TAX YEAR 2021
ANNUAL SEMINAR

2021 Tax Updates

Topics covered in this section:

- Expanded Schedules 1, 2, and 3
- Recovery Rebate Credit
- Covid Tax Situations
- Charitable Contributions
- Earned Income Credit
- Child Tax Credit
- Dependent Care Credit
- Spanish Forms and Sch LEP
- E-file 1040X

Schedule 1

2020

SCHEDULE 1 (Form 1040) — Department of the Treasury, Internal Revenue Service

Additional Income and Adjustments to Income

► 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. 01

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

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
7	Unemployment compensation	7
8	Other income. List type and amount ►	8
9	Combine lines 1 through 8. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	9

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-employed health insurance deduction	16
17	Penalty on early withdrawal of savings	17
18a	Alimony paid	18a
b	Recipient's SSN ►	
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

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

2021

SCHEDULE 1 (Form 1040) — Department of the Treasury, Internal Revenue Service

Additional Income and Adjustments to Income

► 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 — **2021** — Attachment Sequence No. 01

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

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
7	Unemployment compensation	7
8	Other income:	
a	Net operating loss	8a ( )
b	Gambling income	8b
c	Cancellation of debt	8c
d	Foreign earned income exclusion from Form 2555	8d ( )
e	Taxable Health Savings Account distribution	8e
f	Alaska Permanent Fund dividends	8f
g	Jury duty pay	8g
h	Prizes and awards	8h
i	Activity not engaged in for profit income	8i
j	Stock options	8j
k	Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	8k
l	Olympic and Paralympic medals and USOC prize money (see instructions)	8l
m	Section 951(a) inclusion (see instructions)	8m
n	Section 951A(a) inclusion (see instructions)	8n
o	Section 461(l) excess business loss adjustment	8o
p	Taxable distributions from an ABLE account (see instructions)	8p
z	Other income. List type and amount ►	8z
9	Total other income. Add lines 8a through 8z	9
10	Combine lines 1 through 7 and 9. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	10

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71479F Schedule 1 (Form 1040) 2021

Schedule 1 (Form 1040) 2021 Page **2**

Part II Adjustments to Income

11	Educator expenses	11
12	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	12
13	Health savings account deduction. Attach Form 8889	13
14	Moving expenses for members of the Armed Forces. Attach Form 3903	14
15	Deductible part of self-employment tax. Attach Schedule SE	15
16	Self-employed SEP, SIMPLE, and qualified plans	16
17	Self-employed health insurance deduction	17
18	Penalty on early withdrawal of savings	18
19a	Alimony paid	19a
b	Recipient's SSN ►	
c	Date of original divorce or separation agreement (see instructions) ►	
20	IRA deduction	20
21	Student loan interest deduction	21
22	Reserved for future use	22
23	Archer MSA deduction	23
24	Other adjustments:	
a	Jury duty pay (see instructions)	24a
b	Deductible expenses related to income reported on line 8k from the rental of personal property engaged in for profit	24b
c	Nontaxable amount of the value of Olympic and Paralympic medals and USOC prize money reported on line 8l	24c
d	Reforestation amortization and expenses	24d
e	Repayment of supplemental unemployment benefits under the Trade Act of 1974	24e
f	Contributions to section 501(c)(18)(D) pension plans	24f
g	Contributions by certain chaplains to section 403(b) plans	24g
h	Attorney fees and court costs for actions involving certain unlawful discrimination claims (see instructions)	24h
i	Attorney fees and court costs you paid in connection with an award from the IRS for information you provided that helped the IRS detect tax law violations	24i
j	Housing deduction from Form 2555	24j
k	Excess deductions of section 67(e) expenses from Schedule K-1 (Form 1041)	24k
z	Other adjustments. List type and amount ►	24z
25	Total other adjustments. Add lines 24a through 24z	25
26	Add lines 11 through 23 and 25. These are your **adjustments to income.** Enter here and on Form 1040 or 1040-SR, line 10, or Form 1040-NR, line 10a	26

Schedule 1 (Form 1040) 2021

Schedule 2

2020

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 ☐ 4137 b ☐ 8919	5
6	Additional tax on IRAs, other qualified retirement plans, and other tax-favored accounts. Attach Form 5329 if required	6
7a	Household employment taxes. Attach Schedule H	7a
b	Repayment of first-time homebuyer credit from Form 5405. Attach Form 5405 if required	7b
8	Taxes from: a ☐ Form 8959 b ☐ Form 8960 c ☐ 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**

2021

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
2021
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	Social security and Medicare tax on unreported tip income. Attach Form 4137 (5)	
6	Uncollected social security and Medicare tax on wages. Attach Form 8919 (6)	
7	Total additional social security and Medicare tax. Add lines 5 and 6	7
8	Additional tax on IRAs or other tax-favored accounts. Attach Form 5329 if required	8
9	Household employment taxes. Attach Schedule H	9
10	Repayment of first-time homebuyer credit. Attach Form 5405 if required	10
11	Additional Medicare Tax. Attach Form 8959	11
12	Net investment income tax. Attach Form 8960	12
13	Uncollected social security and Medicare or RRTA tax on tips or group-term life insurance from Form W-2, box 12	13
14	Interest on tax due on installment income from the sale of certain residential lots and timeshares	14
15	Interest on the deferred tax on gain from certain installment sales with a sales price over $150,000	15
16	Recapture of low-income housing credit. Attach Form 8611	16

(continued on page 2)

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71478U **Schedule 2 (Form 1040) 2021**

Schedule 2 (Form 1040) 2021 Page **2**

Part II Other Taxes *(continued)*

17	Other additional taxes:	
a	Recapture of other credits. List type, form number, and amount ▶	17a
b	Recapture of federal mortgage subsidy. If you sold your home in 2021, see instructions	17b
c	Additional tax on HSA distributions. Attach Form 8889	17c
d	Additional tax on an HSA because you didn't remain an eligible individual. Attach Form 8889	17d
e	Additional tax on Archer MSA distributions. Attach Form 8853	17e
f	Additional tax on Medicare Advantage MSA distributions. Attach Form 8853	17f
g	Recapture of a charitable contribution deduction related to a fractional interest in tangible personal property	17g
h	Income you received from a nonqualified deferred compensation plan that fails to meet the requirements of section 409A	17h
i	Compensation you received from a nonqualified deferred compensation plan described in section 457A	17i
j	Section 72(m)(5) excess benefits tax	17j
k	Golden parachute payments	17k
l	Tax on accumulation distribution of trusts	17l
m	Excise tax on insider stock compensation from an expatriated corporation	17m
n	Look-back interest under section 167(g) or 460(b) from Form 8697 or 8866	17n
o	Tax on non-effectively connected income for any part of the year you were a nonresident alien from Form 1040-NR	17o
p	Any interest from Form 8621, line 16f, relating to distributions from, and dispositions of, stock of a section 1291 fund	17p
q	Any interest from Form 8621, line 24	17q
z	Any other taxes. List type and amount ▶	17z
18	Total additional taxes. Add lines 17a through 17z	18
19	Additional tax from Schedule 8812	19
20	Section 965 net tax liability installment from Form 965-A (20)	
21	Add lines 4, 7 through 16, 18, and 19. These are your **total other taxes.** Enter here and on Form 1040 or 1040-SR, line 23, or Form 1040-NR, line 23b	21

Schedule 2 (Form 1040) 2021

Schedule 3

2020

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 ☐ 3800 b ☐ 8801 c ☐	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	
11	Credit for federal tax on fuels. Attach Form 4136	11	
12	Other payments or refundable credits:		
a	Form 2439	12a	
b	Qualified sick and family leave credits from Schedule(s) H and Form(s) 7202	12b	
c	Health coverage tax credit from Form 8885	12c	
d	Other:	12d	
e	Deferral for certain Schedule H or SE filers (see instructions)	12e	
f	Add lines 12a through 12e	12f	
13	Add lines 8 through 12f. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 31	13	

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71480G **Schedule 3 (Form 1040) 2020**

2021

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
2021
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 from Form 2441, line 11. 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 nonrefundable credits:		
a	General business credit. Attach Form 3800	6a	
b	Credit for prior year minimum tax. Attach Form 8801	6b	
c	Adoption credit. Attach Form 8839	6c	
d	Credit for the elderly or disabled. Attach Schedule R	6d	
e	Alternative motor vehicle credit. Attach Form 8910	6e	
f	Qualified plug-in motor vehicle credit. Attach Form 8936	6f	
g	Mortgage interest credit. Attach Form 8396	6g	
h	District of Columbia first-time homebuyer credit. Attach Form 8859	6h	
i	Qualified electric vehicle credit. Attach Form 8834	6i	
j	Alternative fuel vehicle refueling property credit. Attach Form 8911	6j	
k	Credit to holders of tax credit bonds. Attach Form 8912	6k	
l	Amount on Form 8978, line 14. See instructions	6l	
z	Other nonrefundable credits. List type and amount ▶	6z	
7	Total other nonrefundable credits. Add lines 6a through 6z	7	
8	Add lines 1 through 5 and 7. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 20	8	

(continued on page 2)

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71480G **Schedule 3 (Form 1040) 2021**

Part II Other Payments and Refundable Credits

9	Net premium tax credit. Attach Form 8962	9	
10	Amount paid with request for extension to file (see instructions)	10	
11	Excess social security and tier 1 RRTA tax withheld	11	
12	Credit for federal tax on fuels. Attach Form 4136	12	
13	Other payments or refundable credits:		
a	Form 2439	13a	
b	Qualified sick and family leave credits from Schedule(s) H and Form(s) 7202 for leave taken before April 1, 2021	13b	
c	Health coverage tax credit from Form 8885	13c	
d	Credit for repayment of amounts included in income from earlier years	13d	
e	Reserved for future use	13e	
f	Deferred amount of net 965 tax liability (see instructions)	13f	
g	Credit for child and dependent care expenses from Form 2441, line 10. Attach Form 2441	13g	
h	Qualified sick and family leave credits from Schedule(s) H and Form(s) 7202 for leave taken after March 31, 2021	13h	
z	Other payments or refundable credits. List type and amount ▶	13z	
14	Total other payments or refundable credits. Add lines 13a through 13z	14	
15	Add lines 9 through 12 and 14. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 31	15	

Schedule 3 (Form 1040) 2021

Forms and Schedules Menu

Forms and Schedules Menu has been rearranged to put the Schedules 1, 2 and 3 at the beginning of the list

Line Input Menu

The Line Input Menu Has the input for Schedules 1, 2, and 3 similar to last year's location and the same as the Form 1040

Attach Sch. B if required.

[01]		Wages, salaries, tips, etc. Attach Form(s) W-2			1	37,952
[02]		Tax-exempt interest	2a		2b	
		b Taxable interest				
[03]		Qualified dividends	3a		3b	
		b Ordinary dividends				
[04]		IRA distributions	4a		4b	
		b Taxable amount				
[05]		Pensions and annuities	5a		5b	
		b Taxable amount				
[06]		Social security benefits	6a		6b	
		b Taxable amount				
[07]		Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐			7	
[08]		Other income from Schedule 1, line 10			8	270
	9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income** ▶			9	38,222
[10]		Adjustments to income from Schedule 1, line 26			10	118
	11	Subtract line 10 from line 9. This is your **adjusted gross income** ▶			11	38,104
[11]		**Standard deduction or itemized deductions** (from Schedule A)	12a	12,550		
[12]		Charitable contributions if you take the standard deduction (see instructions)	12b			
	c	Add lines 12a and 12b			12c	12,550
[13]		Qualified business income deduction from Form 8995 or Form 8995-A			13	
	14	Add lines 12c and 13			14	12,550
	15	**Taxable income.** Subtract line 14 from line 11. If zero or less, enter -0-			15	25,554
	16	Tax (see instructions). Check if any from Form(s): 1 ☐ 8814 2 ☐ 4972 3 ☐			16	2,870
[17]		Amount from Schedule 2, line 3			17	
	18	Add lines 16 and 17			18	2,870
	19	Nonrefundable child tax credit or credit for other dependents from Schedule 8812			19	
[20]		Amount from Schedule 3, line 8			20	
	21	Add lines 19 and 20			21	
	22	Subtract line 21 from line 18. If zero or less, enter -0-			22	2,870
[23]		Other taxes, including self-employment tax, from Schedule 2, line 21			23	
	24	Add lines 22 and 23. This is your **total tax** ▶			24	2,870
	25	Federal income tax withheld from:				
	a	Form(s) W-2	25a	4,700		
	b	Form(s) 1099	25b			
[25]		Other forms (see instructions)	25c			
	d	Add lines 25a through 25c			25d	4,700
[26]		2021 estimated tax payments and amount applied from 2020 return			26	
[27]		Earned income credit (EIC)	27a			
		Check here if you had not reached the age of 19 by December 31, 2021, and satisfy all other requirements for claiming the EIC. See instructions ▶ ☐				
	b	Nontaxable combat pay election	27b			
	c	Prior year (2019) earned income	27c			
[28]		Refundable child tax credit or additional child tax credit from Schedule 8812	28	3,000		
[29]		American opportunity credit from Form 8863, line 8	29			
[30]		Recovery rebate credit. See instructions	30	2,800		
[31]		Amount from Schedule 3, line 15	31	10,772		
	32	Add lines 27a and 28 through 31. These are your **total other payments and refundable credits** ▶			32	16,572
	33	Add lines 25d, 26, and 32. These are your **total payments** ▶			33	21,272
	34	If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you **overpaid**			34	18,402
	35a	Amount of line 34 you want **refunded to you.** If Form 8888 is attached, check here ▶ ☐			35a	18,402
	▶b	Routing number ▶ c Type: ☐ Checking ☐ Savings				
	▶d	Account number				
	36	Amount of line 34 you want **applied to your 2022 estimated tax** ▶	36			
	37	**Amount you owe.** Subtract line 33 from line 24. For details on how to pay, see instructions ▶			37	
	38	Estimated tax penalty (see instructions) ▶	38			

Standard Deduction for—
- Single or Married filing separately, $12,550
- Married filing jointly or Qualifying widow(er), $25,100
- Head of household, $18,800
- If you checked any box under *Standard Deduction*, see instructions.

