Rebate Credit when they file their 2020 tax return. Use IRS Free File to file and claim this important benefit.

IRS Free File also can be used by working families to claim the EITC, which provides a refundable tax credit based on income and family size.

Taxpayers also are reminded that unemployment benefits paid by states are taxable income. States should send Forms 1099-G to those who received jobless benefits.

IRS Free File participants

For 2021, these providers are participating in IRS Free File:

- 1040Now,
- ezTaxReturn.com,
- FreeTaxReturn.com,
- FileYourTaxes.com,
- Intuit (TurboTax),
- On-Line Taxes (OLT.com),
- TaxAct,
- TaxHawk (FreeTaxUSA),
- TaxSlayer.

For 2021, the following providers have IRS Free File products in Spanish:

- ezTaxReturn.com,
- TaxSlayer (Available after January 18).

Millions of workers may qualify for EITC for the first time this year

The Earned Income Tax Credit (EITC) is a financial boost for families with low or moderate incomes. This year, millions of workers may qualify for the first time due to changes in their marital, parental or financial status.

For tax year 2020, unemployment payments and other unearned income received could affect the amount of earned income a worker can claim. However, under the Taxpayer Certainty and Disaster Tax Relief Act of 2020, taxpayers may elect to use their 2019 earned income to figure the credit if their 2019 earned income is more than their 2020 earned income. The same is true for the Additional Child Tax Credit. For details, your constituents can read the instructions for Form 1040 (.pdf).

Please encourage your constituents to use the EITC Assistant on IRS.gov to find out if they're eligible.

IRS offers guidance to taxpayers on identity theft involving unemployment benefits

IRS advises taxpayers who receive Forms 1099-G for unemployment benefits they did not actually get because of identity theft to contact their appropriate state agency for a corrected form.

States issue Forms 1099-G to the taxpayer and to the IRS to report what taxable income, such as refunds or unemployment benefits, were issued by state agencies.

During 2020, millions of taxpayers were impacted by the COVID-19 pandemic through job loss or reduced work hours. Some taxpayers who faced unemployment or reduced work hours applied for and received unemployment compensation from their state. Under federal law, unemployment benefits are taxable income.

However, scammers also took advantage of the pandemic by filing fraudulent claims for unemployment compensation using stolen personal information of individuals who had not filed claims. Payments made as a result of these fraudulent claims went to the identity thieves, and the individuals whose names and personal information were taken did not receive any of the payments.

Taxpayers who receive an incorrect Form 1099-G for unemployment benefits they did not receive should contact the issuing state agency to request a revised Form 1099-G showing they did not receive these benefits. Taxpayers who are unable to obtain a timely, corrected form from states should still file an accurate tax return, reporting only the income they received. A corrected Form 1099-G showing zero unemployment benefits in cases of identity theft will help taxpayers avoid being hit with an unexpected federal tax bill for unreported income.

Help spread the word about free tax preparation

Eligible taxpayers can receive tax help through the IRS Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs.

The VITA program has operated for more than 50 years. VITA sites offer tax help to people who generally make $57,000 or less, along with persons with disabilities and taxpayers who speak limited English. The TCE program also offers free tax help, particularly for those who are 60 years of age and older.

Traditionally, most VITA and TCE sites offered in-person tax preparation. However, some sites now offer virtual service using video or telephone calls. Some IRS partners also offer Facilitated Self Assistance (FSA), where a taxpayer prepares their own tax return. IRS-certified volunteers are available to answer FSA users' tax questions.

Please encourage taxpayers to check IRS.gov/VITA to find available services in their community. The VITA/TCE Locator Tool will be updated throughout the filing season.

Check Your Tax Withholding for 2021

Taxpayers should use the Tax Withholding Estimator to make sure they have the right amount of tax withheld. Even if they haven't gotten a paycheck in 2021, taxpayers can use the estimator to check on 2021 withholding.

A Closer Look

IRS efforts to help taxpayers and the nation in 2020

The IRS published two new executive columns, "A Closer Look," featuring IRS Commissioner Chuck Rettig. Commissioner Rettig discusses the IRS Progress Update and how the agency helped taxpayers and the nation during 2020. "COVID-19 presented some of the greatest challenges to our country and the IRS in its history, both in terms of being able to carry out our mission and in protecting the health and safety of taxpayers and our own workforce."

"A Closer Look" is also available in Spanish.

Our Commitment to Serving a Diverse Nation

In this column, "A Closer Look," features Jim Clifford, Deputy Project Director, Taxpayer First Act-Customer Service Strategy. In the article, he discusses improving underserved taxpayer interactions with the IRS. "Our ultimate goal is to provide high-quality, personalized service to everyone, no matter where they live, what their background is, or what language they speak," Clifford said.

The column is also available in Spanish.

