**First Thursday Notes**

**April 1, 2021**

**Webinars**

Please check [Webinars for Tax Practitioners](https://www.irs.gov/businesses/small-businesses-self-employed/webinars-for-tax-practitioners) for updates

**Links to Discussion Items –**

<https://www.irs.gov/coronavirus/coronavirus-and-economic-impact-payments-resources-and-guidance>

<https://www.irs.gov/newsroom/irs-to-recalculate-taxes-on-unemployment-benefits-refunds-to-start-in-may>

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

<https://www.irs.gov/newsroom/irs-extends-additional-tax-deadlines-for-individuals-to-may-17>

**Stakeholder Liaison Discussion Items –**

Doug –

[***Q D2. Errors: Will the IRS figure the credit for me on my 2020 tax return? What happens if I claim an incorrect amount? (added February 5, 2021)***](https://www.irs.gov/newsroom/2020-recovery-rebate-credit-topic-d-calculating-the-credit#collapseCollapsible1616449539471)

A2. If you’re eligible, you’ll need to file a 2020 tax return and claim the Recovery Rebate Credit, even if you aren’t required to file a tax return. Line 30 on Form 1040 and 1040-SR is new this year for the Recovery Rebate Credit. To avoid refund delays, you must file a complete and accurate return.

The IRS will not calculate the Recovery Rebate Credit for people but if you make a mistake on the Line 30 amount, the IRS will calculate the correct amount of the Recovery Rebate Credit, make the correction to your tax return and continue processing your return. If a correction is needed, there may be a slight delay in processing your return and the IRS will send you a notice explaining any change made.

To calculate and claim the Recovery Rebate Credit, you’ll need the amounts of any Economic Impact Payments that you received. You can view the amounts of your first and second Economic Impact Payments through your [online account](https://www.irs.gov/payments/view-your-tax-account). Visit [Secure Access: How to Register for Certain Online Self-Help Tools](https://www.irs.gov/individuals/secure-access-how-to-register-for-certain-online-self-help-tools) for more information about how to create an account or how to reset your username or password. You can also refer to Notice 1444, Your Economic Impact Payment, which shows the amount of the first EIP and the IRS is mailing Notice 1444-B, Your Second Economic Impact Payment, which shows the amount of the second EIP.

[File electronically](https://www.irs.gov/filing/e-file-options) and the tax software will help you figure your Recovery Rebate Credit. Visit [IRS.gov/filing](https://www.irs.gov/filing) for details about [IRS Free File](https://www.irs.gov/filing/free-file-do-your-federal-taxes-for-free), [Free File Fillable Forms](https://www.irs.gov/e-file-providers/free-file-fillable-forms), [free VITA or TCE  tax preparation sites](https://www.irs.gov/individuals/irs-free-tax-return-preparation-programs) in your community or finding a [trusted tax professional](https://www.irs.gov/tax-professionals/choosing-a-tax-professional). The Recovery Rebate Credit Worksheet in the [Form 1040 and Form 1040-SR instructions](https://www.irs.gov/forms-pubs/about-form-1040) can also help determine if you are eligible for the credit and the amount to enter on line 30.

The fastest way to get your tax refund that will include your Recovery Rebate Credit is to [file electronically](https://www.irs.gov/filing/e-file-options) and have it [direct deposited](https://www.irs.gov/refunds/get-your-refund-faster-tell-irs-to-direct-deposit-your-refund-to-one-two-or-three-accounts) - contactless and free - into your financial account. You can use a bank account, prepaid debit card or mobile app for your direct deposit and will need to provide routing and account numbers.

Cathye –

IR-2021-71

<https://www.irs.gov/newsroom/irs-to-recalculate-taxes-on-unemployment-benefits-refunds-to-start-in-may>

**IRS to recalculate taxes on unemployment benefits; refunds to start in May**

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

**Higher Education Emergency Grants Frequently Asked Questions**

Sections 3504, 18004, and 18008 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted on March 27, 2020, allow higher education institutions to use certain funds allocated by the Department of Education to support students and higher education institutions with expenses and financial needs related to the coronavirus (COVID-19) pandemic.