If you have a qualifying child, attach Sch. EIC.

Refund

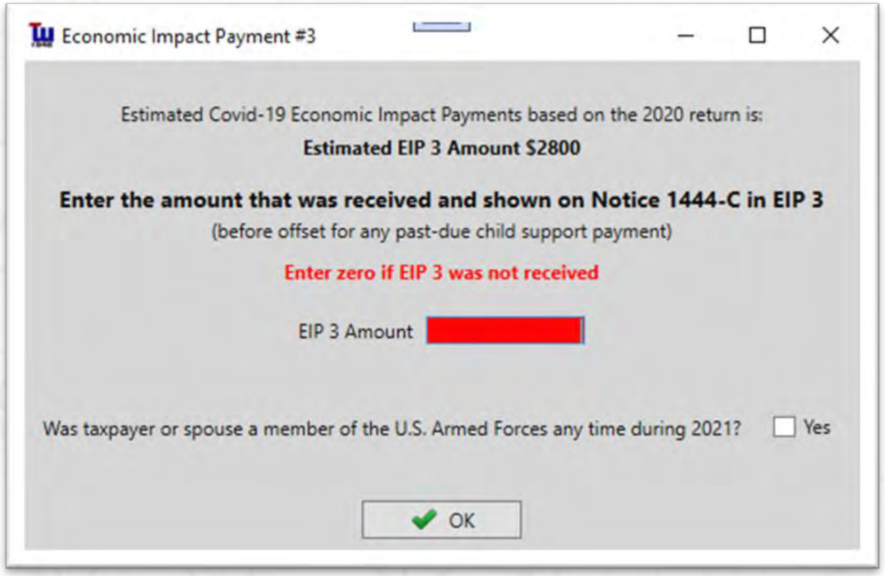
Direct deposit? See instructions.

Amount You Owe

Covid Items

- Unemployment Compensation is back to being Taxable.
- Pension Income that was postponed in 2020
  - If Paybacks were made, then you will need to amend the 2020 tax return.
  - If only 1/3 of the pension income was claimed in 2020, then you will need to file Form 8915-F
  - If the 2020 return was prepared in our software the program will automatically carry the information from last year's 8915-E to this year's 8915-F.
  - At the present time, we do not have the instructions for 8915-F, but we expect to have the completed 8915-F soon.
- Reconciliation for the third EIP of $1,400 per person includes all dependents on the tax return.
- What we learned last year about Recovery Rebate Credit and EIP payments:
  - People can't remember how much they received.
  - The only way to look it up on the IRS website is to access the Taxpayer's individual account.
  - It's worth the time to make sure that what is reported in accurate. It takes much more time dealing with clients when the IRS makes an adjustment to the tax return.

Recovery Rebate Credit



- *Estimated* , EIP will be calculated on returns that were recalled from prior year.
- Enter amount before offset for any past-due child support payment.
- You MUST enter an amount or a ZERO.
- If Taxpayer and Spouse received separate payments, total amount should be entered.

Charitable Contributions

- 2021 taxpayers can take a deduction of up to $300, **($600 if MFJ**) of Cash contributions in addition to the Standard deduction if they do not Itemize.
- The Charitable contributions deducted directly on Form 1040 has been moved from being Adjustment to Income to a deduction AFTER computing AGI.
- Data entry is done within the Schedule A, and the program will automatically determine if Standard plus the charitable is better than the itemized and carry the charitable contributions to line 12 of Form 1040.

Standard Deduction for—
- Single or Married filing separately, $12,550
- Married filing jointly or Qualifying widow(er), $25,100
- Head of household, $18,800
- If you checked any box under *Standard Deduction*, see instructions.

[06]	Social security benefits	6a		b Taxable amount	6b
[07]	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐				7
[08]	Other income from Schedule 1, line 10				8
9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income** ▶				9
[10]	Adjustments to income from Schedule 1, line 26				10
11	Subtract line 10 from line 9. This is your **adjusted gross income** ▶				11
[11]	**Standard deduction or itemized deductions** (from Schedule A)	12a	25,100		
[12]	Charitable contributions if you take the standard deduction (see instructions)	12b	600		
c	Add lines 12a and 12b				12c 25,700
[13]	Qualified business income deduction from Form 8995 or Form 8995-A				13
14	Add lines 12c and 13				14 25,700
15	**Taxable income.** Subtract line 14 from line 11. If zero or less, enter -0-				15

Charitable Contributions

Sch A Contributions

[49] Contributions by cash or check (60%)	3,500
[50] Contributions by cash or check (30%)	
Contributions from K-1's	
[51] Other than cash (8283) ...	
[52] Other than cash < $500	350
[53] Carryovers (60%)	
[54] Noncash carryovers (50%)	
[55] Carryovers (30%)	
[56] Carryovers (Special 30%)	
[57] Carryovers (20%)	
[58] Church	
[59] United Way	
[60] Red Cross/March of Dimes	
[61] Miscellaneous organized charity	
[62] Transportation Miles	

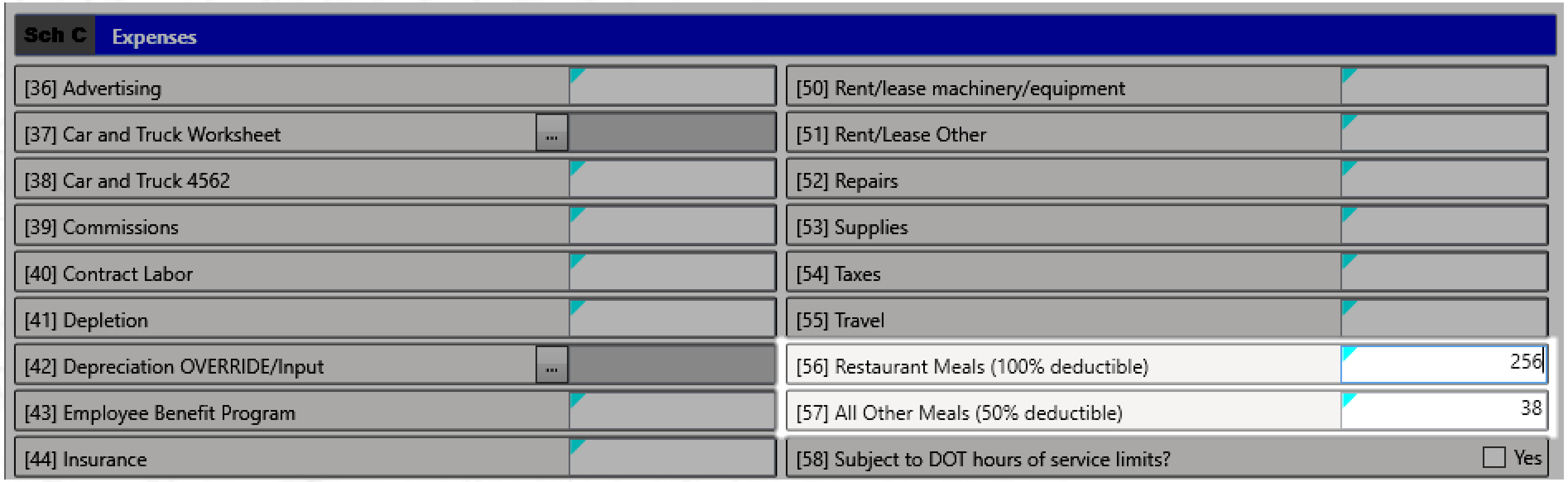
Deductible Cash Contributions if Not Itemizing

Calculated Amt.	Override
600	

	Description	Amount
[63] Other-1		
[64] Other-2		
[65] Other-3		
[66] Fed only		
[67] State only		
[68] Other Contrib. Overflow ...		

Deduction for Restaurant Meals

- For 2021 Only. “Restaurant Meals” are 100% deductible.
- Non Restaurant Meals are handled the same as in prior years and are 50% deductible.
- Term “Restaurant” means a business that prepares and sells food for immediate consumption.
- Restaurant does not include a business that sell prepackaged foods such as a grocery store or convenience store.
- We have added an additional line for Meals to identify Restaurant vs Non Restaurant.



Sch C Expenses

[36] Advertising		[50] Rent/lease machinery/equipment	
[37] Car and Truck Worksheet	...	[51] Rent/Lease Other	
[38] Car and Truck 4562		[52] Repairs	
[39] Commissions		[53] Supplies	
[40] Contract Labor		[54] Taxes	
[41] Depletion		[55] Travel	
[42] Depreciation OVERRIDE/Input	...	[56] Restaurant Meals (100% deductible)	256
[43] Employee Benefit Program		[57] All Other Meals (50% deductible)	38
[44] Insurance		[58] Subject to DOT hours of service limits?	Yes

Distributions from HSAs and Archer MSAs

- Forms 8889 and 8853
- Qualified medical expenses are no longer limited to those medicines and drugs prescribed by a physician.
  - Thus all medicines and drugs can be reimbursed tax free without a prescription or recommendation by a physician. Over the counter medicines and drugs including menstrual products.
- This law change DOES NOT APPLY to medical expenses claimed on Schedule A Itemized Deductions.

Schedule EIC Earned income Credit

- Changes for 2021 only:
  - You can use the 2019 Earned Income IF the 2019 earned income is greater than 2021 earned income and generates a higher EIC. (Same rule does not apply to Child Tax Credit like it did in 2020)
  - For Persons with no Children, the EIC minimum age is lowered to age 18 for qualifying individuals. Old rule, you had to be at least 25 years of age.
    - Age 18 for Qualified former foster youth and Qualified Homeless Youth.
    - Age 19 for an individual who is <u>NOT</u> a "Specified Student". Age 24 for an individual who <u>IS</u> as "Specified Student".
      - Qualified former foster youth is an individual who was in foster care on or after age 14 under part B or E of title IV of the Social security act.
      - Qualified Homeless youth is an individual who certifies that they are either unaccompanied youth who is a homeless or at risk of homelessness and self supporting.
      - A specified student is a student that is at least a half time student for at least 5 months during the year.
  - The new law also eliminates the under age 65 limitation for 2021
  - The investment income limitation has been raised from $3,650 to $10,000.

