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The slide has a light blue background. At the top left is the 'IRONBRIDGE RESOURCES' logo, and at the top center is the 'NCASFAA' logo. The word 'Disclaimer' is in a large blue font. Below it is a bulleted list of three items. The third item is enclosed in a red rectangular box. On the right side, there is a small vertical text: '© 2021 Iron Bridge Resources, LLC. All Rights Reserved.'

- This PowerPoint slide deck is part of a presentation and is not designed to be used as a stand-alone study document
- This information is provided to financial aid officers and other individuals who process, review, or explain financial aid applications
 - **Nothing in this presentation should be used in the preparation of the participant's, or anyone else's, income tax returns**
- **The base year for academic year 2021-2022 is tax year 2019**
 - This presentation and document cover the 2020 tax forms and tax year
 - Financial aid officers who use the 2020 tax forms as documentation of changes in income for their professional judgments must do so on a case-by-case basis and must use the regulations and formula in place for the 2021-2022 academic year

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Agenda



- Introduction to the 2020 Form 1040 and Schedules 1, 2, and 3
- When do you need a 2020 Schedule 1, 2, or 3?
- The new above-the-line charity deduction
- The Recovery Rebate Credit
- Then new Form 1099-NEC and changes to Form 1099-MISC
- Coronavirus Related Distributions (CRDs) from IRAs and pensions
- Paycheck Protection Program (PPP) loans
- CARES Act Emergency Grants
- 2021 Preview – what do we already know?

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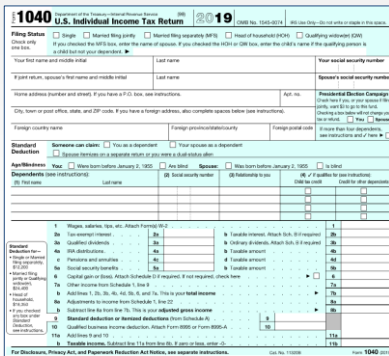
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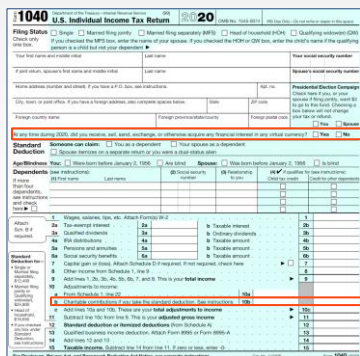
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Comparing 2019 and 2020

2019 Form 1040 Page 1





2020 Form 1040 Page 1



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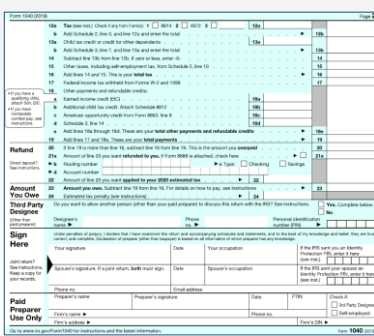
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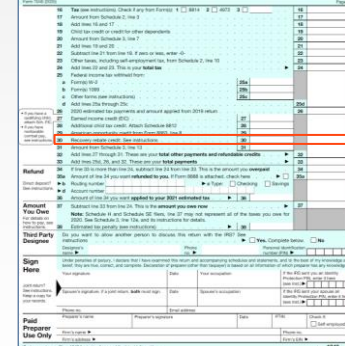
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Comparing 2019 and 2020

2019 Form 1040 Page 2



2020 Form 1040 Page 2



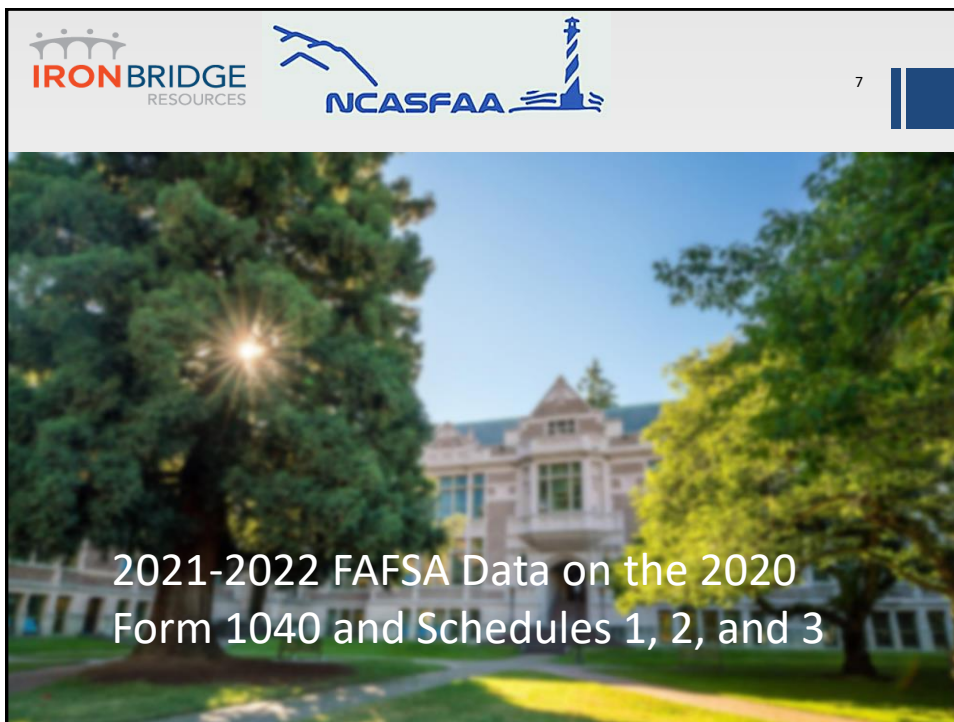
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2020 Form 1040 Page 1 – Bottom

