



EITC TAX CREDIT WORKSHOP: WHAT'S NEW IN 2022 AN OVERVIEW

Nancy Ryan | *Legal Services of Northern Virginia*
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FREE Tax Return Preparation Assistance IS BACK!

- IRS Free File Program: <https://www.irs.gov/filing/free-file-do-your-federal-taxes-for-free>
- Volunteer Income Tax Assistance:
 - <https://irs.treasury.gov/freetaxprep/>
 - <https://www.fairfaxcounty.gov/familyservices/employment-and-training/volunteer-income-tax-assistance>
 - <http://nvacash.org/vita/>
- AARP Tax-Aide
 - https://www.aarp.org/money/taxes/aarp_taxaide/locations.html

ALEXANDRIA

- CTA at Alexandria DCHS
2525 Mount Vernon Avenue
Alexandria, VA 22301
703-831-2918
Volunteer Prepared Taxes
05 FEB 2022 - 23 APR 2022
- Appointment Required
- Spanish, English, Russian, Vietnamese, Arabic,
Korean, Mandarin, French

ARLINGTON

- Enterprise Development Group (EDG)
901 South Highland Street
Volunteer Prepared and Self-Prep
Arlington, VA 22204
571-321-6976
Volunteer Prepared Tax
- **01 FEB 2022 - 18 APR 2022**
- Appointment Required
- English

TAX PREPARERS TO AVOID

- Promises “the biggest refund.”
- Gets paid a percentage of your refund instead of flat fee.
- Does not have a PTIN (Preparer Tax ID number). You can check here:
<https://irs.treasury.gov/rpo/rpo.jsf>
- Does not list his/her information on your return. (It shows as “self-prepared.”)
- Has your refund deposited to his/her account instead of directly to yours.
- Does not show you the tax return before filing.
- Does not explain tax return to you.
- Does not give you a copy of your tax return.

Child Tax Credit and Advance Child Tax Credit

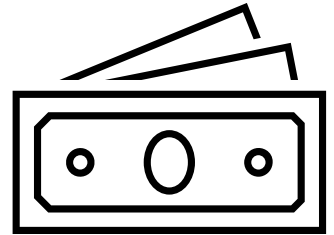
- American Rescue Plan explained CTC for 2021 and required IRS to issue advance payments totaling 50% of credit from July – December 2021.
- Goal – reduce child poverty. (2020 stimulus payments estimated to have reduced child poverty by 40%)
- Changes only apply to tax year 2021; expansion is part of Build Back Better (not passed.....yet?)

Who Qualifies as “Dependent” for CTC?

- A child qualifies as your dependent if they:
 - are **17 or younger** on December 31, 2021 (extra year of eligibility added).
 - are your legal child, stepchild, eligible foster child, sibling, step-sibling, half-sibling, or a descendant of the above.
 - provide for less than half of their own support costs.
 - live with you for at least half of the year
 - are a US citizen with a Social Security Number.

2021 Child Tax Credit Expansion

- Previously, the CTC was \$2,000 per dependent child.
- For 2021, the total amount has been increased to:
 - \$3,600 per child aged 5 and under
 - \$3,000 per child aged 6 through 17
- There *is no income requirement*.
 - Even those not usually required to file a return are eligible.
- All US residents with eligible dependent children qualify.
- Credit is **fully refundable**-rather than just lowering tax owed, can result in a refund.



Monthly Installments

- The advance was paid in monthly installments, from July 2021 through December 2021.
- Those who filed 2020 taxes should have received:
- Six \$300 monthly payments for each child aged 0-5 (total \$1,800)
- Six \$250 monthly payments for each child aged 6-17 (total \$1,500)
- If payment did not start in July, future payments were increased so that full advance payment is received by December 31, 2021.

To Get the Child Tax Credit:

- IT IS NOT TOO LATE TO GET THE **FULL** CHILD TAX CREDIT.
- To get the Child Tax Credit, you must file a 2021 tax return, **even if you did not have any income.**
- **As long as a child was your dependent for 2021, you get the credit, even if the child was not your dependent for 2020.**
- File the return ELECTRONICALLY, with Direct Deposit to a bank account with your name on it OR an EBT Card. (Call the 800 number on the back of your EBT Card to get the routing number and account number.)
- Child must have valid social security number; parent can request CTC with ITIN

Shared Custody—Who Gets the Child Tax Credit?