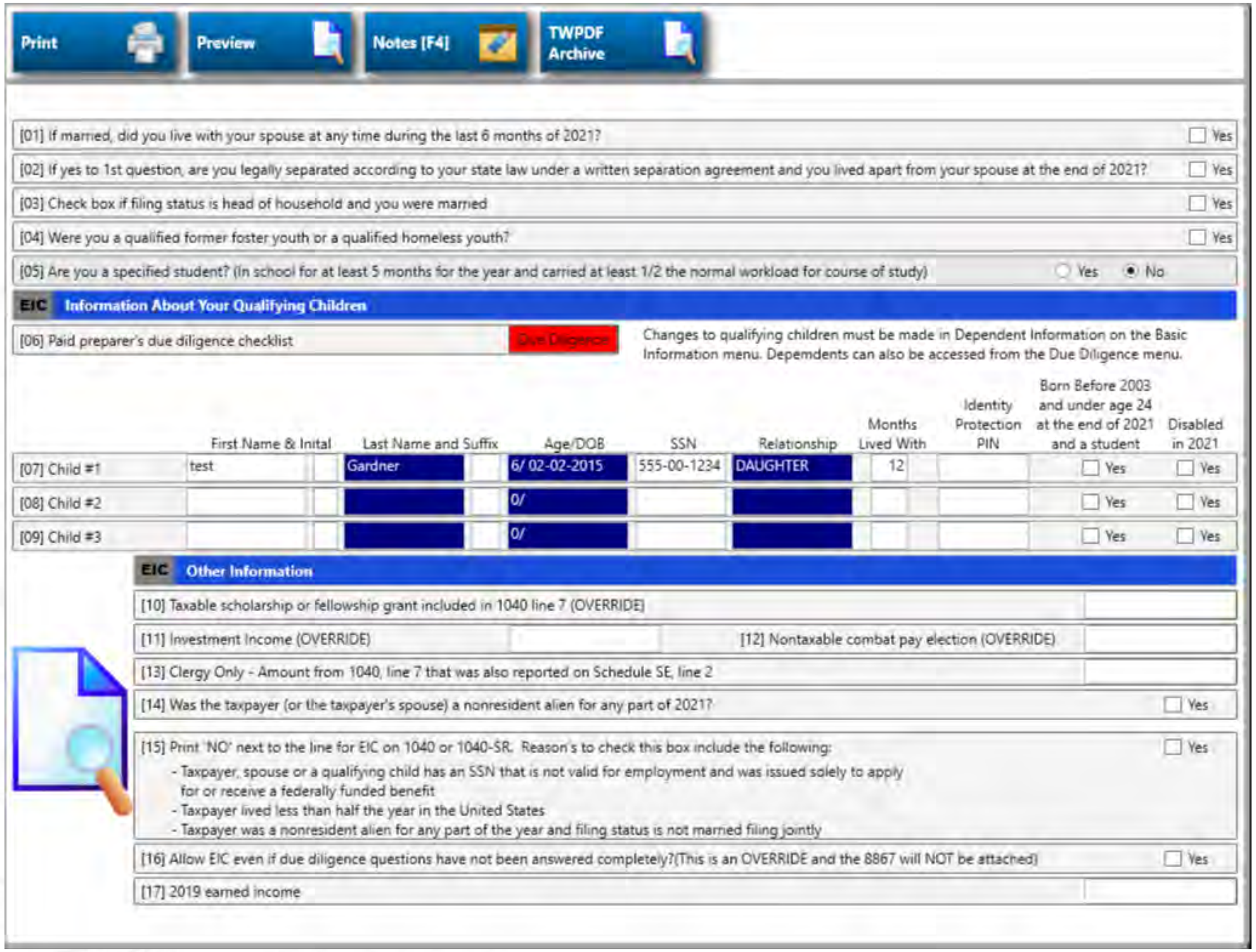
Schedule EIC Earned income Credit

- EIC income limits and max EIC amounts have been increased to adjust for inflation (typical changes).
- EIC limits for persons with no children has increased substantially:
  - Max credit has increased from $538 to $1,502.
  - Max income limit has increased from $15,820 to $21,430 for Single, and from $21,710 to $27,380 for MFJ.

- Married Filing Separately may be able to qualify for EIC.
- New Questions for Head of Household and Married Filing Separate filers.
  - Did you live with your spouse during the last 6 months of the year.
  - If you did live with your spouse during the last 6 months, do you have a legal written separation agreement and you did not live together at the end of 2021.

Schedule EIC Earned income Credit

- Menu choices 1-3 are only needed in Filing Status is MFS or HoH.
- Menu choices 4-5 are only needed if the taxpayer is under the age of 24.



Schedule 8812 Child Tax Credit

- Schedule 8812 will be used for computation of ALL CTC. (prior year 8812 was for the Additional CTC)
- The Child tax Credit is broken down into two different parts:
- There is the base Child Tax Credit of $2,000. (same as last year)
- There is an additional amount of $1,000 per child age 6 and over and $1,600 for children under the age of 6. (American Rescue Plan Act of 2021.
- New Law increases the age of a qualifying child from 16 to 17.
- There are two different phase outs of the CTC.
  - The additional amount of the CTC (the extra $1,000 or $1,600 if under age 6). Phase out for this portion starts when AGI exceeds $150,000 for MFJ and QW. $112,500 for HoH, and $75,000 for Single and MFS.
  - The base CTC of $2,000 will start to phase out when AGI exceeds $400,000 MFJ, and $200,000 for all others.

Advanced Child Tax Credit Payments

- If the taxpayer receives advance payments of the Child Tax Credit, then these payments must be reconciled in 2021.
- The result of the reconciliation will be one of the following:
  - Refundable credit – Calculated credit is greater than the advance payments received
  - Additional Tax – Advance payments received are greater than calculated credit

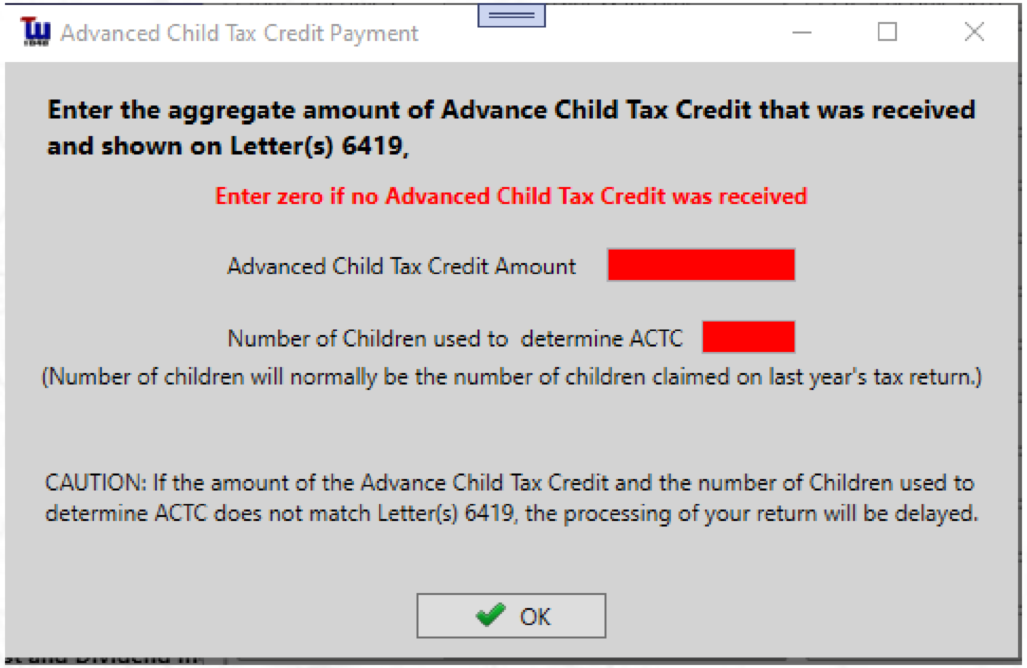
- ***Safe Harbor for Excess Advance Payments***

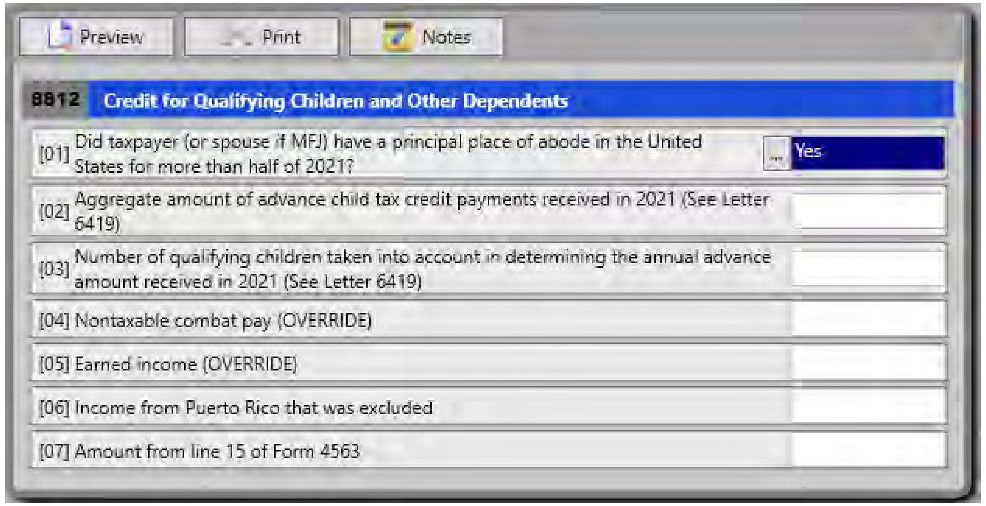
For lower income families there is a safe harbor amount of $2,000 per child if the advance payments exceed the calculated credit.

- Taxpayer does not have to repay an overpayment of up to $2,000 per child (safe harbor amount) as follows:

- Single – Full safe harbor if AGI is below $40,000. Phases out between $40,000 and $80,000.
- Married filing joint – Full safe harbor if AGI is below $60,000. Phases out between $60,000 and $120,000.
- Head of Household – Full safe harbor if AGI is below $50,000. Phases out between $50,000 and $100,000.

Advanced Child Tax Credit Payments





- You must enter an amount in both the Advance Child Tax Credit Amount and the Number of Children used to determine the ACTC.
- Hopefully clients will show up with the 6419 Letters.
- IRS states on the 8812 that if the ACTC entered does not match their records, the processing of the tax return will be delayed.

Form 2441 Dependent Care Credit

- Dependent care expense has been increased to $8,000 for one child and $16,000 for two or more. (old rule was $3,000 and $6,000).
- Some MFS may be able to claim the credit if they meet certain requirements.
  - You lived apart from your spouse during the last 6 months of 2021.
  - Your home was the qualifying person's main home for more than half of 2021.
  - You paid more than half of the cost of keeping up that home for 2021.
- The credit is fully refundable. (if principle place of abode is in the U.S. for more than half of 2021)
- If principle place of abode is less than half the year in the US, then the CTC is a Non-Refundable Credit.
- Example of Taxpayer with income of $100,000 paid child care of $18,000 for two children:
  - In 2020 they would have received a child care credit of $1,200.
  - For 2021 they will receive a $8,000 child care credit.

Form 2441 Dependent Care Credit

- In 2020 the credit rate started at 35% and went down to 20%.

- **The new rates** start at 50% for income under 125k and phase out completely when income is 438k and over.

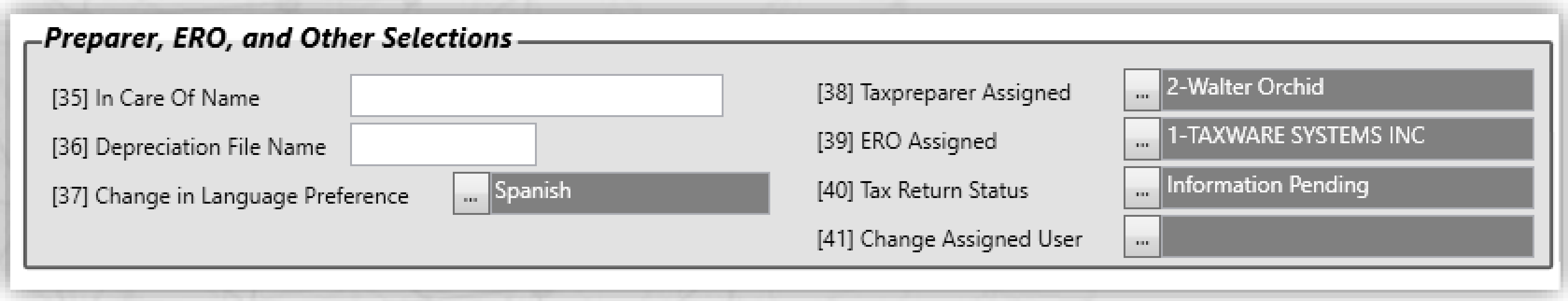
2021 Phaseout Schedule

If line 7 is: Over:		But not over:	The decimal amount to enter on line 8 is:	If line 7 is: Over:		But not over:	The decimal amount to enter on line 8 is:
$0	–	$125,000	.50	$175,000	–	$177,000	.24
125,000	–	127,000	.49	177,000	–	179,000	.23
127,000	–	129,000	.48	179,000	–	181,000	.22
129,000	–	131,000	.47	181,000	–	183,000	.21
131,000	–	133,000	.46	183,000	–	400,000	.20
133,000	–	135,000	.45	400,000	–	402,000	.19
135,000	–	137,000	.44	402,000	–	404,000	.18
137,000	–	139,000	.43	404,000	–	406,000	.17
139,000	–	141,000	.42	406,000	–	408,000	.16
141,000	–	143,000	.41	408,000	–	410,000	.15
143,000	–	145,000	.40	410,000	–	412,000	.14
145,000	–	147,000	.39	412,000	–	414,000	.13
147,000	–	149,000	.38	414,000	–	416,000	.12
149,000	–	151,000	.37	416,000	–	418,000	.11
151,000	–	153,000	.36	418,000	–	420,000	.10
153,000	–	155,000	.35	420,000	–	422,000	.09
155,000	–	157,000	.34	422,000	–	424,000	.08
157,000	–	159,000	.33	424,000	–	426,000	.07
159,000	–	161,000	.32	426,000	–	428,000	.06
161,000	–	163,000	.31	428,000	–	430,000	.05
163,000	–	165,000	.30	430,000	–	432,000	.04
165,000	–	167,000	.29	432,000	–	434,000	.03
167,000	–	169,000	.28	434,000	–	436,000	.02
169,000	–	171,000	.27	436,000	–	438,000	.01
171,000	–	173,000	.26	438,000	–	No limit	.00
173,000	–	175,000	.25				

Spanish Language Forms and Sch LEP

- Limited Forms available in Spanish Language
  - 1040 / 1040SR , Schedules 1-3, Form 8812 and Sch EIC
  - Spanish forms will print when “Change in Language Preference” – Spanish is selected.
  - Selection will be stored with each client, but a Default can be set in Defaults Screen.