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A Adjusted Gross Income (AGI) = **Form 1040, line 11**

B Tax Exempt Interest Income = **Form 1040, line 2a**

C Untaxed Portions of IRA Distributions and Pensions = **Form 1040, (line 4a plus line 5a) minus (line 4b plus line 5b)**

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2020 Form 1040 – Page 2

Form 1040 (2020) Page 2

16 Tax (see instructions). Check if any from Form(s): 1 ☐ 8814 2 ☐ 4972 3 ☐ 16

17 Amount from Schedule 2, line 3 17

18 Add lines 16 and 17 18

19 Child tax credit or credit for other dependents 19

20 Amount from Schedule 3, line 7 20

21 Add lines 19 and 20 21

22 Subtract line 21 from line 18. If zero or less, enter -0- 22 **D¹**

23 Other taxes, including self-employment tax, from Schedule 2, line 10 23

24 Add lines 22 and 23. This is your **total tax** 24

25 Federal income tax withheld from:

a Form(s) W-2 25a

b Form(s) 1099 25b

c Other forms (see instructions) 25c

d Add lines 25a through 25c 25d

26 2020 estimated tax payments and amount applied from 2019 return 26

27 Earned income credit (EIC) 27

28 Additional child tax credit. Attach Schedule 8812 28

29 American opportunity credit from Form 8863, line 8 29

30 Recovery rebate credit. See instructions 30

31 Amount from Schedule 3, line 13 31

32 Add lines 27 through 31. These are your **total other payments and refundable credits** 32

33 Add lines 25d, 26, and 32. These are your **total payments** 33

If you have a qualifying child, attach 5013, EIC. If you have nonrefundable combat pay, see instructions.

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D¹ Income Tax for 2020 = Form 1040, line 22 minus Schedule 2, line 2

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Schedule 1 – Bottom

Part II Adjustments to Income

10 Educator expenses 10

11 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 11

12 Health savings account deduction. Attach Form 8889 12

13 Moving expenses for members of the Armed Forces. Attach Form 3903 13

14 Deductible part of self-employment tax. Attach Schedule SE 14

15 Self-employed SEP, SIMPLE, and qualified plans 15 **E¹**

16 Self-employed health insurance deduction 16

17 Penalty on early withdrawal of savings 17

18a Alimony paid 18a

b Recipient's SSN 18b

c Date of original divorce or separation agreement (see instructions) 18c

19 IRA deduction 19 **E²**

20 Student loan interest deduction 20

21 Tuition and fees deduction. Attach Form 8917 21

22 Add lines 10 through 21. These are your **adjustments to income**. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 10a 22 **E**

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71479F Schedule 1 (Form 1040) 2020

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E IRA deductions and payments to self-employed plans =
Schedule 1, line 15 plus Schedule 1, line 19

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Schedule 2

SCHEDULE 2
(Form 1040)
Department of the Treasury
Internal Revenue Service

Additional Taxes
 ▶ Attach to Form 1040, 1040-SR, or 1040-NR.
 ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074
2020
 Attachment
 Sequence No. **02**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR
 Your social security number

Part I Tax

1 Alternative minimum tax. Attach Form 6251	1	
2 Excess advance premium tax credit repayment. Attach Form 8962	2	
3 Add lines 1 and 2. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 17	3	

Part II Other Taxes

4 Self-employment tax. Attach Schedule SE	4	
5 Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	5	
6 Additional tax on IRAs, other qualified plans, and annuities. Attach Form 5329 if required		
7a Household employment taxes. Attach Form 941		
b Repayment of first-time homebuyer credit from Form 8885. Attach Form 8885 if required	7b	
8 Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s)	8	
9 Section 965 net tax liability installment from Form 965-A	9	
10 Add lines 4 through 8. These are your total other taxes . Enter here and on Form 1040 or 1040-SR, line 23, or Form 1040-NR, line 23b	10	



For Paperwork Reduction Act Notice, see your tax return instructions.
 Cat. No. 71478U Schedule 2 (Form 1040) 2020

D²

D² Income Tax for 2020 =
 Form 1040, line 22 minus Schedule 2, line 2

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Schedule 3

SCHEDULE 3
(Form 1040)
Department of the Treasury
Internal Revenue Service

Additional Credits and Payments
 ▶ Attach to Form 1040, 1040-SR, or 1040-NR.
 ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074
2020
 Attachment
 Sequence No. **03**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR
 Your social security number

Part I Nonrefundable Credits

1 Foreign tax credit. Attach Form 1116 if required	1	
2 Credit for child and dependent care expenses. Attach Form 2441	2	
3 Education credits from Form 8863, line 19	3	
4 Retirement savings contributions credit. Attach Form 8880	4	
5 Residential energy credits. Attach Form 5695	5	
6 Other credits from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	6	
7 Add lines 1 through 6. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 20	7	

Part II Other Payments and Refundable Credits

8 Net premium tax credit. Attach Form 8962	8	
9 Amount paid with request for extension to file (see instructions)	9	
10 Excess social security and tier 1 RRTA tax withheld	10	

F

F Education Credits = Schedule 3, line 3

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Income Earned from Work

Questions 86 and 87 ask about earnings (wages, salaries, tips, etc.) in 2019. Answer the questions whether or not a tax return was filed. This information may be on the W-2 forms or on the tax return selected in question 80. **IRS Form 1040—line 1 + Schedule 1—lines 3 + 6 + Schedule K-1 (IRS Form 1065)—Box 14 (Code A)** If any individual earning item is negative, do not include that item in your calculation. Report the information for the parent listed in questions 60-63 in question 86 and the information for the parent listed in questions 64-67 in question 87.