- General Rule: Parent with custody OR parent with whom child lives > 50% of child's time.
- IRS issued the monthly payments based upon the PRIOR year's tax return (2020/2019).
- Monthly payments issued in during 2021 are part of the 2021 tax year.
- Advance credits get reconciled on 2021 return so that parent who claims child gets FULL \$3000/3600 credit.
- If other parent got the advance payments—they may have to pay the money back to IRS.
- If noneligible parent got the monthly payments, eligible parent still gets the FULL CREDIT when they file their taxes.

Earned Income Tax Credit

- Income cut-off: \$21,430 – single; \$27,380 MFJ
- Former foster children and homeless youth-eligibility lowered to 18; no longer need to be enrolled in school.
- Students attending school at least part time are eligible at age 24.
- Workers aged 65 and older are eligible in 2021.
- ***Can use 2019 AGI if higher than 2021*** (but not 2020).
- Taxpayer and all dependent children must have SS#s.

Earned Income Tax Credit Increased Amounts

- No children - Up to \$1,502,
- Family with one qualifying child – Up to \$3,618.
- Family with two qualifying children – Up to \$5,980.
- Family with three or more qualifying children – Up to \$6,728
- Do I qualify: Check EITC Assistant

<https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/use-the-eitc-assistant>

First/Second Round of Economic Impact Payments

- First and Second stimulus payments from 2020 **CANNOT** be claimed as a Rebate Recover Credit on 2021 return.
- They must/can still be claimed as a credit on a **2020** return.
 - Not too late to file an original 2020 to claim a refund.
(Refund claims must be made within three years of filing deadline, i.e. May 17, 2024.)
 - If you filed a 2020 return but forgot to claim the RRC, can claim it by filing an amended 2020 return.

Third Round of Economic Impact Payments

- The third economic impact payment of \$1400 per person (taxpayer and each dependent) was issued between March-May 2021.
- Expanded category of dependent--included non-child dependents (e.g. college students; disabled adult dependents).
- Taxpayers who did not receive correct amount can claim the \$1400 stimulus payments as a Rebate Recovery Credit (RRC) on the 2021 return.

Important IRS Information

- Letter 6419 – Tells you the Total Advance Child Tax Credit you received during 2021 OR
- Check your ONLINE ACCOUNT for 2021 payments

<https://www.irs.gov/credits-deductions/advance-child-tax-credit-payments-in-2021>

- Letter 6475 – Tells you how much you received from the American Rescue Plan Economic Impact Payment (the 3rd stimulus payment).
- Information from these letters must be included on your 2021 tax return and reconciled with the payments you have received. If your return does not match, **this will delay processing of your return. DO NOT GUESS.**

Claiming the Child and Dependent Care Credit

- This credit is now REFUNDABLE (if you lived in U.S. for more than half of 2021).
- For two or more children, can take FULL credit even if all child care is spent on one child.
- Eligible child must be under age 13 (unless disabled).
- Cannot claim for private kindergarten or overnight camp.
- Cannot claim for amounts paid to dependents or other household members for providing child care.

Emergency Assistance

- Rental and utility payments are NOT INCOME to taxpayers who received the assistance.
- These payments are NOT to be counted in determining eligibility for other benefits (e.g. SNAP, TANF, Medicaid). This is also true of Child Tax Credit and Stimulus/EIP payments.
- These payments ARE income to the landlords or utility companies.
- Unemployment income – fully taxable for 2021.

Charitable contributions

- Can deduct up to \$300 of contributions to qualified organizations **per taxpayer**. (2020 only allowed \$300 per tax return.)
- Married filing Joint - \$600
- Only cash contributions.
- Can only be used with the standard deduction.
- This is only for tax year 2021.

Self Employment

- Taxpayers who deferred the employer portion of the Social Security tax on income made from 3/27/2020 should have paid 50% of the deferred amount by 12/31/2021.
- The remaining deferred amount is due by December 31st, 2022.
- This is not accounted for in any way on the 2021 tax return.
- If you missed the 12/31/2021 payment, IRS will bill you, adding on interest and failure to deposit penalties.
- Nothing to report on 2021 tax return.