- Schedule LEP
  - Used to tell IRS what is the Taxpayer’s preferred language used when sending correspondence and notices.
  - Not guaranteed that taxpayers will get correspondence in selected language, but will also be used as IRS chooses to add additional languages to forms and instructions.
  - Will be E-filed.

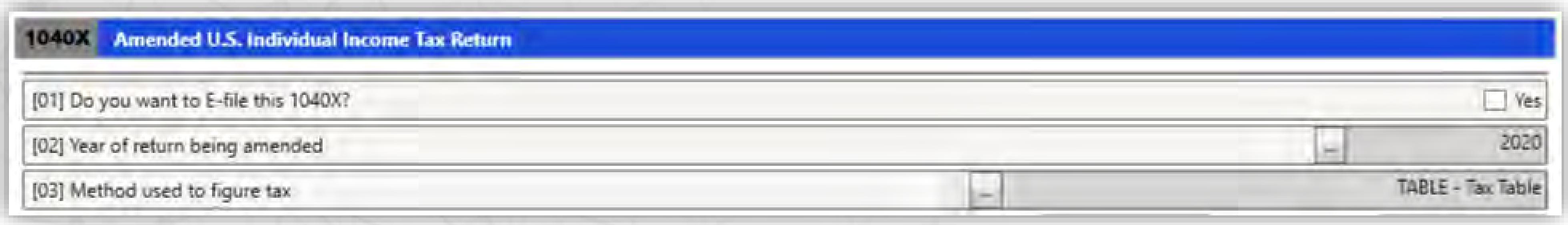


1040X E-file

- E-File 1040X available for 2019, 2020, and 2021 returns.

- When an amended return is filed, the IRS will receive both the Form 1040-X and the complete corrected 1040 return.

- Based on information provided by IRS for 2019 and 2020 amended returns, the same conditions will likely apply in 2021:
  - Refunds will be issued by paper check, not through direct deposit.
  - The return being amended must have been electronically filed.
  - The filing status on the amended return must match the filing status on the original return.
  - The primary and secondary TIN on the amended return must match the primary and secondary TIN on the original return.
  - A dependent claimed on someone else's return cannot be claimed on the amended return.

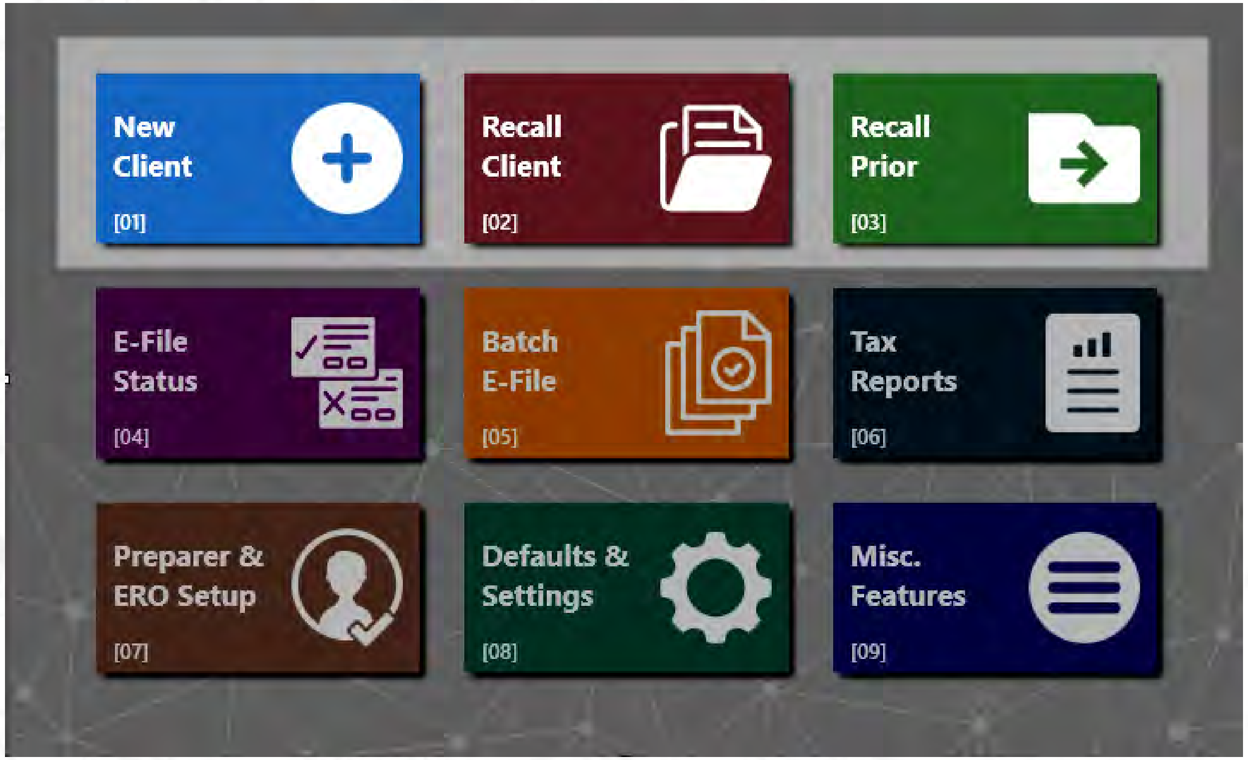


Preparing a Return

Topics covered in this section:

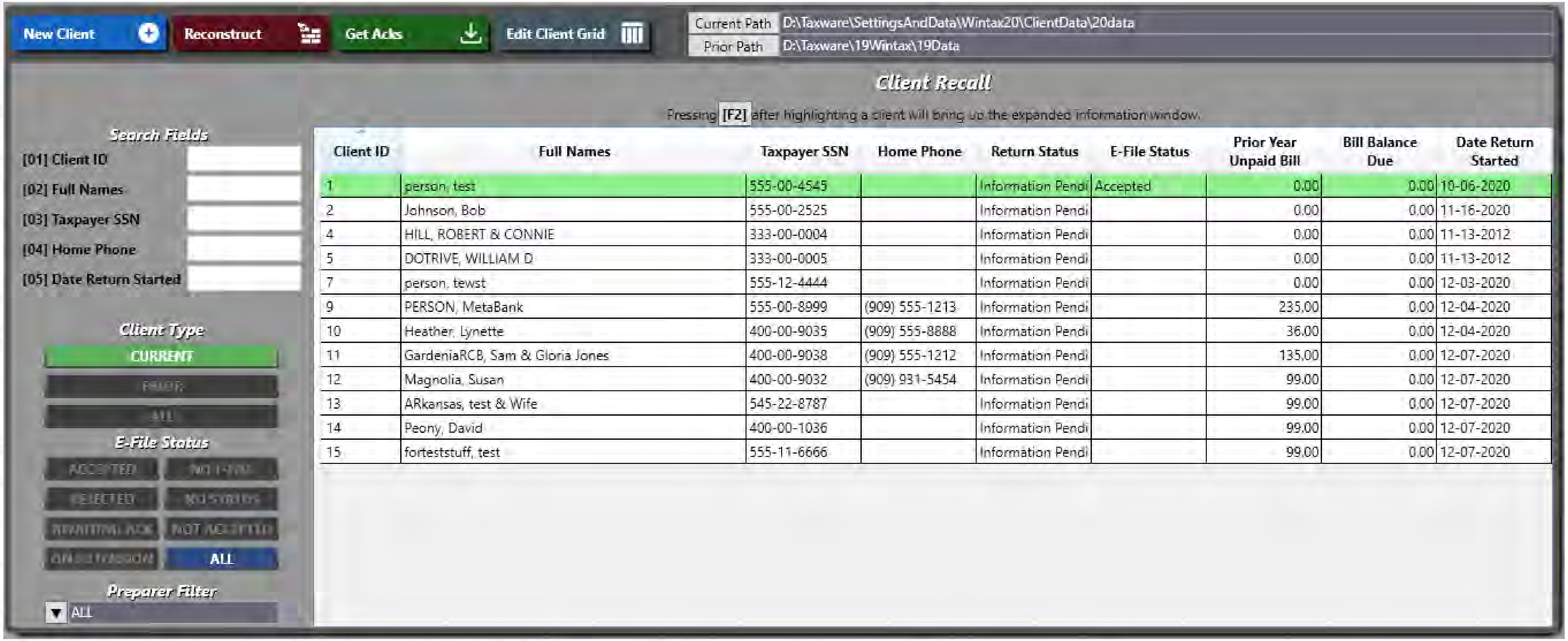
- Starting a client
- Basic Information
- Program Flow Overview
- Wage Statements
- Lettered Schedules
- Other Income, Adjustments & Payments
- American Opportunity Credit
- EIC, 8867, Due Diligence and DOB
- ACA Wizard

Starting Returns



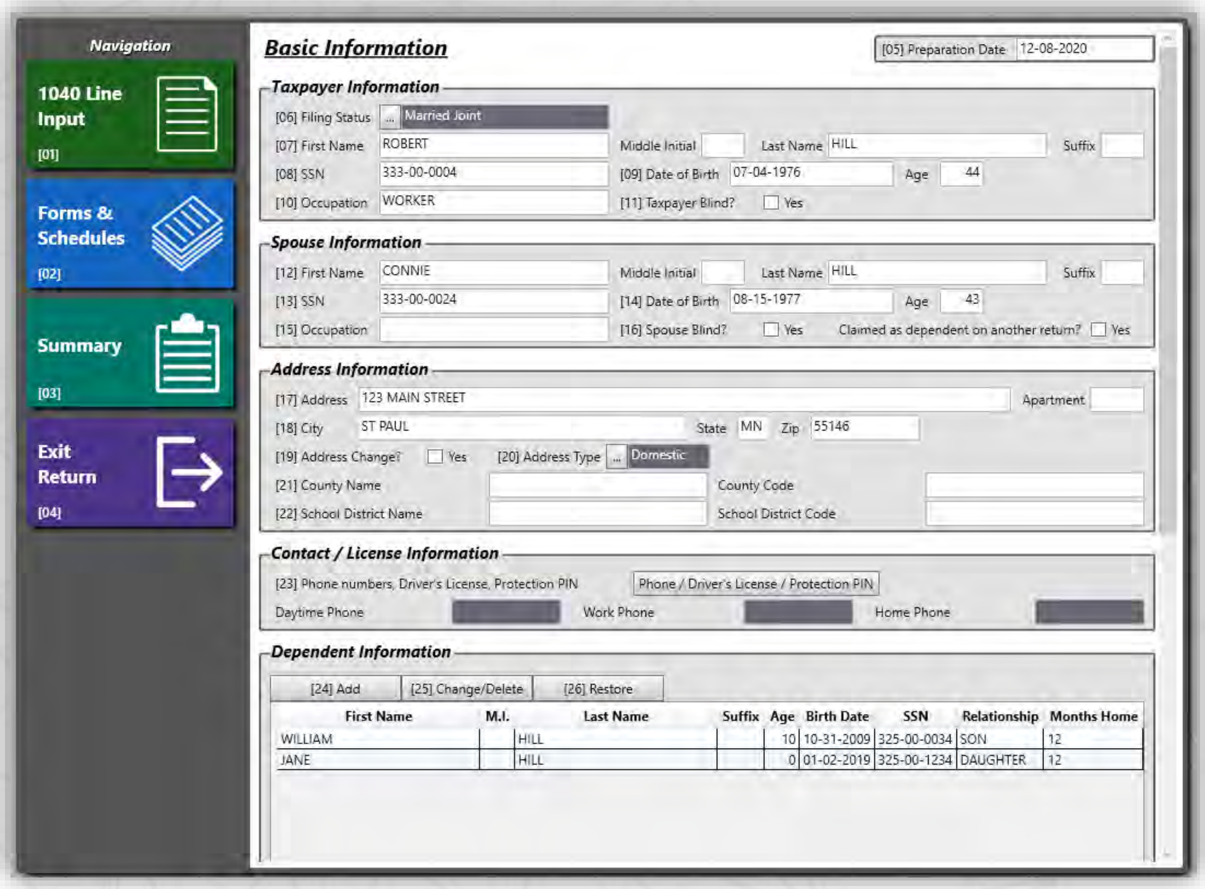
- **New Client**
- **Recall Prior**
- **Recall Current**