IRS Form 1040—line 1 + Schedule 1—lines 3 + 6 + Schedule K-1 (IRS Form 1065)—Box 14 (Code A)

Form 1040, line 1

1	Wages, salaries, tips, etc. Attach Form(s) W-2	1
---	--	---

Schedule 1, line 3 and line 6

Schedule K-1 (Form 1065) income is reported on Schedule 1, line 5

Part I Additional Income		
1	Taxable refunds, credits, or offsets of state and local income taxes	1
2a	Alimony received	2a
b	Date of original divorce or separation agreement (see instructions) ▶	
3	Business income or (loss). Attach Schedule C	3
4	Other gains or (losses). Attach Form 4797	4
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5
6	Farm income or (loss). Attach Schedule F	6

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Schedule 1 – Health Savings Account

Part II Adjustments to Income		
10	Educator expenses	10
11	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	11
12	Health savings account deduction. Attach Form 8889	12
13	Moving expenses for members of the Armed Forces. Attach Form 3903	13
14	Deductible part of self-employment tax. Attach Schedule SE	14
15	Self-employed SEP, SIMPLE, and qualified plans	15
16	Self-employment taxes. 2019 Untaxed Income (Enter the amounts for your parent(s)).	16
17	Penalty on other untaxed income not reported in items 92a through 92g, such as workers' compensation, disability benefits, untaxed foreign income, etc. Also include the untaxed portions of health savings accounts from IRS Form 1040 Schedule 1—line 12. Don't include extended foster care benefits, student aid, earned income credit, additional child tax credit, welfare payments, untaxed Social Security benefits, Supplemental Security Income, Workforce Innovation and Opportunity Act educational benefits, on-base military housing or a military housing allowance, combat pay, benefits from flexible spending arrangements (e.g., cafeteria plans), foreign income exclusion or credit for federal tax on special fuels.	
18a	Alimony received	
b	Recipient	
c	Date of original divorce or separation agreement (see instructions) ▶	
19	IRA deduction	19
20	Student loan interest deduction	20
21	Tuition and fees deduction. Attach Form 8917	21
22	Add lines 10 through 21. These are your adjustments to income . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 10a	22

- Health Savings Account Deduction = **Schedule 1, line 12** and should be compared to the ISIR answers for Q44h and Q92h (2021-2022)

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Slide 16 displays a Form 1040 (2020) with annotations. The title "Form 1040 Page 1 – Schedule 1" is at the top. The form shows various income and deduction lines. A blue arrow points from a box labeled "Filed a Schedule 1" to line 8, "Other income from Schedule 1, line 9". Another red arrow points from a box labeled "May have an IRA deduction" to line 10a, "Charitable contributions if you take the standard deduction". The form includes standard instructions for lines 1 through 15.

- Form 1040, lines 8 or 10a indicates that the taxpayer files a Schedule 1
- Form 1040, line 10a indicates that the taxpayer had adjustments to income and therefore *may have had* an IRA or pension contribution

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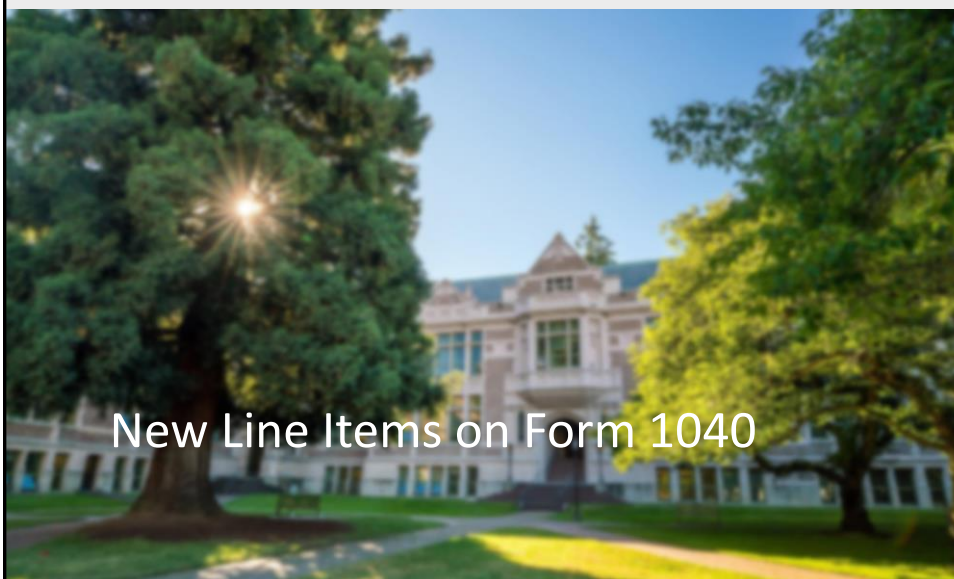
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Form 1040 Page 2 – Schedules 2 and 3