Section 3504 of the CARES Act allows higher education institutions to use additional supplemental educational opportunity grant funds they receive through the Higher Education Act to award emergency financial aid grants to support undergraduate and graduate students experiencing "unexpected expenses and unmet financial need" as the result of the COVID-19 pandemic.

Section 18004 of the CARES Act directs the Secretary of Education to allocate funds out of the Higher Education Relief Fund to higher education institutions to directly support students facing urgent needs related to the COVID-19 pandemic, and to support institutions as they cope with the immediate effects of the COVID-19 pandemic, including school closures. These funds may be used:

1. to defray the institutions' expenses, including lost revenues and payroll for employees and
2. for "emergency financial aid grants to students for expenses related to the disruption of campus operations due to the COVID-19 pandemic (including eligible expenses under a student's cost of attendance, such as food, housing, course materials, technology, health care, and child care)."

Recipient higher education institutions must pay no less than 50 percent of these funds to students as emergency financial aid grants.

Section 18008 of the CARES Act directs the Secretary of Education to allocate additional funds to Howard University and Gallaudet University to directly support students facing urgent needs related to the COVID-19 pandemic, and to support these institutions as they cope with the immediate effects of the COVID-19 pandemic, including school closures. These funds may be used:

1. by the institutions to help defray their expenses and
2. for "grants to students for expenses directly related to" the COVID-19 pandemic and for expenses "caused by the disruption of university operations" resulting from the COVID-19 pandemic.

Section 277 of the COVID-related Tax Relief Act (COVID Relief Act), enacted as Subtitle B of Title II of Division N of the Consolidated Appropriations Act, 2021, Pub. L. 116-260, 134 Stat.1182 (December 27, 2020), provides that a student does not include in gross income the emergency financial aid grants awarded to him or her under section 3504 or 18004 of the CARES Act, or any other financial aid grant from a Federal agency, State, Indian tribe, institution of higher education, or scholarship-granting organization (including a tribal organization) for the purpose of providing financial relief to students enrolled at institutions of higher education in response to a qualifying emergency, as defined in section 3502(a)(4) of the CARES Act. Section 3502(a)(4) of the CARES Act defines a qualifying emergency as an event related to the COVID-19 pandemic. In addition, section 277 of the COVID Relief Act provides that for purposes of the Lifetime Learning Credit, American Opportunity Tax Credit, or the amount of a tuition and fees deduction, a student does not reduce an amount of qualified tuition and related expenses by the amount of an emergency financial aid grant.

Alan –

IR 2021-67

<https://www.irs.gov/newsroom/irs-extends-additional-tax-deadlines-for-individuals-to-may-17>

**State Partners Discussion Items -**

**Minnesota - Mark Krause. MN homepage:** [**https://www.revenue.state.mn.us**](https://www.revenue.state.mn.us)

1. Our filing due date has a grace period through May 17th. Penalties and interest will not be applied until after that date. The first quarter estimated payment due date remains the same.
2. We have updated Schedule M1NC to activate line 7 for the unemployment compensation exclusion add back. We issued guidance on last Thursday. Since we made that change, we also updated the worksheets for line 31 for social security income and IRA deductions. Some preparers reported issues with the calculations so those have been corrected. The new form is on our website but it may take time before your software has been updated. We are working on an email message to provide guidance on what to look for to make sure your software is working correctly. **REMINDER:** Do not use any workarounds to get your software to do something that has not yet been updated. For example, don't put the UCE on line 22 if line 7 isn't working yet.
3. Now that we officially know the IRS is adjusting returns due to UCE, just a reminder that this will not affect the bottom line on Minnesota. However, we must be notified within 6 months of any federal changes or an amended return needs to be filed. If you receive an adjustment letter and we don’t know what the tax bill includes yet, we suggest waiting. We will provide more guidance once we know more.
4. PPP FAQs have been posted on our website.

