

### Items of Note for 2021 Tax Returns

The 2021 tax filing season officially starts on Monday, January 24, 2022, when the IRS will begin accepting and processing 2021 tax returns. The individual tax filing deadline is currently **Monday, April 18, 2022**. In addition to 2021 tax changes that were set to occur (new standard deduction amounts, income thresholds for tax brackets, certain tax credits, and an increase in retirement savings limits), several additional changes for the 2021 tax year were brought on by coronavirus-related legislation (*see CAA & ARPA below*). If you received an Economic Impact Payment (EIP) also known as a Recovery Rebate, it will ***not*** add to your taxable income in 2021 (or any other year); however, you ***must*** provide us with the amount(s) received for proper reporting. If you received IRS Letter 6475 (Your Economic Payment), please provide this notice to us with your other tax documents.

### Summary of some pertinent scheduled changes for 2021 Individual tax returns (includes key provisions from Consolidated Appropriations Act (CAA) of 2021 and the American Rescue Plan Act (ARPA) of 2021)

- ***Required Minimum Distributions (RMD)*** – RMDs, suspended for 2020, have resumed for the 2021 tax year unless the taxpayer turned age 72 during the year, which defers the start date to April 1.
- ***Child Tax Credit (CTC)*** – For eligible taxpayers in 2021, the CTC was increased and became fully refundable. The credit was increased by \$1,600 for children under age 6 and by \$1,000 for those ages 6 to 17. The increase starts to phase out for joint filers and qualifying widow(er)s with AGI of more than \$150,000. Six advanced monthly payments of the credit started in July 2021. **IF YOU RECEIVED ADVANCE PAYMENTS, IT IS IMPORTANT THAT YOU PROVIDE US WITH EXACT AMOUNTS RECEIVED, AND/OR IRS LETTER 6419.**
- ***A third “Economic Impact” payment*** is \$600 per individual, as well as \$600 per eligible child, subject to AGI thresholds. **ALTHOUGH THESE PAYMENTS ARE NOT TAXABLE, IT IS IMPORTANT THAT YOU PROVIDE US WITH EXACT AMOUNTS RECEIVED, AND/OR IRS LETTER 6475**
- ***Unemployment benefits*** - Under the CAA, in addition to any state unemployment benefits, there was a \$300 per week benefit payable through March 14, 2021. ARP exempted from federal income tax up to \$10,200 of unemployment compensation received in **2020** by taxpayers whose AGI for **2020** is less than \$150,000. **This no longer applies for 2021.**
- ***Itemized deductions*** - For those who itemize personal deductions rather than claiming the standard deduction:
  - The 7.5% AGI floor for medical expenses set to expire at end of 2020 was made permanent.
  - Election to deduct cash contributions up to 100% of AGI was extended through 2021.



- **Energy credits** - The residential energy credit for solar and other renewal energy property was extended for two years. The nonbusiness energy credit for adding insulation, storm doors, and other similar energy-saving property to a principal residence and the 10% credit for a plug-in electric drive motorcycle, which was set to expire at the end of 2020, now applies through 2021.
- **Charitable donations above the line** - A deduction is allowed in the amount of \$300 (\$600 for married filing jointly filers) for qualified charitable donations, after AGI but before the standard deduction, for non-itemizers. The donations must be made in cash and to a public charity or foundation.
- **FSA for dependent care benefits** - For 2021, the maximum amount of tax-free employer-provided dependent care benefits increased to \$10,500, instead of the normal \$5,000, if employer adopts the change.
- **Student loan forgiveness** – An exclusion from gross income is allowed (2021-2025) for the full or partial discharge of some student loan debt. The loans eligible for this tax treatment are loans made expressly for “post-secondary educational expenses, and that were made, insured, or guaranteed by the federal government (including federal agencies), State governments, colleges and universities, and private education loan lenders.
- **Excess Business Losses** – Noncorporate taxpayers can deduct a net trade or business loss up to a maximum of \$262,000 (\$524,000 for joint returns) in 2021. Any excess loss becomes an NOL and is carried forward to future tax years.