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- Form 1040, line 17 – Get Schedule 2
- Form 1040, line 20 – Get Schedule 3
- Form 1040, line 23 – There is a Schedule 2 you may not need
- Form 1040, line 31 – There is a Schedule 3 you may not need

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New Line Items on Form 1040

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Virtual Currency Question Moved

Form 1040 Department of the Treasury—Internal Revenue Service (99) **2020** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing Status ☐ Single ☐ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)
 Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial _____ Last name _____ Your social security number _____
 If joint return, spouse's first name and middle initial _____ Last name _____ Spouse's social security number _____

Home address (number and street). If you have a P.O. box, see instructions. _____ Apt. no. _____
 City, town, or post office. If you have a foreign address, also complete spaces below. _____ State _____ ZIP code _____
 Foreign country name _____ Foreign province/state/county _____ Foreign postal code _____

Presidential Election Campaign
 Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.
☐ You ☐ Spouse

At any time during 2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency? ☐ Yes ☐ No

Standard Deduction **Someone can claim:** ☐ You as a dependent ☐ Your spouse as a dependent ☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness You: ☐ Were born before January 2, 1956 ☐ Are blind Spouse: ☐ Was born before January 2, 1956 ☐ Is blind

Dependents (see instructions):

If more than four dependents, see instructions and check here ▶ <input type="checkbox"/>	(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) <input checked="" type="checkbox"/> if qualifies for (see instructions): Child tax credit	Credit for other dependents
					<input type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>

Moved from Schedule 1

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The New Charity Deduction Option

Attach Sch. B if required.	1 Wages, salaries, tips, etc. Attach Form(s) W-2.	2a Tax-exempt interest	3a Qualified dividends	4a IRA distributions	5a Pensions and annuities	6a Social security benefits	7 Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ <input type="checkbox"/>	8 Other income from Schedule 1, line 9	9 Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	10 Adjustments to income:	10a From Schedule 1, line 22	10b Charitable contributions if you take the standard deduction. See instructions.	10c Add lines 10a and 10b. These are your total adjustments to income	11 Subtract line 10c from line 9. This is your adjusted gross income	12 Standard deduction or itemized deductions (from Schedule A)	13 Qualified business income deduction. Attach Form 8995 or Form 8995-A	14 Add lines 12 and 13	15 Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-
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- Only available to taxpayers using the standard deduction
- Up to \$300 per tax return (\$150 for married filing separately)*
- Reduces the AGI
 - In 2019, charitable contributions *did not* reduce AGI

*Starting in 2021, the limit will be \$300 per taxpayer instead of per return

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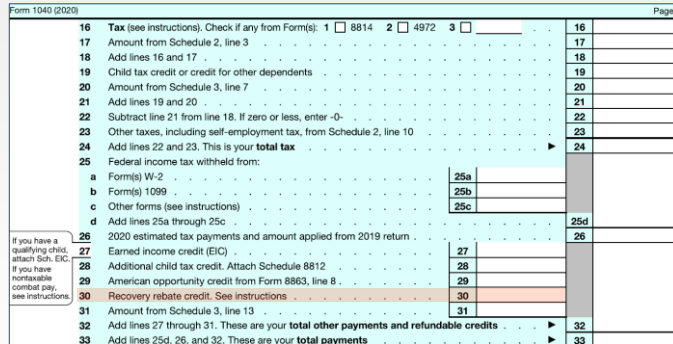
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The Recovery Rebate Credit



Form 1040 (2020) Page 2

16 Tax (see instructions). Check if any from Form(s): 1 ☐ 8814 2 ☐ 4972 3 ☐

17 Amount from Schedule 2, line 3

18 Add lines 16 and 17

19 Child tax credit or credit for other dependents

20 Amount from Schedule 3, line 7

21 Add lines 19 and 20

22 Subtract line 21 from line 18. If zero or less, enter -0-

23 Other taxes, including self-employment tax, from Schedule 2, line 10

24 Add lines 22 and 23. This is your **total tax**

25 Federal income tax withheld from:

a Form(s) W-2 25a

b Form(s) 1099 25b

c Other forms (see instructions) 25c

d Add lines 25a through 25c 25d

26 2020 estimated tax payments and amount applied from 2019 return

27 Earned income credit (EIC)

28 Additional child tax credit. Attach Schedule 8812

29 American opportunity credit from Form 8863, line 8

30 **Recovery rebate credit. See instructions**

31 Amount from Schedule 3, line 13

32 Add lines 27 through 31. These are your **total other payments and refundable credits**

33 Add lines 25d, 26, and 32. These are your **total payments**

- Reconciliation of the stimulus payments paid in 2020 to 2018 and 2019 non-tax filers and taxpayers based on their 2019 or 2018 tax forms

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2020 Stimulus Payments

First Economic Impact Payment

- \$1,200 per taxpayer
- \$500 per dependent under the age of 17
- Was **not available** to non-military taxpayers married to people without social security numbers
- IRS Notice 1444 reports the amount of the first payment
- Phased out at a rate of \$5.00 per \$100 of income in excess of these AGIs:
 - \$150,000 (joint filers)
 - \$112,500 (heads of household)

Second Economic Impact Payment

- \$600 per taxpayer
- \$600 per dependent under the age of 17
- Available to non-military taxpayers married to people without social security numbers
- IRS Notice 1444-B reports the amount of the second payment

