



PREPARING FOR THE 2021 TAX FILING SEASON FAQ

1. How can I prepare to file my tax return?

- a. Organize all necessary records such as W-2s, 1099s, receipts, canceled checks, and other documents that support income, deductions, or credit(s) which will appear on your tax return. **Gathering all financial documents, particularly those relating to income, from 2020 will make it much easier to complete and file an accurate 2020 tax return and avoid a delay in receiving any refund you may be owed.**
- b. In late January or early February, you should have received one or more of the following documents, which will assist you in preparing your return **(make sure your employer, bank, and other payers have your current mailing and/or email address):**
 - i. Form W-2, Wage and Tax Statement;
 - ii. Form 1099-MISC, Miscellaneous Income;
 - iii. Form 1099-INT, Interest Income;
 - iv. Form 1099-NEC, Nonemployee Compensation
 - v. Form 1099-G, Certain Government Payments (like unemployment compensation or state tax refund);
 - vi. Form 1095-A, Health Insurance Marketplace Statements.
- c. Create and/or check your IRS online account to view important available information about your federal tax account and your most recently filed tax return: <https://www.irs.gov/individuals/secure-access-how-to-register-for-certain-online-self-help-tools>

2. How can I file my tax return?

- a. You can file your tax return by doing any of the following:
 - i. Use the **FREE fillable forms** provided by the IRS: <https://www.irs.gov/filing/free-file-do-your-federal-taxes-for-free>
 - ii. Sign up for an appointment at a Volunteer Income Tax Assistance (VITA) clinic (if you are eligible): <https://www.irs.gov/individuals/free-tax-return-preparation-for-qualifying-taxpayers>
 1. The **VITA program generally offers FREE tax help** to people who:
 - a. Make \$57,000 or less;
 - b. Persons with disabilities; and/or

c. Limited English-speaking taxpayers.

iii. Use a **FREE e-filing service through the IRS Free File** program (if you are eligible):

<https://www.irs.gov/filing/free-file-do-your-federal-taxes-for-free>

1. Taxpayers with an adjusted gross income under \$72,000 are eligible for the IRS free file program.
2. Some IRS free file partners offer online products in Spanish.
3. ***NOTE: IRS free file preparation partners may charge a fee for preparing state tax returns so read offers carefully.**

iv. Use commercial software approved by the IRS: <https://www.irs.gov/e-file-providers/efile-with-commercial-software>. **You are likely to be charged a fee for the software.**

v. Use an authorized tax professional: <https://www.irs.gov/e-file-providers/authorized-irs-e-file-provider-locator-service-for-tax-professionals>. **You are likely to be charged a fee for using a tax professional.**

3. Are unemployment benefits taxable?

- a. **YES.** While unemployment compensation is not considered “earned income,” it is taxable and must be included as gross income in your tax return.
- b. If you received unemployment compensation you should expect to receive a Form 1099-G showing your unemployment income from the year.
- c. This includes standard unemployment compensation as well as Pandemic Unemployment Assistance (PUA) and Pandemic Emergency Unemployment Compensation (PEUC) payments received in 2020.
- d. ***NOTE: It is possible to elect to have federal taxes withheld from your unemployment benefits, but many do not do so. If you did not elect to have taxes withheld, then you will be responsible for paying them when your 2020 tax return is filed.**
- e. ***NOTE: Individuals who receive a Form 1099-G for unemployment compensation they did not receive should contact their state tax agency and request a corrected Form 1099-G.**

4. How can I receive my tax refund?

- a. If you want to receive your refund faster, you can sign up for direct deposit with the IRS.
 - i. This option can be selected while using tax software or working with a tax preparer by entering your account and routing numbers.
 - ii. Refunds should only be deposited into U.S. affiliated accounts in your name or your spouse’s name.
 - iii. Refunds can be split between multiple bank accounts or can be applied to certain prepaid debit cards.
 - iv. For more information on using direct deposit visit the IRS website:
<https://www.irs.gov/newsroom/get-a-federal-tax-refund-faster-with-direct-deposit>
- b. If direct deposit is not selected you will receive your refund by paper check in the mail.
- c. Refunds will begin to be processed in mid-February, but will not be received until March if the Earned Income Tax Credit (EITC) or Additional Child Tax Credit (ACTC) is claimed.

