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## Frequently Asked Questions 2020 Tax Filing Season

### Stimulus (Economic Impact) Payments - 2020

- **When were the stimulus payments made and how much were they?**

The first stimulus, or economic impact payment, was released in the early Spring of 2020. Many individuals and families received the payments in April and May. Primary taxpayers (and eligible spouses) qualified for \$1,200. Parents received an additional \$500 for any eligible dependent under the age of 17.

The second stimulus payment was passed into law in December 2020 yet many individuals and families did not receive this the payments until January 2021. Primary taxpayers (and eligible spouses) qualified for up to \$600 and received an additional \$500 for any dependent under the age of 17.

- **Who was qualified to receive the first and second stimulus payments?**

For both the first and second payments, the eligibility was the same. You had to be a U.S. citizens/resident, you were not claimed as a dependent on someone else's tax return, have a valid Social Security Number (SSN) for employment, and meet the income eligibility.

Depending upon filing status, payment should have been issued to those with an adjusted gross income (AGI) not exceeding:

- \$150,000 if married and filing a joint return or filing as a qualifying widow or widower,
- \$112,500 if filing as head of household, or
- \$75,000 for eligible individuals filing as a single or as married filing separately.

The IRS used information based on your 2018 or 2019 tax return to determine stimulus (economic impact payments).

- **If didn't receive my stimulus payment(s), or I don't believe I received the full amount that I qualified for, how can I get those payments?**

In most cases, if you did not receive the payment(s) and **are eligible** for the payment(s), you will be able to receive payment(s) by claiming the Recovery Rebate Credit on your 2020 taxes. It's important to note that instead of using information from your past returns to determine eligibility and credit amount, the IRS will look at the information provided on your 2020 return.

For young adults under the age of 24, if you were claimed as a dependent or could have been claimed as a dependent on someone else's 2020 tax return, then you are still not eligible for the stimulus payments, even if you file as a single. You would need to need to meet all the requirements for filing as a non-dependent in 2020 to qualify. If you are unsure, see the next question for more details.

## **Stimulus (Economic Impact) Payments – Continued**

- **I was claimed on my parent’s return in 2019 but didn’t get my stimulus because of my age. I plan to file on my own in 2020. Will I get the payments on my 2020 return?**

Depends. If you were claimed as a dependent in 2019 and **MAY** be claimed as a dependent in 2020, then No. If you can NOT be claimed as a dependent in 2020, then yes.

If you are the child or sibling of the primary taxpayer, you may be claimed as a dependent if the following are true:

- As of 12/31/2020, you are under age 19 OR under age 24 and a full-time student OR any age if permanently and totally disabled.
- You lived in the taxpayer’s household for more than half a year.
- You did not provide more than half of your own support for 2020. (This includes all the following: food, housing, clothing, education, medical care, recreational activities, transportation and other similar necessities. See the IRS [worksheet for determining support](#) for help in determining this requirement.)

If you are a qualifying relative of the primary taxpayer, you may be claimed as a dependent if the following are true:

- Your gross income was less than \$4,300.
- You lived in the taxpayer’s household all year (with some specific exceptions).
- The primary taxpayer provided more than half of your total support for the year. (See the IRS [worksheet for determining support](#) for help in determining this requirement.)

- **Are the stimulus payments taxable income?**

No, the payment is not income. You will not owe taxes on it and it does not count as income for the purpose of determining your eligibility for federal government assistance /benefit programs.

- **How do I know if I received my payments?**

You can use IRS’s *Get My Payment* to check the status of your payments after verifying their identity by answering the required security questions. If you need to know the amount, you’ll need to create an account through the IRS.

## **Additional Tax Changes Passed under the CARES Act**

- **I donated to charities in 2020 but don’t itemize deductions on my Federal Return. Can I still deduct my charitable gifts?**

Yes, under the CARES Act, *any* taxpayer to deduct up to \$300 for cash contributions given to charities in 2020, given outside those provided through payroll deductions.

- **Because of financial hardship due to COVID-19 in 2020, I withdrew from a retirement account. Will I be charged an early withdraw penalty?**

No. CARES Act also had a provision that allowed taxpayers to take penalty-free withdrawals from IRA or employer sponsored retirement plan (ex. 401(k)) up to \$100,000 without facing the usual early withdrawal fees for those under the age of 59 ½ years old.

## **Additional Tax Changes Passed under the CARES Act – Continued**

- **I usually qualify for the Earned Income Tax Credit, but I lost my job in 2020 and did not have enough earned income to qualify. Is there any way to claim the Earned Income Tax Credit (EITC)?**

Yes, the new Earned Income Look Back feature, passed under the CARES Act, allows people who had been financially impacted by COVID-19 to look back to their 2019 earned income to assess their eligibility for credits such as the Earned Income Tax Credit and Additional Child Tax Credit on their 2020 tax return.

In most tax software programs, the option to use your 2019 earned income is provided under the Basic Information section. You will have to manually enter your 2019 earned income total. (Note: Earned income is not the same as Adjusted Gross Income. Earned income is a combination of income earned - such as salary, tips, employer-based disability, self-employment income, military pay, and union strike benefits)

If you used your 2019 earned income on your tax return, your final 1040 will state “COVID-19” at the top and, at the bottom, there is an abbreviated note for 2019 E/I.

