

TAX CREDITS, TAX PREPARATION, & ITINS

IMPACT OF THE COVID-19 PANDEMIC ON FEDERAL BASED TAX CREDITS



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OVERVIEW

Federal Tax Credits (Family)

Tax Preparation Services

ITINS

Resources

FEDERAL EARNED INCOME TAX CREDIT

FEDERAL TAX CREDIT
THAT HELPS LOW TO
MODERATE-INCOME
WORKERS AND
FAMILIES REDUCE
TAXES OWED AND
INCREASE THEIR
REFUNDS

FEDERAL EARNED INCOME TAX CREDIT

Who Qualifies?

- Individuals with work authorized social security numbers.
- U.S. citizens or resident aliens.
- Have earned income within the given tax years income limitations.
- and meet filing status requirements and investment limitations within the given tax year.

How Credit is Claimed

- Individuals who meet eligibility requirements and who file a tax return receive a “credit” against taxes owed, which may produce a refund if the credit amount exceeds the taxes owed.
- The credit is fully refundable.

Credit Amount

- The maximum amount of credit for Tax Year 2021 is:
 - \$1,502.00 with no qualifying children.
 - \$3,618.00 with one qualifying child.
 - \$5,980.00 with two qualifying children
 - \$6,728.00 with three or more qualifying children.

Things to Know

- The increase in credit amounts is only for tax year 2021.
- You may now qualify for the EITC if you are married but filing separately.
- The amount of investment income was increased to 10,000.00. In 2020, the limit was \$3,650.00.



CHILD TAX CREDIT

FEDERAL TAX CREDIT
AVAILABLE FOR
FAMILIES WITH
CHILDREN UNDER THE
AGE OF 17 THAT
REDUCES TAXES
OWED AND
INCREASES REFUNDS

CHILD TAX CREDIT DURING COVID-19 PANDEMIC

Pre-2021 Rules Relating to CTC

- Established by the Tax Cuts and Jobs Act (TCJA) in 2017
 - Allowed taxpayers to claim a credit of up to \$2,000 for an individual taxpayer's qualifying child under the age of 17.
 - Credit adjusted based on income.
 - Child was required to be a U.S. citizen.
 - Taxpayers could receive up to \$1,400 as a tax refund if the credit exceeded taxes owed.

2021 Rules Relating to CTC

- The American Rescue Plan, increased the CTC amount for 2021 tax year period.
- Taxpayers may now claim up to \$3,600 for children under the age of 6 and up to \$3,000 for children ages 6 to 17.
 - Credit adjusted based on income
 - Child must be a US Citizen with a work authorized social security number.
 - Low-income families qualify for additional child credits regardless of how much they earn.
 - The CTC is fully refundable. Meaning the \$1400 refundable cap was eliminated.
- CTC will revert to pre-2021 levels in 2022

ADVANCED CHILD TAX CREDIT PAYMENTS IN 2021



Changes made to the Child Tax Credit for 2021 allow qualifying families to get an advanced payment of the credit:

- Payments began in July of 2015
- Qualifying taxpayers received \$300 a month between July 2021 and December 2021 for a qualifying child of 5 years or younger and \$250 per month for a child ages 6 to 17 years of age.
- The remaining half of the total credit is claimed when a 2021 income tax return is filed in April of 2022.



Who Qualified for Advanced Payments?

- Families with qualifying income who filed a 2019 or 2020 tax return and claimed the CTC; or
- Families who updated the IRS in 2020 or 2021 utilizing the Non-Filer portal.
- Must have lived in the U.S. for more than half the year and have a child under the age of 18 with a work authorized social security number.



TAX PREPARATION SERVICES

TAX PREPARATION

FREE FILING RESOURCES

- IRS FREE FILE
- FREE TAX USA
- VOLUNTEER INCOME TAX ASSISTANCE CENTER (VITA)
- TAX COUNSELING FOR THE ELDERLY (TCE)
- TAX-AIDE SITE LOCATOR

FREQUENTLY ASKED TAX PREP QUESTIONS

- MISSING W-2
- SETTLEMENTS AND TAXES
- UNEMPLOYMENT INSURANCE

TIPS

- E-FILE IF POSSIBLE
- Gather all necessary records and documents, such as W-2's, 1099-MISC, 1099-INT, 1099-G, 1099-NEC, etc.
- Filing a 2021 return, even if you don't have to, could put money in your pocket.
- Reconcile advance Child Tax Credit Payments. (File a 2021 return if you received these payments)
- Tax return still being processed? File your 2021 tax return. If you are filing electronically, make sure to enter \$0 dollars for last years AGI on the 2021 tax return

Things to Know

- Filing season began January 24, 2022.
- Tax Day is April 18, 2022.
- Filing extensions are not automatic. Request a filing extension until October 15, 2022. Make sure to pay any taxes owed by April 18, 2022.
- \$12,550 is the minimum income, triggering a 2021 filing requirement if you are single. \$25,100, if you are married filing jointly and \$18,800 if you are head of household. Please see the resources page for the chart, as amounts may vary based on age.