5. Will I receive a stimulus payment in my refund?

- a. If you did not receive economic stimulus payments this year or only received partial payments, you may be eligible to claim a recovery rebate credit when you file your 2020 tax return. Tax professionals at VITA clinics, private tax professionals, IRS Free File tax preparation software, and standard tax preparation software will all assist in determining whether you are eligible and how much you can claim.
- b. You will not receive a stimulus payment as part of your refund if you already received the full amount of both Economic Impact Payments. You already received the full amount of both Economic Impact Payments if:
 - i. Your first Economic Impact Payment was \$1,200 for individuals; \$2,400 for married filing jointly for 2020, plus \$500 for each qualifying child.
 - ii. Your second Economic Impact Payment was \$600 for Individuals; \$1,200 married filing jointly for 2020, plus \$600 for each qualifying child.
- c. You will soon be able to check to see how much you received in Economic Impact Payments on your IRS online account.
- d. ***NOTE: Only individuals with social security numbers are eligible for Economic Impact Payments. They cannot be claimed by ITIN holders, though they are now available to individuals with work-authorized SSNs who live in mixed status households.**

6. Am I eligible for the Federal Earned Income Tax Credit (EITC)?

- a. The EITC can be claimed by working taxpayers with incomes below a certain threshold based on their filing status.
 - i. **Married filing jointly:**
 1. Zero children: \$21,710
 2. One child: \$47,646
 3. Two children: \$53,330
 4. Three or more children: \$56,844
 - ii. **Head of household and single:**
 1. Zero children: \$15,820
 2. One child: \$41,756
 3. Two children: \$47,440
 4. Three or more children: \$50,954
- b. The EITC can be as much as \$6,660 for a family with three or more children, and up to \$538 for taxpayers without qualifying children. The average amount of the credit received in 2019 was \$2,476.
- c. Additionally, for 2020, in the event that your earned income for 2019 was greater than your earned income for 2020, you may elect to you use your 2019 earned income to claim the EITC and Additional Child Tax Credit, as it may result in a larger credit and/or refund.
- d. Use this IRS tool to determine if you are eligible for the EITC: <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/use-the-eitc-assistant>

7. Am I eligible for the California Earned Income Tax Credit (CalEITC) and/or the California Young Child Tax Credit (YCTC)?

- a. In addition to the EITC discussed above, you may also be able to claim the CalEITC. You are eligible if:
 - i. You are at least 18 years old or have a qualifying child;
 - ii. Your income was no greater than \$30,000;
 - iii. You have a valid social security number or individual taxpayer identification number (ITIN);
 - iv. You lived in California for more than half the year; and
 - v. You do not use the married/RDP filing separate filing status.
- b. The CalEITC ranges from a maximum of \$243 for individuals with no qualifying children to \$3,027 for families with three or more children.
- c. The YCTC can be claimed by individuals who qualify for the CalEITC and have a child under the age of 6. The YCTC can be worth up to \$1,000 for every qualifying child under the age of 6.
- d. ***NOTE: Both the CalEITC and the YCTC phase out as income increases, so as your income gets closer to \$30,000 the credit decreases.**

8. Important filing season dates:

- a. **Friday, February 12th**

IRS begins 2021 tax season. Individual tax returns start being accepted, and processing begins.
- b. **Thursday, April 15th**

Due date for filing 2020 tax returns or requesting extension of time to file.
- c. **Thursday, April 15th**

Due date for paying 2020 tax owed to avoid owing interest and penalties.
- d. **Friday, October 15th**

Due date to file for those requesting an extension on their 2020 tax returns.

9. Other Important Information

- a. **Interest**
 - i. Interest received from the IRS is taxable income. If you received \$10 or more in interest with your 2019 refund payment the IRS will send you a Form 1099-INT. The interest amount must be reported in your 2020 tax return.
 - ii. Nearly 14 million taxpayers received interest payments from the IRS in August 2020, due to the pandemic delaying refunds from being paid out for the 2019 tax year. Given the unprecedented number of taxpayers who received interest payments, be sure to check your mail be sure to look for a Form 1099-INT in the mail.
- b. **Home Office Deduction**
 - i. A deduction for the business use of your home is allowed for self-employed taxpayers, independent contractors and those working in the gig economy.