Recall Client



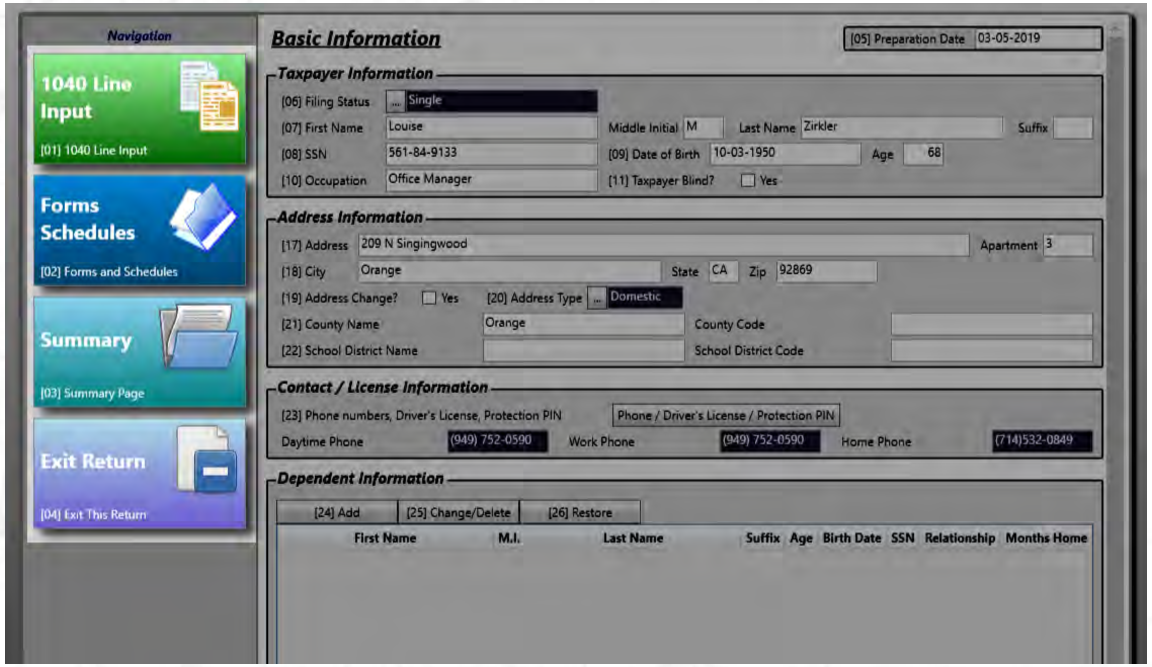
Client ID	Full Names	Taxpayer SSN	Home Phone	Return Status	E-File Status	Prior Year Unpaid Bill	Bill Balance Due	Date Return Started
1	person, test	555-00-4545		Information Pendi	Accepted	0.00	0.00	10-06-2020
2	Johnson, Bob	555-00-2525		Information Pendi		0.00	0.00	11-16-2020
4	HILL, ROBERT & CONNIE	333-00-0004		Information Pendi		0.00	0.00	11-13-2012
5	DOTRIVE, WILLIAM D	333-00-0005		Information Pendi		0.00	0.00	11-13-2012
7	person, tewst	555-12-4444		Information Pendi		0.00	0.00	12-03-2020
9	PERSON, MetaBank	555-00-8999	(909) 555-1213	Information Pendi		235.00	0.00	12-04-2020
10	Heather, Lynette	400-00-9035	(909) 555-8888	Information Pendi		36.00	0.00	12-04-2020
11	GardeniaRCB, Sam & Gloria Jones	400-00-9038	(909) 555-1212	Information Pendi		135.00	0.00	12-07-2020
12	Magnolia, Susan	400-00-9032	(909) 931-5454	Information Pendi		99.00	0.00	12-07-2020
13	ARkansas, test & Wife	545-22-8787		Information Pendi		99.00	0.00	12-07-2020
14	Peony, David	400-00-1036		Information Pendi		99.00	0.00	12-07-2020
15	forteststuff, test	555-11-6666		Information Pendi		99.00	0.00	12-07-2020

Basic Information



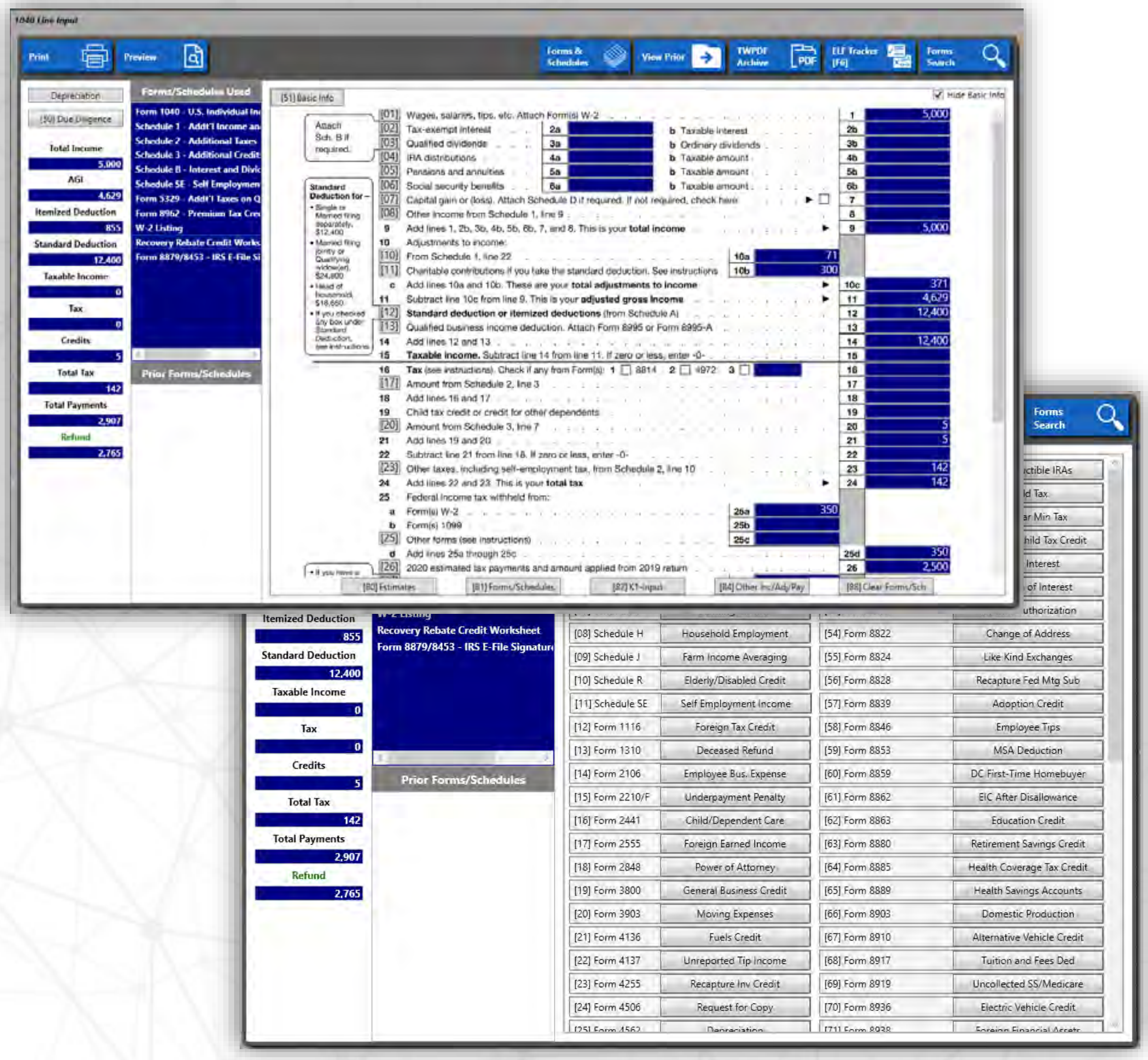
- SSN, Address, and School Codes
- License and IP PIN
- Dependent Information
- Special Filing Categories
- Preparer, ERO, and Status
- Depreciation File Name

Program Flow



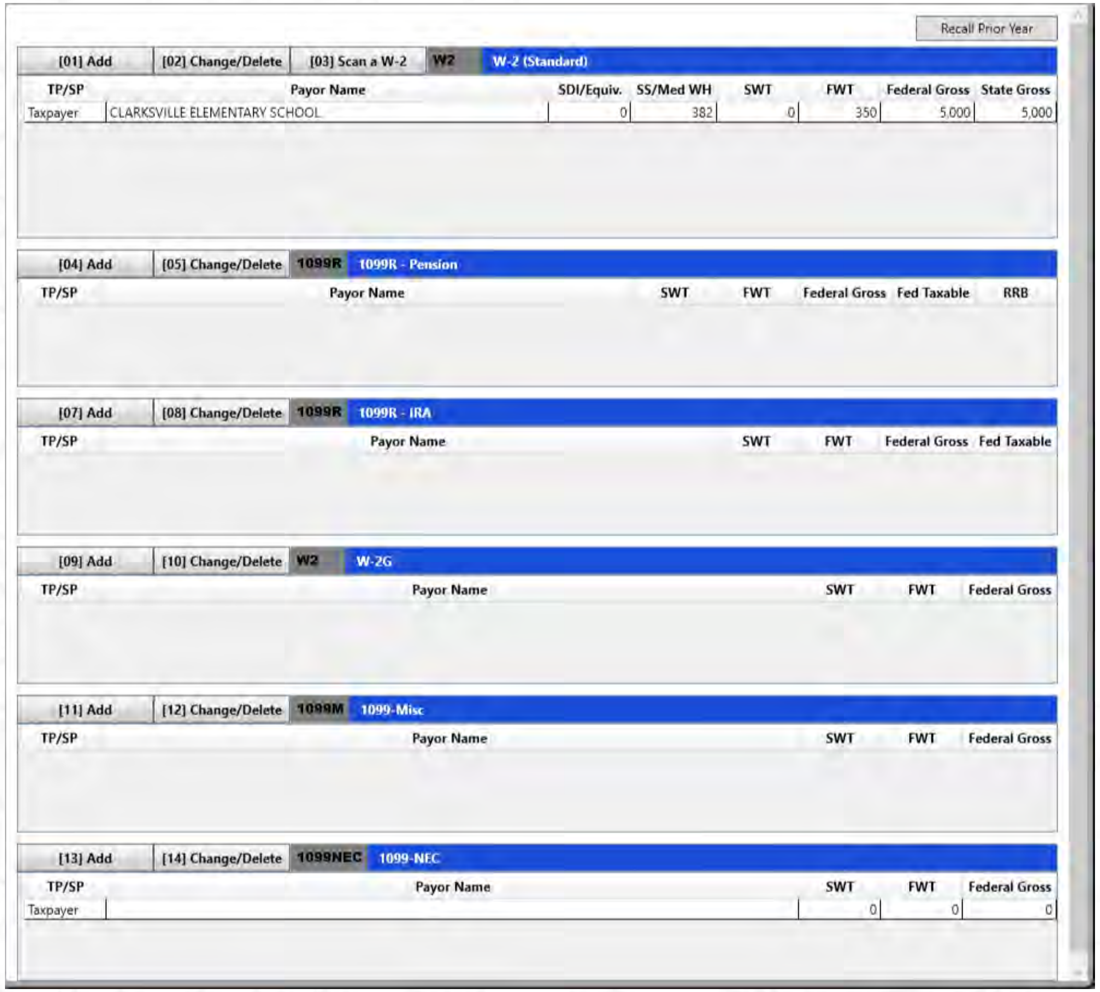
- Basic Information
- Line Input or Forms/Schedules
- Summary Menu
  - Validation
  - Bank Products
  - E-File