<https://www.irs.gov/coronavirus/get-my-payment>

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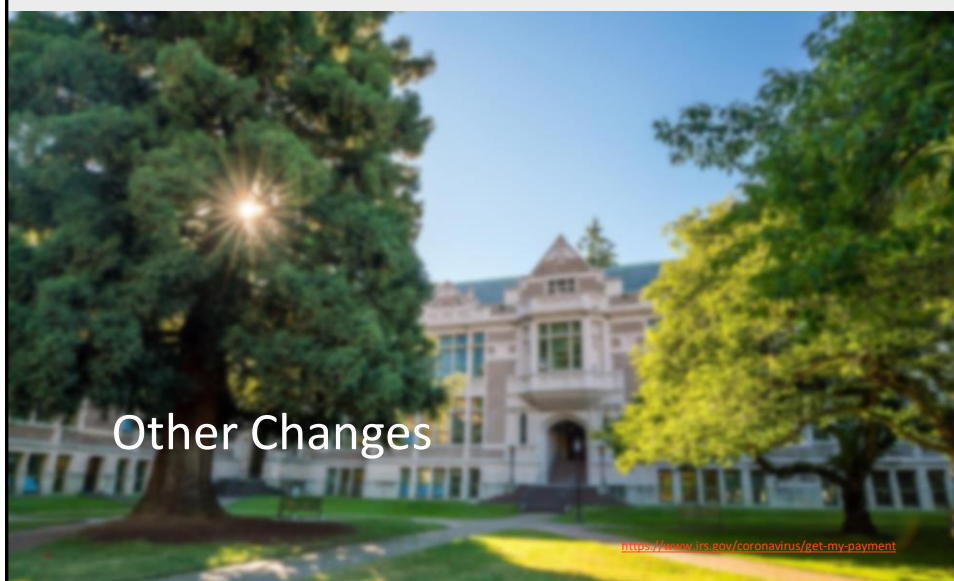
The Recovery Rebate Credit

- Tax filers* will compare their stimulus payments to their recovery rebate eligibility using the *Recovery Rebate Credit Worksheet* on page 59 of the 2020 *Form 1040 and 1040-SR Instructions*
 - Taxpayers who are eligible for a larger rebate than they received as a stimulus payment will receive the difference as a refundable credit
 - Taxpayers who are eligible for a smaller rebate than they received as a stimulus payment will not be required to repay the overpayment
- Tax filers who may be eligible for the credit
 - Tax filers whose 2019 income was higher than their 2020 income
 - Tax filers with new dependents under the age of 17 in 2020
 - Non-military tax filers with non-permanent resident spouses
- See <https://www.irs.gov/newsroom/recovery-rebate-credit>

*Although the IRS provided non-tax filers a way to receive a stimulus payment, people must file a tax return to claim the recovery rebate

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Other Changes

<https://www.irs.gov/coronavirus/get-my-payment>

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Untaxed Unemployment Payments

- The American Rescue Plan, signed into law on March 12, 2021, **retroactively** exempts up to \$10,200 of unemployment compensation received by “taxpayers” with modified adjusted gross incomes (mAGIs) less than \$150,000* from **2020** income taxes

Filers who get their return in after IRS implementation

- The income tax return should be accurate when filed and will include a new a new IRS Form showing the untaxed portion
- **Question: is the untaxed portion of their unemployment compensation FAFSA untaxed income?**

Filers who got their return in before IRS implementation

- The IRS has asked taxpayers *not to file a 1040-X*. The IRS plans to adjust tax returns to account for the tax-exempt unemployment income automatically

*There is no phaseout of this tax exemption. If the mAGI is \$150,000, all unemployment income is taxable. The \$150,000 threshold applies to all filing statuses. On a joint return, each taxpayer may claim up to \$10,200 in untaxed unemployment income

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Nonemployee Compensation Reporting

- Changes to the reporting of Nonemployee compensation

1. Services performed by someone who is not your employee (including parts and materials) (box 1);
2. Cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish (box 1); or
3. Payments to an attorney (box 1). (See *Payments to attorneys*, later.)

2019

- Reported with other kinds of income on
 - Form 1099-MISC, box 7



2020

- Reported on its own form:
 - Form 1099-NEC, box 1

Instructions for Forms 1099-MISC and 1099-NEC, 2020, page 10



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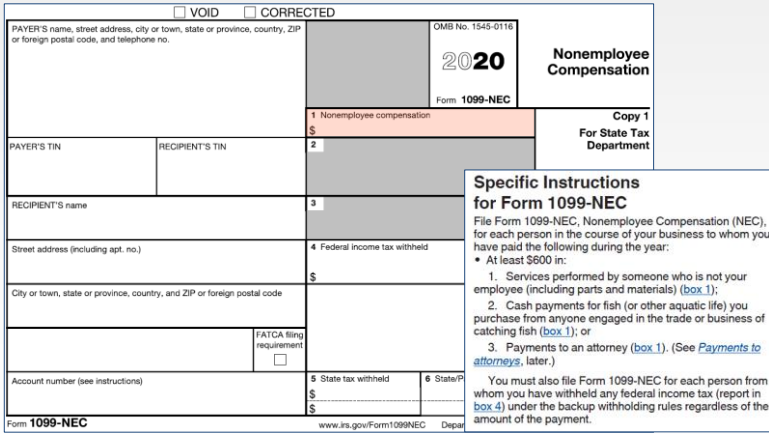
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2020 Form 1099-NEC



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Specific Instructions for Form 1099-NEC



File Form 1099-NEC, Nonemployee Compensation (NEC), for each person in the course of your business to whom you have paid the following during the year:

- At least \$600 in:
 - Services performed by someone who is not your employee (including parts and materials) (**box 1**);
 - Cash payments for fish (or other aquatic life) you purchase from anyone engaged in the trade or business of catching fish (**box 1**); or
 - Payments to an attorney (**box 1**). (See [Payments to attorneys](#), later.)