IRS sends Taxpayer First Act Report to Congress

The IRS last month sent the Taxpayer First Act Report to Congress, a comprehensive set of recommendations that will reimagine the taxpayer experience, enhance employee training and restructure the organization to increase collaboration and innovation.

The IRS will continue conversations with key stakeholders and congressional committees to secure funding and begin to work toward implementation of these recommendations over the next several years.

"The way we interact with taxpayers and the tax community, the way that we train our employees, and the way we structure our organizational structure are important foundations for our future success," said IRS Commissioner Chuck Rettig. "Guided by the law, we will fundamentally change the way we operate, building upon our strengths, with additional focus on areas to improve the important service we provide to our great country."

The Taxpayer First Act, signed into law in July 2019, was designed to improve taxpayer service and ensure the IRS continues to enforce the tax law in a fair and impartial manner.

National Taxpayer Advocate delivers Annual Report to Congress; focuses on taxpayer effect of COVID-19 and IRS funding needs

National Taxpayer Advocate Erin M. Collins released her 2020 Annual Report to Congress on January 13, 2021, focusing on the unprecedented challenges taxpayers faced in filing their tax returns and receiving refunds and stimulus payments during a year consumed by the COVID-19 pandemic.

By statute, the advocate's report is required to identify the 10 most serious problems taxpayers face in their dealings with the IRS. In her preface to the report, Ms. Collins wrote: "If this year's most serious problems are read in combination, one overriding theme emerges: To improve taxpayer service, the IRS needs more resources to hire employees and more resources to modernize its information technology systems."

The report also contains:

- A description of the 10 most serious problems encountered by taxpayers;
- A final assessment of the 2020 filing season that was extended due to the pandemic;
- A taxpayer rights assessment that presents performance measures and other relevant data;
- A summary of key Taxpayer Advocate Service (TAS) systemic advocacy accomplishments;
- A discussion of the 10 federal tax issues most frequently litigated during the last year;
- A description of TAS's case advocacy operations during FY 2020; and

- A research study that concludes the IRS can and should identify certain taxpayers at high risk of economic hardship and spare them from collection action.

As part of the report, Ms. Collins also released the fourth edition of the National Taxpayer Advocate's 2021 Purple Book, which presents 66 legislative recommendations designed to strengthen taxpayer rights and improve tax administration. She highlights 10 legislative recommendations for particular attention in her Purple Book introduction and in the preface to the annual report.

The national taxpayer advocate added a special section to the report titled, "Highlights of TAS Successes on Our Journey of Advocacy Throughout the Past Year." TAS had many successes throughout the year working with the IRS to change processes and procedures so that taxpayers are better served by tax administration. This section highlights some of these successes.

In addition, TAS has recently released an Online Digital Roadmap Tool that will help taxpayers navigate the complexity of the tax system. By entering a notice or letter number, taxpayers can determine where they are on the roadmap, why they received the notice or letter, what rights they have, what they must do next, and where they can get additional help.

Congressional Affairs Program

The Congressional Affairs Program is a coordinated effort by the IRS Office of Legislative Affairs and the Taxpayer Advocate Service to establish and maintain relationships with congressional offices as well as help provide service and information to taxpayers.

Form 1024-A revisions and required electronic submission

The IRS has revised Form 1024-A, Application for Recognition of Exemption Under Section 501(c)(4), and its instructions, to allow electronic filing.

Effective January 5, 2021, applications for recognition of exemption on Form 1024-A must be submitted electronically online at Pay.gov. The IRS will provide a 90-day grace period during which it will continue to accept paper versions of Form 1024-A.

The user fee for Form 1024-A will remain $600 for 2021. Applicants must pay the user fee through Pay.gov when submitting the form. Payment can be made directly from a bank account or by credit card or debit card.

Go to StayExempt.irs.gov for an overview of Form 1024-A e-filing.

IRS Whistleblower Office collects over $472 million in 2020

In fiscal year 2020, the Whistleblower Office made 169 awards to whistleblowers totaling over $86 million (before sequestration). The awards included 30 under Internal Revenue Code section 7623(b). Proceeds collected were more than $472 million.

Learn more in the IRS Whistleblower Office's 2020 Annual Report to Congress.

Additional information on IRS.gov

Get a federal tax refund faster with direct deposit

All taxpayers now eligible for Identity Protection PINs

Form W-2 and Form 1099-R (What to Do if Incorrect or Not Received)

Eligible Paycheck Protection Program expenses now deductible

IRS releases 2020 Progress Update; annual report details unprecedented year

Gig Economy Tax Center

IRS seeks applications for the Electronic Tax Administration Advisory Committee through March 1, 2021

Last-minute changes to tax laws included in IRS forms and instructions

Atlanta tax professionals plead guilty to promoting syndicated conservation easement tax scheme involving more than $1.2 billion in fraudulent charitable deductions

Brooklyn man arrested for $1.9 million Paycheck Protection Program fraud

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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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