Sick and Family Leave Credits – 2 Rounds

- For self-employed.
- First Round: 4/1/2020 – 3/31/2021
 - 10 days sick leave or max \$5,110; family leave 50 days or max \$10,000
- Second Round: 4/1/2021 – 9/30/2021
 - 10 days sick leave or max \$5,110; family leave **60** days or max \$12,000
- Eligible for the Sick Leave credit if:
 - Not able to work due to Covid, have to quarantine
 - Not able to work if have to care for someone who has Covid, has to quarantine, or child's school is closed due or no child care provider to Covid
- Eligible for Family Leave Credit
 - Not able to work due to having to care for a child whose school has closed due to Covid, or there is not day care provider due to Covid

Sick and Family Leave con't

- Can elect to use “prior taxable year” net earnings from self-employment shown on 2020 OR 2019 return.
- 2021 Form 7202 has 4 parts to cover both rounds for both credits. ***This is complicated—do not try this at home! Go to VITA or AARP Tax-Aide.***
- Cannot claim same days for both credits
- Credit is reduced for employer-paid leave wages.
 - Certain federal government employees are excluded

Retirement Distributions

- Covid-related withdrawal from retirement accounts in 2020: need to replace funds or pay deferred amounts of tax. (Form 8915-F)
- Required Minimum Distributions from Retirement funds were suspended in 2020; resume in 2021 – taxpayers born July 1, 1949 through December 31, 1949 will turn 72 in 2021 and must take RMD by April 1, 2022.

TAX TROUBLESHOOTING – Barriers to filing

FEAR!!! 1. IRS is going to report me if I'm undocumented.

- NO! The Internal Revenue Service (IRS) is governed by confidentiality laws in the Internal Revenue Code that prohibits them from sharing taxpayer information with others, including other federal agencies.
- The IRS will not share information with other agencies, including U.S. Immigration and Customs Enforcement (ICE), except in cases of criminal fraud or investigation of terrorism.
- The IRS is generally not allowed to share information from a tax return.

Barrier

- Lack of Work Documentation – CASH only labor
- “Employers” often send 1099-NEC to IRS but do NOT provide to worker-big trouble down the road. Taxpayers can get the information on what employers have reported to IRS at irs.gov:

<https://www.irs.gov/individuals/get-transcript> Request “Wage & Income transcript.”

- Misconception that cash does not need to be reported to IRS – it DOES, and reporting INCOME makes you eligible for EITC.
- Recommend – USE A BANK ACCOUNT OR EBT CASH CARD to create your own record.

Misconception

- Once you miss the tax filing deadline, it is too late—you cannot file or get any benefits.
- **WRONG.** You have **THREE (3) YEARS** from the tax filing deadline to claim a refund or credit. (Interest and penalties are only applied when taxpayer owes a balance.)
- AARP Tax-Aide **WILL** help you get caught up.
- Good idea to get Wage & Income transcripts in advance.
- Can file 2020 and 2021 now and get **ALL** stimulus payments, child tax credits, self-employed sick leave benefits, etc.

NEED FOR TAX ID

- Taxpayer needs tax ID to file a tax return.
- ITIN applications require taxpayer to submit ORIGINAL DOCUMENTS to IRS or agent.
- IRS backlog in processing mail is horrific—DO NOT MAIL ITIN APPLICATIONS!
- Take prepared tax return and ITIN Form W-7 w/ original documents to a CERTIFIED ACCEPTANCE AGENT:

<https://www.irs.gov/individuals/international-taxpayers/acceptance-agents-virginia>

HOW YOU CAN HELP

- Document acquisition and organization.
- Make copies of social security cards & photo IDs.
- Assist in filling out and printing VITA and AARP Tax-Aide Forms.
- IRS forms are generally available in English and Spanish. Language interpreters can help non-English speakers/readers fill out forms.
- Make online appointments with VITA/AARP Tax-Aide.

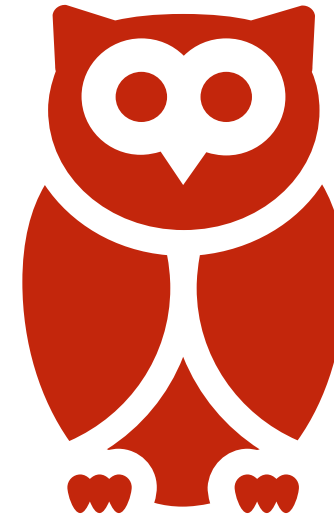
QUESTIONS????

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