Line Input vs Form/Schedules



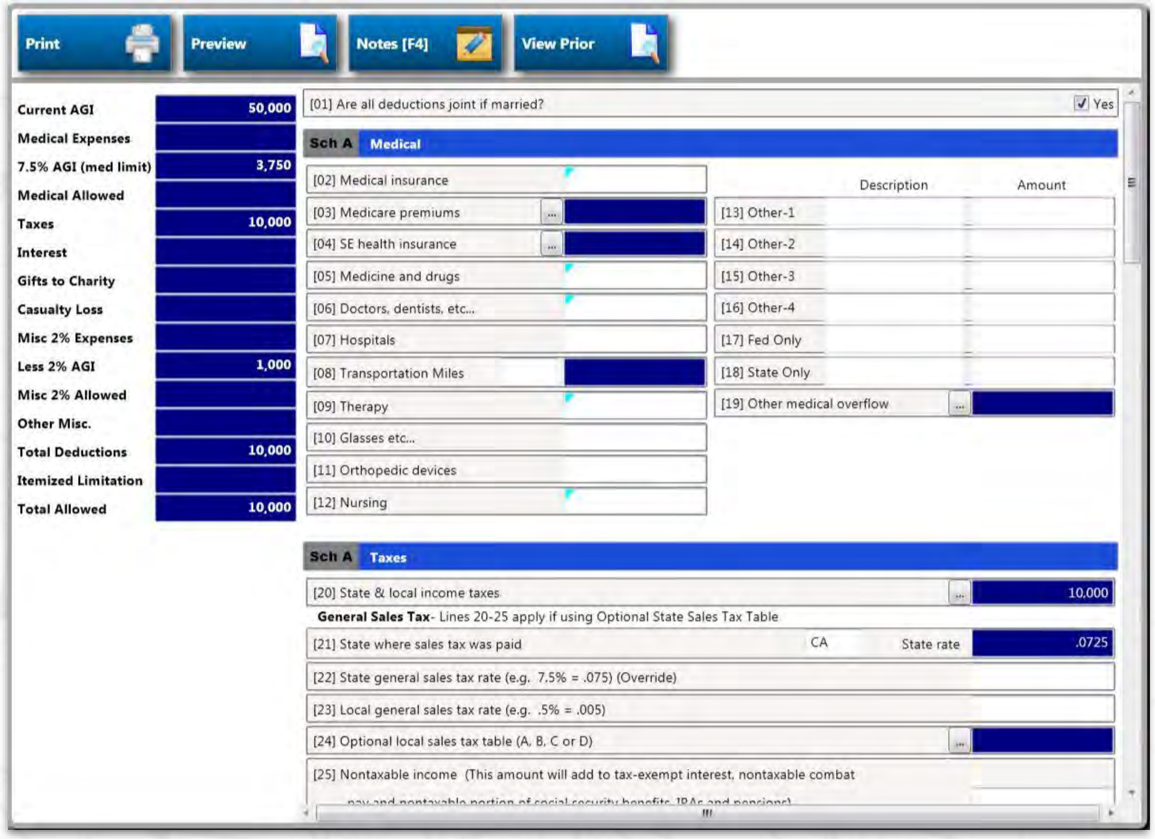
- Line Input
  - Follow the 1040
  - Line by Line
- Forms/Schedules
  - Enter Forms Directly
  - Enter Forms Without Line Input
- Forms Search In Either
- Forms Used In Either

Wage Statements



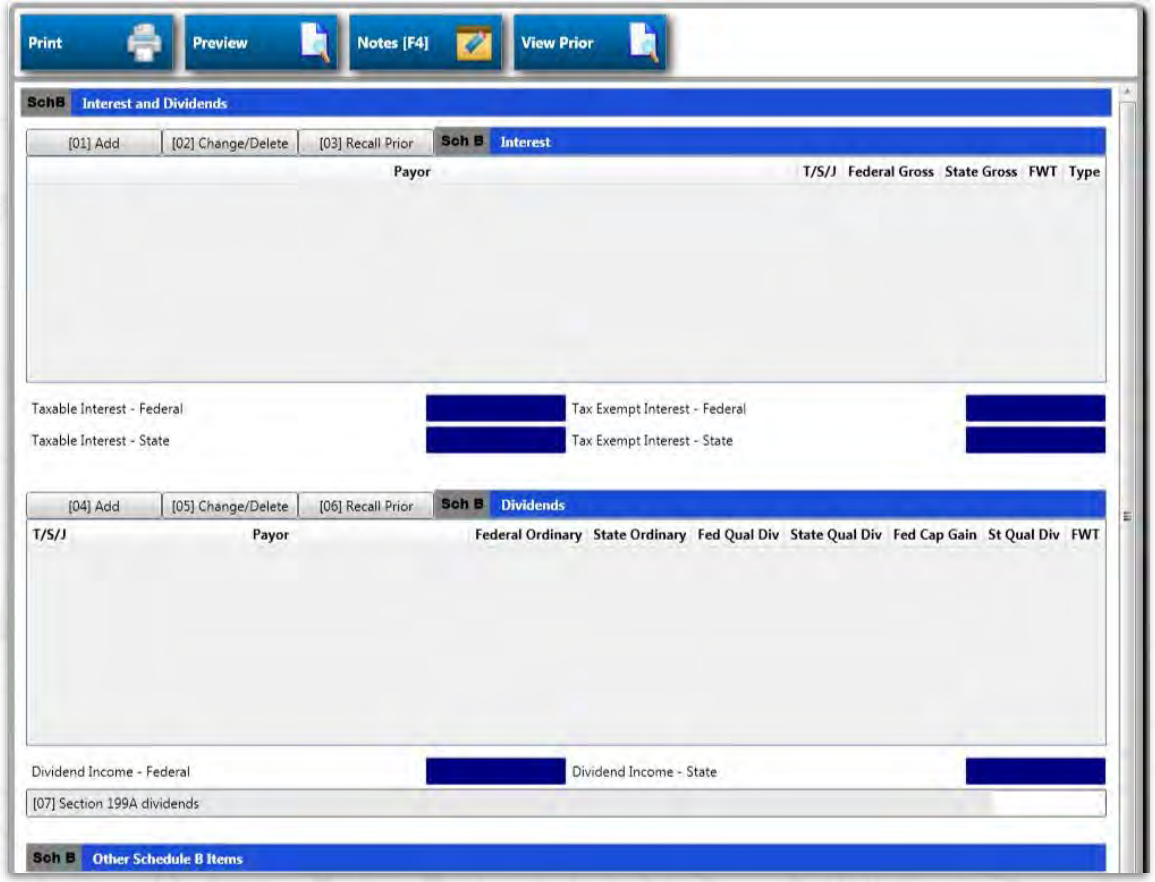
- W-2s
- 1099R
- W-2G
- 1099-Misc
- 1099-NEC

Schedule A



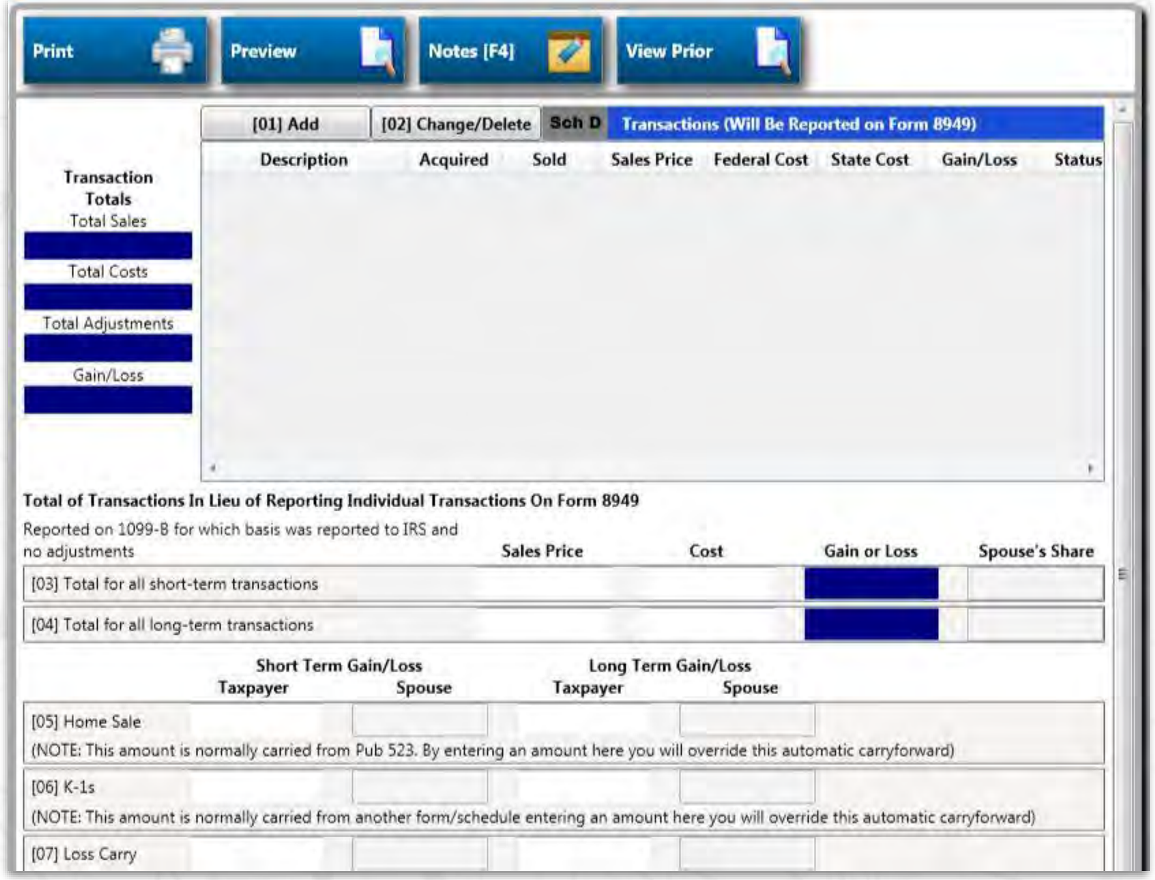
- Medical
- Taxes
- Interest
- Contributions
  - 8283
- Miscellaneous

Schedule B



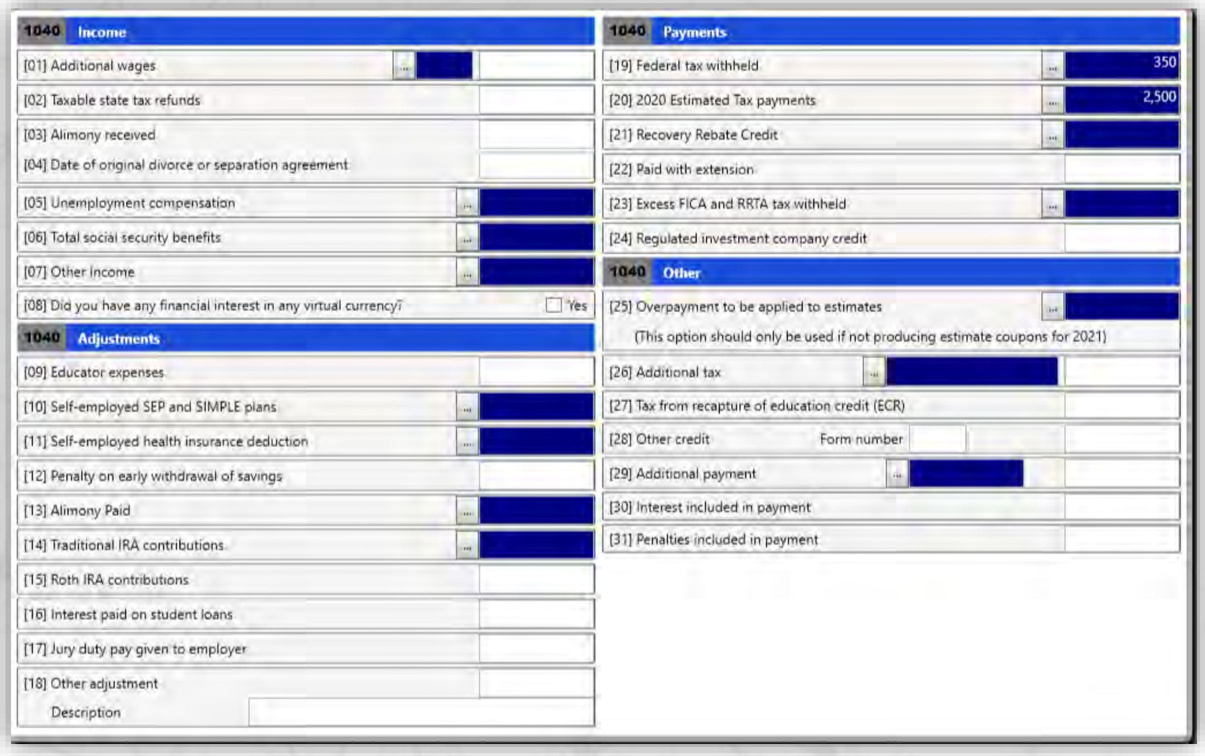
- **Interest**
- **Dividends**
  - **199A Dividends**