You must also file Form 1099-NEC for each person from whom you have withheld any federal income tax (report in **box 4**) under the backup withholding rules regardless of the amount of the payment.

IRS Instructions for Form 1099-MISC and 1099-NEC, 2020, page 7

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Form 1099-MISC vs. Form 1099-NEC

1099-MISC	1099-NEC
<ul style="list-style-type: none"> ■ Box 3 <ul style="list-style-type: none"> ■ Prizes and awards not related to the recipient's work ■ Payment made to medical research subjects ■ Wage payments made to an employee after their death ■ Severance payments to consultants ■ Box 7 <ul style="list-style-type: none"> ■ Direct sales payments in excess of \$5,000 in which commissions were earned 	<ul style="list-style-type: none"> ■ Box 1 <ul style="list-style-type: none"> ■ Nonemployee compensation <ul style="list-style-type: none"> ■ <i>Earned income paid by the issuer to the worker when the worker was not an employee</i> ■ The recipient may sometimes treat this income as other forms of income <ul style="list-style-type: none"> ■ <i>Hobby (sporadic) income</i> ■ <i>Prizes or awards</i> ■ <i>Etc.</i>

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COVID-19 Related IRA/Pension Withdrawals

- The CARES Act created an exemption in 2020 from the 10% early withdrawal penalty for **Coronavirus Related Distributions (CRDs)** from IRAs and pension plans (401k/403b/457 plans/etc.)
- Taxpayers may withdraw **up to \$100,000** under this provision (Section 2202 of the CARES Act) **without tax withholding**
- The income from the withdrawal may be **reported ratably over three years** to allow the taxpayer to **spread the tax burden out**
- Taxpayers may redeposit an amount up to the total value of the withdrawal within three years after the date the distribution was received **converting the withdrawal into a zero-interest loan**
 - Taxpayers **must amend their tax return** after such a redeposit to get the tax they paid on the withdrawal refunded to them

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COVID-19 Withdrawal Issues

- Your student's parent withdraws \$60,000 from their 401k under Section 2202 of the CARES Act
 - You see \$20,000 in taxable withdrawals from their IRAs on Form 1040, line 5b
 - You may see \$60,000 in line 5a suggesting \$40,000 untaxed income*
 - The let you know that they intend to redeposit the \$60,000 as soon as they are able, but expect to do so in 2022

1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	30,000
2a	Tax-exempt interest	2b	
3a	Qualified dividends	3b	
4a	IRA distributions	4b	
5a	Pensions and annuities	5b	20,000
6a	Social security benefits	6b	
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here	7	
8	Other income from Schedule 1, line 9	8	
9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9	50,000

*IRS Publication 575, *Pension and Annuity Income*, for 2020, and IRS Publication 590-b, *Distributions from Individual Retirement Arrangements (IRAs)*, for 2020, had not been published in any form at the time this program was developed

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COVID-19 Withdrawal Issues

- The issues
 - The parent has effectively told you that they intend to amend their 2020 tax return – so **you have conflicting information**
 - The 2021 and 2022 tax returns will show the same amount of taxable income – it will look like income that is regular and repeating

2020	1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	30,000
	2a	Tax-exempt interest	2b	
	3a	Qualified dividends	3b	
	4a	IRA distributions	4b	
	5a	Pensions and annuities	5b	20,000
2021	6a	Social sec	1	30,000
	7	Capital gain	2b	
	8	Other income	3b	
	9	Add lines	4b	
	5a	Pensions and annuities	5b	20,000
2022	6a	Social sec	1	30,000
	7	Capital gain	2b	
	8	Other income	3b	
	9	Add lines	4b	
	5a	Pensions and annuities	5b	20,000
	6a	Social security benefits	6b	
	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here	7	
	8	Other income from Schedule 1, line 9	8	
	9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9	50,000

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From the IRS

Q3. Am I a qualified individual for purposes of section 2202 of the CARES Act?

A3. You are a qualified individual if –

- You are diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention;
- Your spouse or dependent is diagnosed with SARS-CoV-2 or with COVID-19 by a test approved by the Centers for Disease Control and Prevention;
- You experience adverse financial consequences as a result of being quarantined, being furloughed or laid off, or having work hours reduced due to SARS-CoV-2 or COVID-19;
- You experience adverse financial consequences as a result of being unable to work due to lack of child care due to SARS-CoV-2 or COVID-19; or
- You experience adverse financial consequences as a result of closing or reducing hours of a business that you own or operate due to SARS-CoV-2 or COVID-19.

Under section 2202 of the CARES Act, the Treasury Department and the IRS may issue guidance that expands the list of factors taken into account to determine whether an individual is a qualified individual as a result of experiencing adverse financial consequences. The Treasury Department and the IRS have received and are reviewing comments from the public requesting that the list of factors be expanded.

- <https://www.irs.gov/newsroom/coronavirus-related-relief-for-retirement-plans-and-iras-questions-and-answers>

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Also from the IRS – Documentation

- Plan administrators must get a signed self-certification that the account owner meets the IRS's criteria for Section 2202
- The employer must accept this self-certification unless they have knowledge that the information provided is inaccurate

The following is an example of an acceptable certification:

Name: _____ (and other identifying information requested by the employer for administrative purposes).