**Iowa – Kurt Konek**. IA homepage: [**https://tax.iowa.gov/**](https://tax.iowa.gov/)

**Wisconsin – Nate Weber.** WI homepage [**https://www.revenue.wi.gov**](https://www.revenue.wi.gov)

Wisconsin DOR has the following guidance on its website:

* 2020 Income Tax Deadlines Extended - <https://www.revenue.wi.gov/Pages/TaxPro/2021/IncomeTaxDeadlineExtended.aspx>

2020 Unemployment Compensation Treatment - <https://www.revenue.wi.gov/Pages/TaxPro/2021/news-2021-ARP-Impact.aspx>

**Kansas - Carl York**. KS homepage [**https://www.ksrevenue.org/**](https://www.ksrevenue.org/)

**Nebraska – Fran Krejci.** NE homepage [**https://revenue.nebraska.gov/**](https://revenue.nebraska.gov/)

**North Dakota – Liliya Montgomery.** ND homepage [**https://www.nd.gov/tax/**](https://www.nd.gov/tax/)

**Missouri – Kim Gorman.** MO homepage [**https://dor.mo.gov/**](https://dor.mo.gov/)

**Illinois – Maribeth Oliver.** IL homepage [**https://www.illinois.gov**](https://www.illinois.gov/)

The Illinois Department of Revenue has chosen to follow the IRS with extension date for payments to May 17, 2021.  This does not extend the April 15, 2021 estimated payment due date.  That will remain the same.  We have issued 2 bulletins explaining both of these topics in more detail.  FY 2021-16 explains the extended due date and FY 2021-17 explains how to calculate estimated payments if you haven’t filed your 2020 return by April 15, 2021.

The Department is also not going to require taxpayers to add back in the $10,200 of Unemployment that the Feds are allowing.  Please refer to our website at [www.tax.illinois.gov](http://www.tax.illinois.gov) for further instructions on how to handle this based on how you have or haven’t filed your 2020 returns yet.

Due to change in filing deadline the Department has also adjusted our extended phone line hours to:

Friday May 14, 2021 8:00 a.m.-7:00 p.m.

Monday May 17, 2021 7:30 a.m.-7:00 p.m.

**Chat, Voice Questions and Tax Professional Issues:**

1. Q. Any change coming to move 1st quarter Estimated Tax payment due 4/15/2021? Many pointed out that there are issues coming up with a good estimate without completing the 2020 F1040. There were other issues related Estimated Tax Payments raised, but the bottom line is in the answer below.
2. 1st quarter Estimated Tax payment due 4/15/2021. No additional information is available.
3. For more information on Estimated Tax Payments see IRS Publication 505.

<https://www.irs.gov/pub/irs-prior/p505--2020.pdf>

1. Q. Tax Pros are getting a lot of Questions from Clients about EIP payments.
2. Clients should **not** be calling (800) 829-1040 –
3. It has been elevated for the IRS to do a National Webinar to discuss EIP1, 2 and 3 and to address the most common questions.
4. Q. Premium Tax Credit – Rules were changed with the recent legislation
5. Current Guidance issued –
6. Q. Is the Form 709 filing deadline extended as is Form 1040?
7. This news release announced Form 1040 extended. No news release has extended Form 709.

IR-2021-59, [Tax Day for individuals extended to May 17: Treasury, IRS extend filing and payment deadline](https://www.irs.gov/newsroom/tax-day-for-individuals-extended-to-may-17-treasury-irs-extend-filing-and-payment-deadline).

1. Q. Parents of 19 year old getting EIP3?
2. Link to IRS.GOV then text

<https://www.irs.gov/newsroom/questions-and-answers-about-the-third-economic-impact-payment-topic-b-eligibility-and-calculation-of-the-third-payment>

[***Who’s considered a qualifying dependent for the third Economic Impact Payment? (added March 26, 2021)***](https://www.irs.gov/newsroom/questions-and-answers-about-the-third-economic-impact-payment-topic-b-eligibility-and-calculation-of-the-third-payment#collapseCollapsible1617995469725)

If you can be claimed as a dependent on someone else’s 2020 tax return, then you cannot claim a dependent on your tax return. You are also not eligible for the third Economic Impact Payment.

The third payment includes up to an additional $1,400 for each dependent you claim on your 2020 tax return (or your 2019 return if a 2020 return has not been filed or processed) with a valid SSN or Adoption Taxpayer Identification Number issued by the IRS. A valid SSN for the third Economic Impact Payment is one that is issued by the Social Security Administration before the due date of your tax return (including an extension to October 15 if you request it).