Schedule D



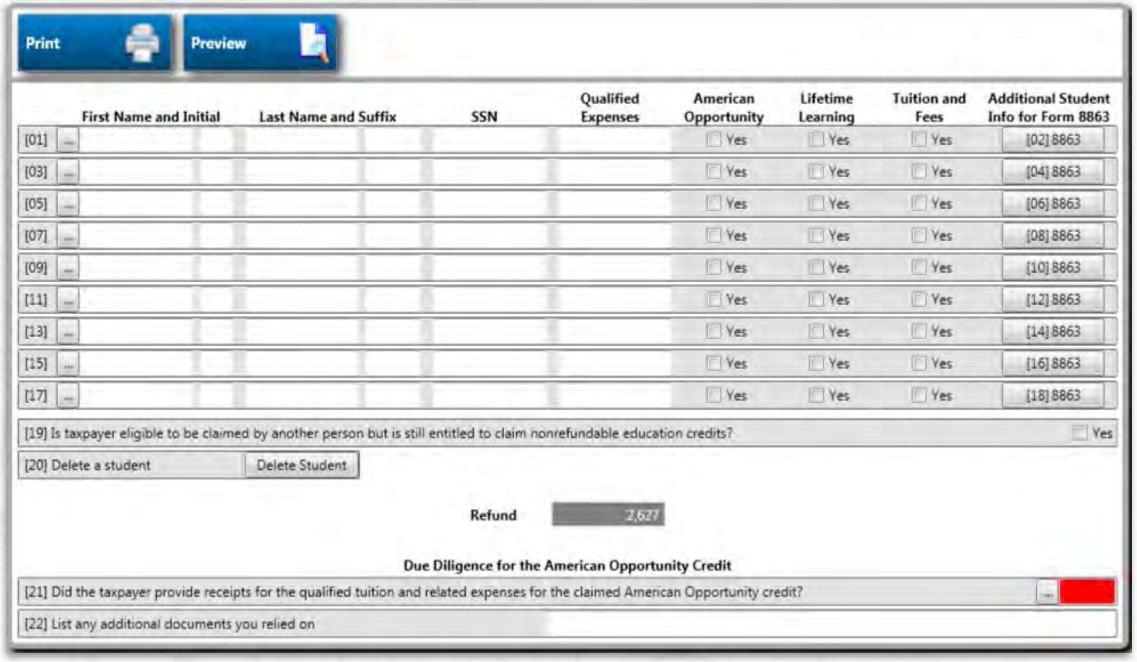
- **8949 Transactions**
  - **Adjustment Codes**
- **Summarized Transactions**

Other Inc/Adj/Payments


1040 Income
[01] Additional wages
[02] Taxable state tax refunds
[03] Alimony received
[04] Date of original divorce or separation agreement
[05] Unemployment compensation
[06] Total social security benefits
[07] Other Income
[08] Did you have any financial interest in any virtual currency? Yes
1040 Adjustments
[09] Educator expenses
[10] Self-employed SEP and SIMPLE plans
[11] Self-employed health insurance deduction
[12] Penalty on early withdrawal of savings
[13] Alimony Paid
[14] Traditional IRA contributions
[15] Roth IRA contributions
[16] Interest paid on student loans
[17] Jury duty pay given to employer
[18] Other adjustment
Description
1040 Payments
[19] Federal tax withheld 350
[20] 2020 Estimated Tax payments 2,500
[21] Recovery Rebate Credit
[22] Paid with extension
[23] Excess FICA and RRTA tax withheld
[24] Regulated investment company credit
1040 Other
[25] Overpayment to be applied to estimates
(This option should only be used if not producing estimate coupons for 2021)
[26] Additional tax
[27] Tax from recapture of education credit (ECR)
[28] Other credit Form number
[29] Additional payment
[30] Interest included in payment
[31] Penalties included in payment

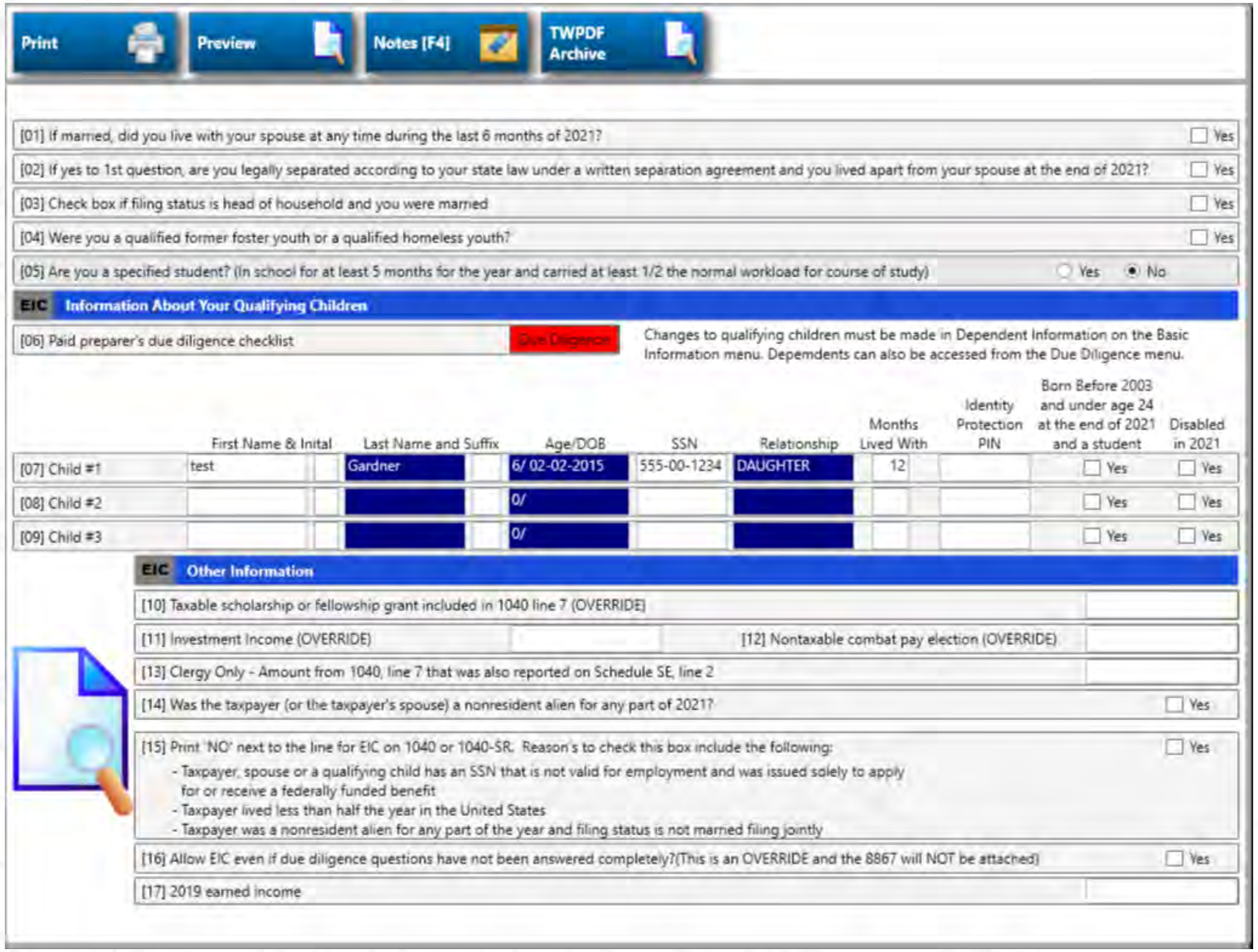
- Income
  - Unemployment 1099-G
- Adjustments
  - Alimony
- Payments
  - Estimated Tax Payments
  - Recover Rebate Credit
- Other
  - Additional Tax/Payments
  - Interest & Penalties

Education Credits (8863)



- American Opportunity vs Lifetime Learning
  - Qualifications
- Additional Due Diligence

Earned Income Credit



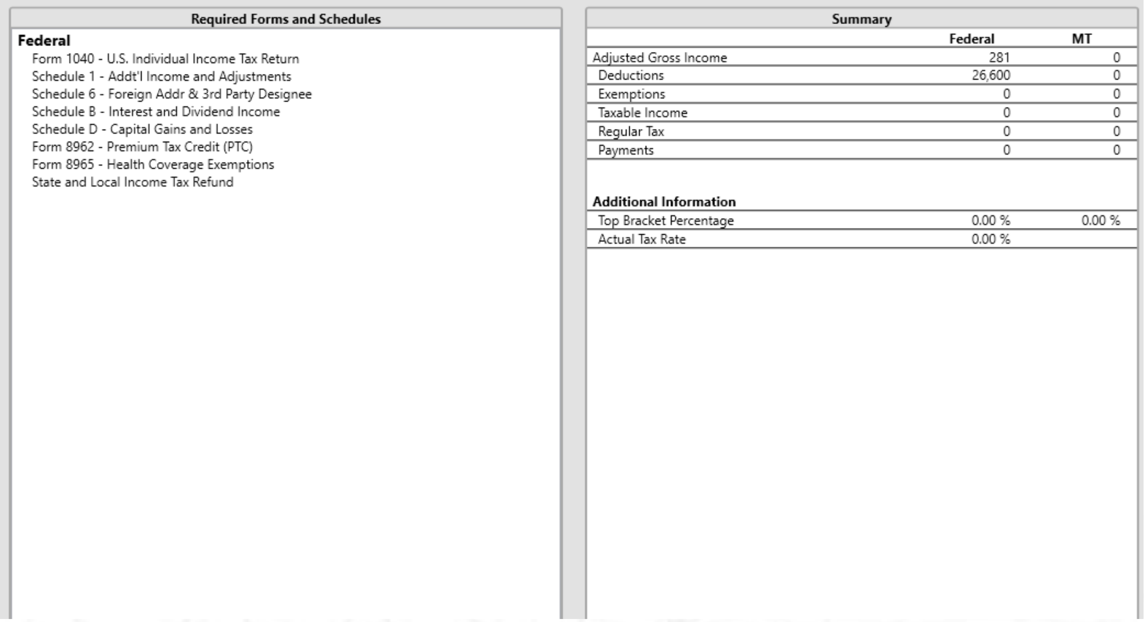
- Qualifications
- Due Diligence
  - Quicker Fill
  - Recall From Prior

Summary Menu

Topics covered in this section:

- Reports and Diagnostics
  - Validity Checks
- Print Options
- States
- Direct Deposit/Electronic Payment
- Billing Information
- E-File
- Amendments (1040X)

Reports and Diagnostics



Required Forms and Schedules

Federal

Form 1040 - U.S. Individual Income Tax Return
Schedule 1 - Addt'l Income and Adjustments
Schedule 6 - Foreign Addr & 3rd Party Designee
Schedule B - Interest and Dividend Income
Schedule D - Capital Gains and Losses
Form 8962 - Premium Tax Credit (PTC)
Form 8965 - Health Coverage Exemptions
State and Local Income Tax Refund

Summary

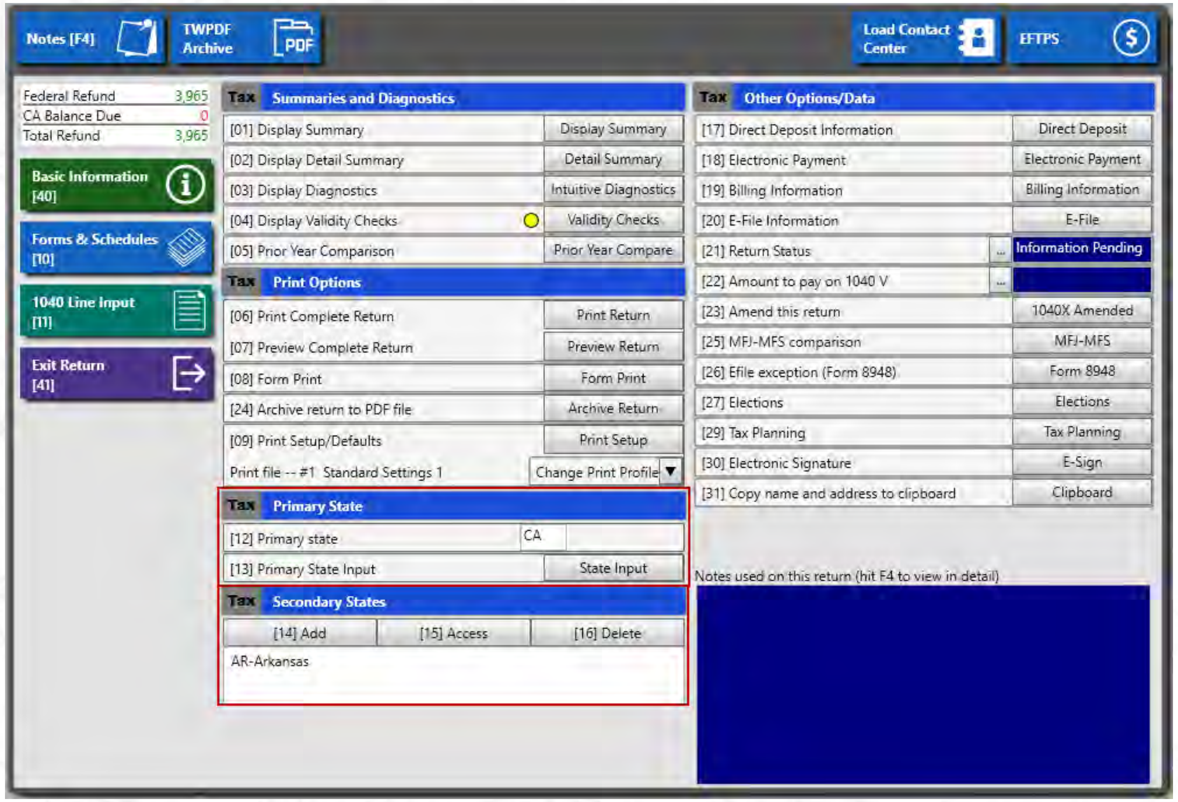
	Federal	MT
Adjusted Gross Income	281	0
Deductions	26,600	0
Exemptions	0	0
Taxable Income	0	0
Regular Tax	0	0
Payments	0	0