## **American Rescue Plan – Passed in 2021**

*Unemployment Benefits: The American Rescue Plan excludes the \$10,200 of unemployment benefits from being taxed for taxpayers if their modified adjusted gross income (AGI) is less than \$150,000.*

- **I had unemployment income on my 2020 return and already filed my Federal return before the American Rescue Plan – do I need to file an amended return?**  
Depends. In most cases, taxpayers will not need to file an amended return. The IRS will automatically adjust your return on your behalf and plans to begin to assess and send refunds based on these changes beginning in May.

In limited cases this change may now qualify you for new credits. For example, if you did not qualify for and claim the EITC on your 2020 return but now due to a reduction in your taxable income by excluding unemployment benefits you would qualify for EITC – you will need to file an amended return to claim that credit.

- **I have unemployment and have not yet filed my 2020 return – will tax software automatically help me make the appropriate exclusion of unemployment benefits in my taxable income?**  
In most cases – yes. The IRS provided specific guidance and instructions to tax software vendors in late March to adjust their software systems to conform to this change. We would encourage you to closely review the Unemployment Compensation Exclusion Worksheet that should be generated with your return to ensure that the software is making the correct calculations.

## Frequently Asked Questions - 2020 Tax Filing Season

### American Rescue Plan – Passed in 2021

#### Unemployment Benefits – Continued

- **How will my state tax my unemployment benefits? Will I need to file an amended State return?**

States have separate taxation laws. In many cases, States choose to conform (or match) Federal rules. Because the American Rescue Plan was passed in the middle of a tax filing season, States are managing the change differently.

Ohio: Ohio has recently signed a bill into law that conforms with excluding the first \$10,200 of unemployment benefits from being taxable income. The Ohio Department of Taxation has provided specific guidance regarding when a taxpayer may need to file an amended return (and instructions for documents to include) on their website. All taxpayers who previously filed their federal and Ohio returns prior to the American Rescue Plan and are waiting for the IRS to make an adjustment to their unemployment benefits do not need to take any action at this time. We will continue to update this answer as new information is provided.

Kentucky: Kentucky considers all unemployment benefits as taxable income. In most cases, tax software should automatically re-include unemployment income considered nontaxable on your Federal return back onto your Kentucky return as additional income (using Schedule M, Line 5 “Other Income”)

Indiana: As of April 6, Indiana is still assessing whether to conform to the Federal rules. We will continue to update this as new information is provided. Based on information posted on March 17<sup>th</sup> on Indiana’s Department of Revenue website, we recommend:

- If you have already filed, continue to **wait** before taking any action pending the outcome of the legislative session (est. closing date of April 29) to see what the Indiana General Assembly does regarding conforming with the changes in the American Rescue Plan.
- If you have not yet filed, we would also encourage you to **wait** before taking any action pending the outcome of the legislative session to see what the Indiana General Assembly does regarding conforming with the changes in the Rescue Plan. (Reminder: The filing date has been extended to May 17, 2021.)

*Healthcare through the Marketplace: The American Rescue Plan eliminates the recapture provisions applicable to 2020 for taxpayers receiving excess premium tax credits.*

- **I’ve already filed my 2020 Federal return and reported an excess advance premium tax credit repayment. What should I do?**

Unfortunately, IRS guidance has not yet been issued to understand how this impacts 2020 tax returns expect to provide guidance that amended returns for this tax situation alone should NOT file an amended return only to receive a refund against this repayment. We will continue to update this answer as new information is provided.

#### *Third Stimulus Payments under the American Rescue Plan*

- **I’ve heard that I should expect a third stimulus payment. Do I qualify?**

To qualify for the payment, you must have an adjusted gross income (AGI) of no more than \$75,000 for an individual; \$150,000 if filing a joint return or as a surviving spouse; or \$112,500 if filing as Head of Household.

## **American Rescue Plan – Passed in 2021**

### *Third Stimulus Payments under the American Rescue Plan*

- **Based on my income, I will qualify for the third stimulus payment, how much will I receive?**

The third stimulus payment will be up to \$1,400 for individuals who earn as much as \$75,000, couples making \$150,000, plus their children or adult dependents, or single parents with at least one dependent who earn \$112,500 or less. The stimulus payment phases out if your income is above these amounts but within the limits to qualify.

Stimulus payments are currently being released and individuals can look up the status of their payment here: <https://www.irs.gov/coronavirus/get-my-payment>

*Prepayment of increased Child Tax Credits: The American Rescue Plan makes the Child Tax Credit fully refundable for 2021. It also makes 17-year-olds eligible as qualifying children and increases the amount of the credit to \$3,000 per child (\$3,600 for children under 6). The increased credit amount phases out for taxpayers with incomes over \$150,000 for married taxpayers filing jointly, \$112,500 for heads of household, and \$75,000 for others.*

- **I've heard about monthly payments because I have dependents. When can I expect to receive these?**

The American Rescue Plan included language that turns the Child Tax Credit into advance payments, instead of providing the tax credit as a lump sum upon filing a 2021 return. There have been no specific timelines on when the payments will begin – it was estimated that they may arrive as soon as July (per the legislative text). We will continue to update this as new information is provided.