**A child is your qualifying child if the following conditions are met:**

* **Relationship to the individual who’s eligible for the payment:** The child is your son, daughter, stepchild, eligible foster child, brother, sister, stepbrother, stepsister, half-brother, half-sister, or a descendant of any of them (for example, grandchild, niece, or nephew).
* **Child's age:** The child was:
	+ under age 19 at the end of the tax year,
	+ under age 24 at the end of the tax year, a student, and younger than you, or
	+ any age and permanently and totally disabled.
* **Child's citizenship:** The child’s a U.S. citizen, U.S. national, U.S. resident alien, or a resident of Canada or Mexico.
* **Child's residency:** The child lived with you for more than half of the tax year.
* **Support for child:** The child didn’t provide over half of his or her own support for the tax year.
* **Child's tax return:** The child doesn’t file a joint return for the year (or files it only to claim a refund of withheld income tax or estimated tax paid).

**A person is your qualifying relative if the following conditions are met:**

* The person can't be your qualifying child or the qualifying child of any other taxpayer.
* The person either is related to you in one of several ways or lived with you all year as a member of your household (and your relationship must not violate local law).
* The person is a U.S. citizen, U.S. national, U.S. resident alien, or a resident of Canada or Mexico.
* The person's gross income for the year must be less than $4,200 for 2019 tax returns or $4,300 for 2020 tax returns. (Exceptions exist if the person is disabled.)
* You must provide more than half of the person's total support for the year. (Exceptions exist for multiple support agreements, children of divorced or separated parents, and parents who live apart.)
* The person doesn’t file a joint return for the year (or files it only to claim a refund of withheld income tax or estimated tax paid).
1. Q. What is the status of the IRS Mail Backlog?

A.

[***Sent a Missing Form or Document (updated January 13, 2021)***](https://www.irs.gov/newsroom/irs-operations-during-covid-19-mission-critical-functions-continue#collapseCollapsible1617817143342)

There’s a high volume of tax returns with missing schedules needed to claim or reconcile credits. We’re opening mail within our normal timeframes, but it’s taking us longer to process it.

**How long you may have to wait:** We’re processing all responses in the order received. The current delay is more than 60 days.

**What you should do:** If you have provided us the information, you don’t need to do it again. We’re working through all taxpayer replies on a first-come, first-served basis. We appreciate your patience.

.

**Department of Revenue**

Fran Krejci Nebraska Department of Revenue

Mark Krause Minnesota Department of Revenue

Nate Weber Wisconsin Dept of Revenue

Kurt Konek Iowa Department of Revenue

Liliya Montgomery North Dakota Office of State Tax Commissioner

Kim Gorman Missouri Department of Revenue

Maribeth Oliver Illinois Department of Revenue

**Internal Revenue Service**

|  |  |  |  |
| --- | --- | --- | --- |
| **Name** | **Email** | **Location** | **States covered** |
| Alan Gregerson | Alan.J.Gregerson@irs.gov | MN | MN, ND, SD, IA |
| Brian Wozniak | Brian.Wozniak@irs.gov | OR | OR |
| Cathye Mason | Cathye.S.Mason@irs.gov | OR | OR, WA, AK |
| Doug Blade | Douglas.Blade@irs.gov | IL | IL, MO, KS |
| Jody Stamback | Jody.K.Stamback@irs.gov | UT | UT, ID |
| John Blakeman | John.W.Blakeman@irs.gov | OR | OR, AK |
| Kathleen Fox | Kathleen.M.Fox@irs.gov  | KS | KS, MO, NE |
| Kristen Hoiby, Area 6 Manager  |   | WA | Pacific NW, Rocky Mountain, Midwest |
| Mike Mudroncik | Michael.J.Mudroncik@irs.gov | IL | IL, WI |
| Neki Cox | Neki.M.Cox@irs.gov  | CO | WY, MT, CO |

**Next Call**

**The next call will be on May 6, 2021.** We’ll send out the Zoom.GOV link closer to that date.

Meetings are one hour long. Come when you can, leave when you must.

Thank you to everyone who attended. We appreciate your time and input.