Additional Information

	Federal	MT
Top Bracket Percentage	0.00 %	0.00 %
Actual Tax Rate	0.00 %	

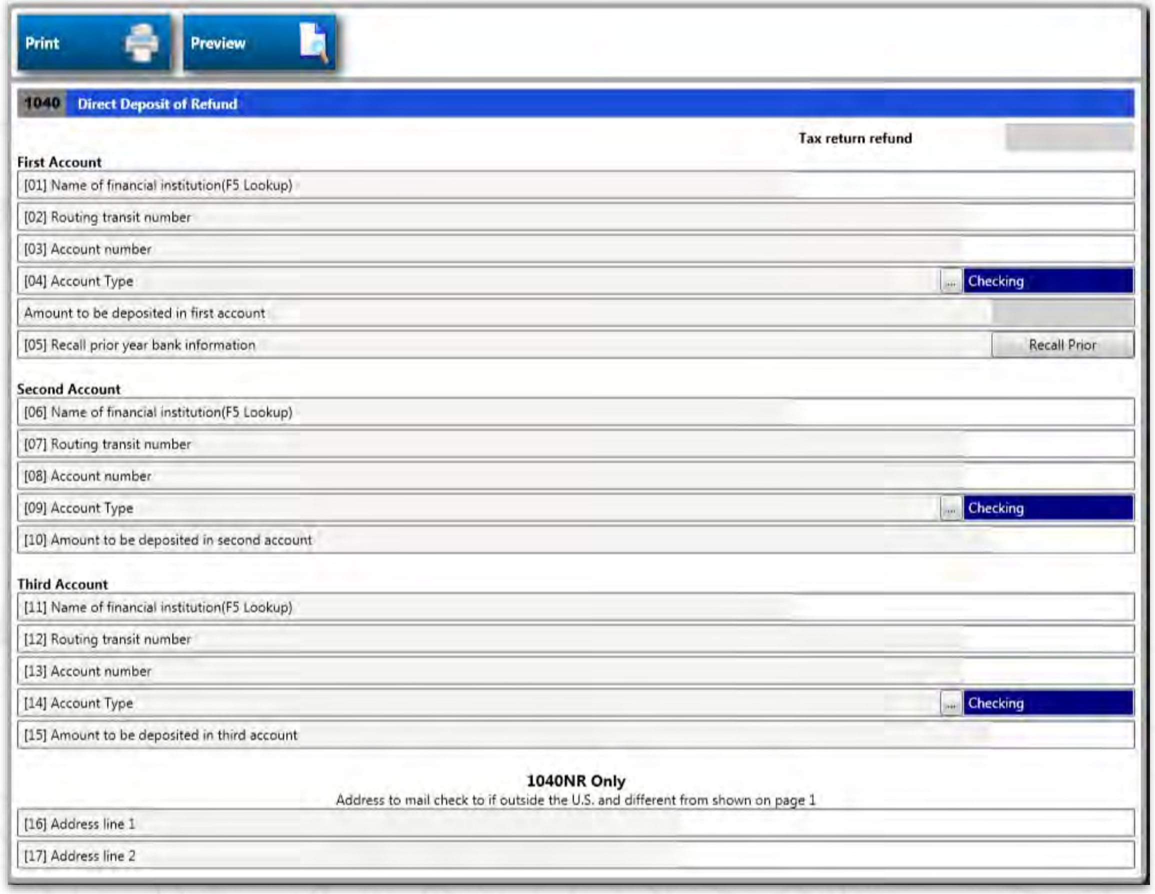
- **Summary Report**
- **Detailed Summary Report**
- **Intuitive Diagnostics**
- **Validity Checks**

States



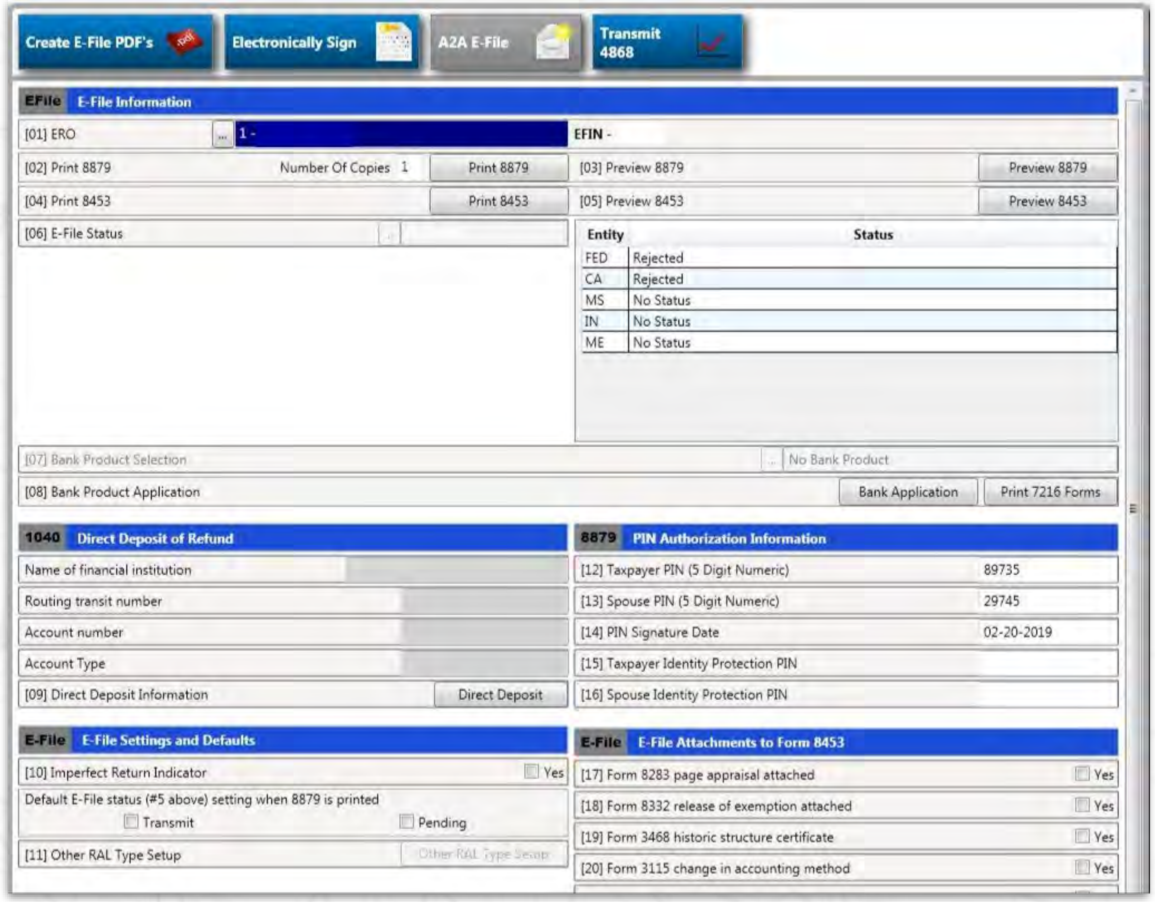
- State Selection
  - Adding Additional States
- Carrying Options
  - Carry
  - Don’t Carry
  - Zero Out and Carry

Direct Deposit and Electronic Payments



- Direct Deposit
  - Bank Lookup
  - Bank Product
- Electronic Payments

E-File Information



- **E-File Signature (8879)**
- **Entity Status**
- **Bank Applications**
- **Pin and Date Information**
- **8453 Attachments**

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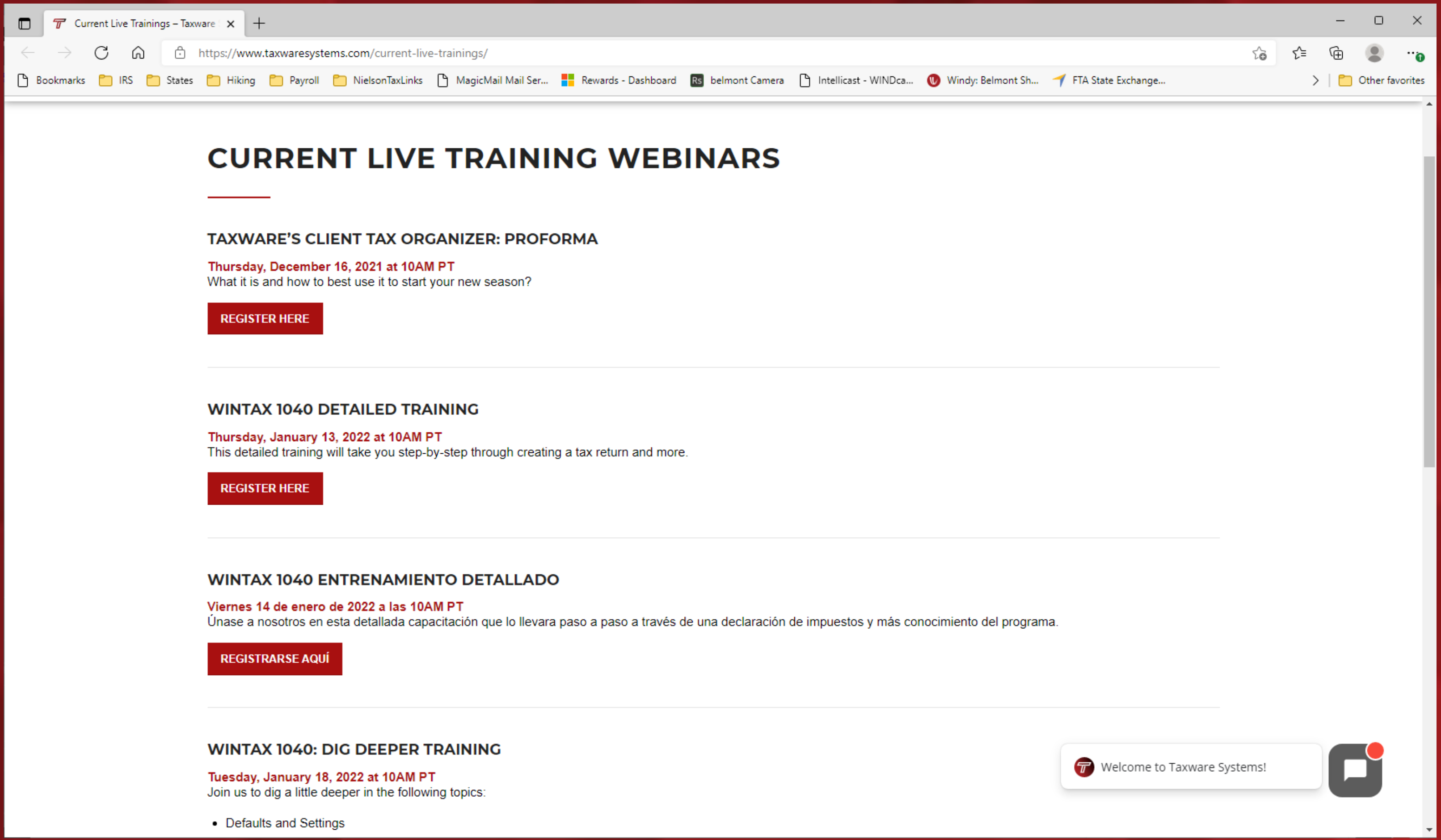
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Join us to dig a little deeper in the following topics:

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