- ii. However, this deduction is not allowed for individuals working from home as employees.

c. Gig-Economy Workers

- i. Gig-Economy workers (e.g. Doordash drivers, TaskRabbit service providers, Wag dog walkers, etc.) must report income earned on their tax return. Because many gig-economy workers do not have taxes withheld from their pay, they might have a larger tax bill than expected.
- ii. The IRS encourages these workers to consider making quarterly estimated tax payments to stay current with their federal tax obligations and avoid a big tax bill at the end of the year.
- iii. Filing taxes as a gig-economy worker in California now has additional complexities due to the passage of AB 5 in late 2019, which reclassified many independent contractors as employees under state law.
- iv. **If you are a gig-economy worker classified as an independent contractor for the 2020 tax year and need help determining whether you were misclassified, please contact us 323-939-0506 ext. 415.**
- v. For more information on how AB 5 affects your status as an employee or independent contractor, please refer to the FTB's FAQ on AB 5: <https://www.ftb.ca.gov/file/business/industries/worker-classification-and-ab-5-faq.html>

d. Charitable Donations

- i. Individuals who itemize their deductions can always claim a deduction for their charitable contributions.
- ii. Additionally, the CARES Act permits individuals taking the standard deduction to claim a limited charitable deduction on their 2020 federal income tax returns. A deduction of up to \$300 (\$150 for married filing separately) can be taken for cash contributions made to qualifying charities. Qualifying charities can be found here: <https://www.irs.gov/charities-non-profits/search-for-tax-exempt-organizations>

e. Disaster Relief

- i. Special tax law provisions may help taxpayers and businesses recover financially from the impact of a disaster, especially when the federal government declares their location to be a major disaster area.
- ii. This relief applies to natural disasters such as wildfires, hurricanes or flooding, but does not apply to Covid-19 related losses.
- iii. See IRS FAQ for Disaster Victims here: <https://www.irs.gov/businesses/small-businesses-self-employed/faqs-for-disaster-victims>

f. Identity Protection PINs

- i. The IRS has expanded its Identity Protection PIN Opt-In Program to all taxpayers who can verify their identity.
- ii. The PIN is a six-digit code known only to the taxpayer and the IRS that can help prevent identity thieves from filing fraudulent tax returns with the taxpayers' information.
- iii. This program is optional and the PIN must be renewed each year.
- iv. For more information on the program visit the IRS website: <https://www.irs.gov/newsroom/all-taxpayers-are-now-eligible-for-identity-protection-pins>.

10. Resources:

- a. Steps to Take to Prepare for Filing Tax Return: <https://www.irs.gov/individuals/steps-to-take-now-to-get-a-jump-on-next-years-taxes>
- b. Electronic Tax Return Filing: <https://www.irs.gov/filing/e-file-options>
- c. Track your Tax Refund: <https://www.irs.gov/newsroom/get-a-federal-tax-refund-faster-with-direct-deposit>
- d. IRS Tools and Resources Page: <https://www.irs.gov/help/telephone-assistance>
- e. IRS Free File: <https://www.irs.gov/filing/free-file-do-your-federal-taxes-for-free>
- f. EITC Assistance Tool: <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/use-the-eitc-assistant>
- g. Recovery Rebate Credit: <https://www.irs.gov/newsroom/recovery-rebate-credit>
- h. Register for Online IRS Account: <https://www.irs.gov/individuals/secure-access-how-to-register-for-certain-online-self-help-tools>
- i. EIP Eligibility and Payment Calculation: <https://www.irs.gov/newsroom/calculating-the-economic-impact-payment#:~:text=The%20child%20must%20be%20under,qualifying%20child%20for%20this%20payment.>
- j. Tax Resources for Military Members, Veterans and Families: <https://www.irs.gov/newsroom/tax-resources-for-military-members-veterans-and-their-families>

If you have more questions or need assistance, we are happy to help.

Please contact our intake line at 323-939-0506.

These materials were last updated on February 11, 2021.