I certify that I meet at least one of the following conditions: (1) I was diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (referred to collectively as COVID-19) by a test approved by the Centers for Disease Control and Prevention (including a test authorized under the Federal Food, Drug, and Cosmetic Act); (2) my spouse or my dependent was diagnosed with COVID-19 by a test approved by the Centers for Disease Control and Prevention (including a test authorized under the Federal Food, Drug, and Cosmetic Act); or (3) I have experienced adverse financial consequences because: (i) I, my spouse, or a member of my household was quarantined, furloughed or laid off, or had work hours reduced due to COVID-19; (ii) I, my spouse, or a member of my household was unable to work due to lack of childcare due to COVID-19; (iii) a business owned or operated by me, my spouse, or a member of my household closed or reduced hours due to COVID-19; or (iv) I, my spouse, or a member of my household had a reduction in pay (or self-employment income) due to COVID-19 or had a job offer rescinded or start date for a job delayed due to COVID-19.

Signature: _____

<https://www.irs.gov/pub/irs-drop/n-20-50.pdf>

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Addressing CRDs – Strategy

- Documentation
 - Ask for the signed certification statement that indicates that the custodial was aware that the withdrawal was a CRD
- Conflicting Information Resolution*
 - Ask the taxpayer to provide you with a copy of the Form 1040X and supporting schedules that they will eventually file to get their tax refund
 - Make sure this is marked "pending" or "to be filed at a later date"
 - This will give you an AGI and Income Tax that does not include the CRD
 - This will be the data that ultimately would belong in the ISIR after the taxpayer amended their return
 - This is a professional judgment

*This is a suggested approach. The Department of Education has not issued any guidance on CRDs and may issue guidance that suggests alternative approaches.

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Paycheck Protection Program (PPP)

- Small businesses have had two opportunities to borrow funds from the government during the pandemic
- Loans were designed to keep businesses operating and paying workers during the crisis
- Loans will be forgiven if the business can demonstrate that they used the funds from the loan to cover specific expenses
- The IRS does not require lenders to provide borrowers whose loans are forgiven with a Form 1099-C*
- **Businesses can deduct expenses paid with forgiven PPP Loan funds against taxable income**
 - **Business tax returns in 2020 (and/or 2021) may underrepresent the business's actual financial situation**

*See items 1 and 2 of page 5 of this IRS announcement: [N-2021-06 \(irs.gov\)](https://www.irs.gov/irb/2021-06). This applies to both original PPP loans and PPP II loans

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PPP Example

- Your student's parent's restaurant borrowed \$200,000 from the PPP Loan program to cover expenses during the summer
- The business qualifies for loan forgiveness
- The business spent the \$200,000 on payroll expenses, rents, and utilities, all of which are reflected as expenses on its ledger
- In 2020, the business brought in \$1,200,000 of actual (not PPP Loan) revenue

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PPP Example – Schedule C

Part I Income			
1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/>	1	1,200,000
2	Returns and allowances	2	650,000
3	Subtract line 2 from line 1	3	650,000
4	Cost of goods sold (from line 42)	4	
5	Gross profit. Subtract line 4 from line 3	5	650,000
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	Gross income. Add lines 5 and 6	7	650,000
Part II Expenses. Enter expenses for business use of your home only on line 30.			
8	Advertising	8	10,000
9	Car and truck expenses (see instructions)	9	32,000
10	Commissions and fees	10	
11	Contract labor (see instructions)	11	
12	Depletion	12	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	18,000
14	Employee benefit programs (other than on line 19)	14	
15	Insurance (other than health)	15	22,000
16	Interest (see instructions):		
16a	Mortgage (paid to banks, etc.)	16a	
16b	Other	16b	
17	Legal and professional services	17	8,000
18	Office expense (see instructions)	18	
19	Pension and profit-sharing plans	19	
20	Rent or lease (see instructions):		
20a	Vehicles, machinery, and equipment	20a	60,000
20b	Other business property	20b	
21	Repairs and maintenance	21	15,000
22	Supplies (not included in Part III)	22	
23	Taxes and licenses	23	43,000
24	Travel and meals:		
24a	Travel	24a	
24b	Deductible meals (see instructions)	24b	
25	Utilities	25	7,000
26	Wages (less employment credits)	26	500,000
27a	Other expenses (from line 48)	27a	34,000
27b	Reserved for future use	27b	
28	Total expenses before expenses for business use of home. Add lines 8 through 27a	28	749,000
29	Tentative profit or (loss). Subtract line 28 from line 7	29	(99,000)

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PPP Example

- The business shows a tax loss of \$99,000, but because of the \$200,000 PPP Loan, actually "pocketed" \$101,000
- Conclusion
 - When reviewing appeals based on reduced business income, ask the business owner if they received PPP Loans in 2020

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CARES Act Emergency Grants

What's New for 2020

Emergency Financial Aid Grants under the CARES Act. Emergency financial aid grants under the CARES Act for unexpected expenses, unmet financial need, or expenses related to the disruption of campus operations on account of the COVID-19 pandemic, **are not includible in your gross income.** Because the grant is not includible in your gross income, you cannot claim any deduction or credit for expenses paid with the grant including the tuition and fees deduction, the American opportunity credit, or the lifetime learning credit. See [FAQs: Higher Education Emergency Relief Fund and Emergency Financial Aid Grants under the CARES Act](#).

- All CARES Act emergency grants are tax-exempt to the student
 - Emergency SEOG
 - HEERF
 - Howard University and Gallaudet University specific grants
 - Other grants from other programs and sources

Q2. I am a student who received an emergency financial aid grant from a Federal agency, State, Indian tribe, institution of higher education, or scholarship-granting organization (including a tribal organization) because of an event related to the COVID-19 pandemic. Is this grant includible in my gross income? (added March 30, 2021)

A2. No. Emergency financial aid grants made by a Federal agency, State, Indian tribe, institution of higher education, or scholarship-granting organization (including a tribal organization) because of an event related to the COVID-19 pandemic are not included in your gross income.

IRS Publication 970, *Tax Benefits for Education*, 2020, page 2
<https://www.irs.gov/newsroom/higher-education-emergency-grants-frequently-asked-questions>

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CARES Act Emergency Grants

Q6. For tax year 2021, do higher education institutions have any requirements under Internal Revenue Code section 6050S to report information on Form 1098-T for emergency financial aid grants awarded to students under section 3504, 18004, or 18008 of the CARES Act, or under section 277 of the COVID Relief Act? (added March 30, 2021)

A6. Yes, for tax year 2021, in certain cases, higher education institutions have information reporting requirements under section 6050S for payments made with emergency financial aid grants. As described in A3 and A4 above, a student may claim a deduction or one of the education credits if the student and the expenses otherwise qualify for the deduction or credit. Any amounts that qualify for the deduction or credit are known as "qualified tuition and related expenses" (QTRE) and trigger the reporting requirements of section 6050S. Accordingly, higher education institutions must report total QTRE, including QTRE paid with emergency financial aid grant funds, in Box 1 of Form 1098-T, Tuition Statement. **Higher education institutions do not need to separately identify the portion of QTRE paid with the emergency financial aid grants anywhere on Form 1098-T and they do not need to report the grants themselves in Box 5 of Form 1098-T.** This is the case regardless of whether the higher education institution:

1. paid the emergency financial aid grants to the students, who then used grant money to pay for QTRE or
2. applied grant money directly to a QTRE on a student's account.

26 U.S. Code § 6050S defines Form 1098-T reporting rules

- Institutions are not required to report [e]mergency financial aid grants made by a Federal agency, State, Indian tribe, institution of higher education, or scholarship-granting organization (including a tribal organization) because of an event related to the COVID-19 pandemic in Form 1098-T, box 5
- Institutions should report tuition and required fees in Form 1098-T, box 1, even if paid with these grants

<https://www.irs.gov/newsroom/higher-education-emergency-grants-frequently-asked-questions>



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What about 2021?

	2020	2021
Above the line charity contribution	\$300 per tax return (\$150 for MFS returns)	\$300 per taxpayer
Recovery Rebate Credit	Available for two economic impact payments made in 2020	A 2021 economic impact payment (\$1,400 per taxpayer/dependent) is unrelated to the RRC*
Coronavirus Related Distributions (CRDs)	Available	Not specifically renewed, but a similar program for future named national emergencies is created
Tuition and Fees Deduction	Available	Replaced with expanded access to Lifetime Learning Credit


*At the time this document went to press, the details of the third stimulus payment were not finalized. The most recent proposal called for \$1,400 payments base don 2019 or 2020 income, with a method (unspecified) to reconcile the payment against actual 2020 income.

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Thank You!


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Tax Form Matrix (2018, 19, & 20)

	2018	2019	2020
Adjusted Gross Income (AGI)	Form 1040 , line 7	Form 1040 , line 8b	Form 1040 , line 11
US Income Tax Paid	Form 1040 , line 13 minus Schedule 2 , line 46	Form 1040 , line 14 minus Schedule 2 , line 2	Form 1040 , line 22 minus Schedule 2 , line 2
Untaxed Portions of IRA Distributions	Form 1040 , Line 4a minus line 4b, Exclude Rollovers	Form 1040 , Line 4a minus line 4b, Exclude Rollovers	
Untaxed Portions of Pensions		Form 1040 , Line 4c minus line 4d, Exclude Rollovers	Form 1040 , Line 5a minus line 5b, Exclude Rollovers
IRA Deductions and Payments	Schedule 1 , Line 28 plus Schedule 1 , line 32	Schedule 1 , Line 15 plus Schedule 1 , line 19	
Tax Exempt Interest	Form 1040 , line 2a		
Education Credits	Schedule 3 , line 50	Schedule 3 , line 3	

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Tax Form Matrix (2018, 19, & 20)			
	2018	2019	2020
Income Earned from Work	Wages, Salaries, Tips	Form 1040, line 1	
	Schedule C Business Income	Schedule 1, Line 12	Schedule 1, line 3
	Schedule F Farm Income	Schedule 1, Line 18	Schedule 1, line 6
	Partnership Income	The fourth component of the income earned from work questions comes from box 14 of Schedule K-1 (Form 1065), preceded by a code of "A". Only taxpayers who own partnerships and are not simply investors will have this kind of income. If there is any partnership income of this kind, then there will be a numerical figure on the following tax lines (i.e., they will not be blank).*	
		Schedule 1, line 17	Schedule 1, line 5
	Health Savings Account Deduction	Schedule 1, line 25	Schedule 1, line 12

*A figure on the relevant line indicates that partnership income is a possibility. Review Schedule E to confirm the existence of a partnership.

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