ITINS

ITINS

APPLICATION PROCESS

- Must complete a Form W-7 along with a federal income tax return (VITA sites can assist!);
- Take these documents, together with ID documents (passport, etc.) to an IRS Taxpayer Assistance Center.

RENEWING AN ITIN

- Any ITIN that is not used on a federal tax return for 3 consecutive years must be renewed;
- In order to renew, file a Form W-7 - there is no need to attach a tax return or provide ID documents.

WHY GET AN ITIN?

- Law requires us to pay taxes, regardless of status;
- Useful in certain immigration proceedings (could assist in pathway to citizenship);
- Filing and paying taxes can help establish physical presence in US;
- Filing taxes will enable folks to access tax credits

PRIVACY CONCERNS

- ITINs and the information obtained by the IRS/FTB as a result of issuing ITINs is confidential taxpayer information for which disclosure by the IRS/FTB to other governmental agencies, including ICE, private entities, or citizens is strictly prohibited, except in very narrow circumstances (subpoenas in criminal proceedings);
- The government - both state and federal - care far more about getting your money than they do about your status!

ITINS

WORRIED ABOUT OWING?

- Still file tax return with Form W-7! We can work with your clients and members to arrange for:
 - Installment Agreement;
 - Offer in Compromise;
 - Currently Not Collectible

FEDERAL TAX CREDITS

- American Opportunity Credit -\$2,000.00 for each eligible child.
- Child Tax Credit - \$2,500.00 dollars and can help reduce educational expenses to attend college.

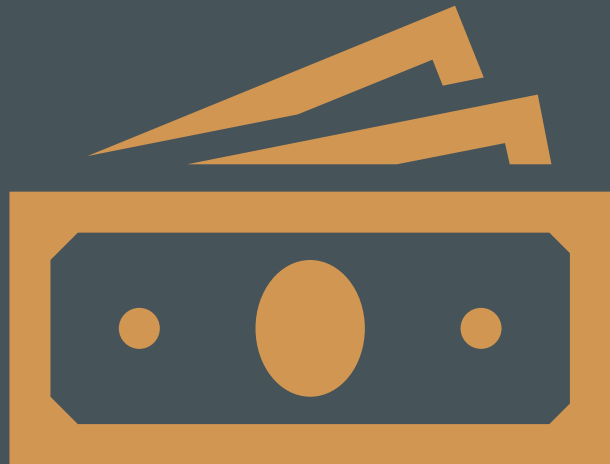
STATE SPECIFIC TAX CREDITS

- CAL EITC
- YCTC
- GOLDEN STATE STIMULUS

THINGS TO KNOW

- You cannot receive tax credits without your ITIN!
- Time frame- the IRS is incredibly backed up and is taking longer than normal to process ITINS. Apply ASAP! As it can take more than 6 months for processing.
- Avoid mailing in your original documents. Utilize a TAC center or a CAA.

RESOURCES



Statistics for Tax Returns with EITC: <https://www.eitc.irs.gov/eitc-central/statistics-for-tax-returns-with-eitc/statistics-for-tax-returns-with-eitc>

EITC Qualifications: <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/do-i-qualify-for-earned-income-tax-credit-eitc>

Qualifying Child Rules: <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/qualifying-child-rules>

Qualifying Child of More than one Person: <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/qualifying-child-of-more-than-one-person>

Special EITC Rules: <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/special-eitc-rules>

Disability and the EITC: <https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/disability-and-earned-income-tax-credit>

When can I expect my refund? <https://www.irs.gov/individuals/refund-timing>

Where is my refund? <https://www.irs.gov/refunds>

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

Child Tax Credit: <https://www.taxpolicycenter.org/briefing-book/what-child-tax-credit>

Advance Child Tax Credit Payments: <https://www.irs.gov/credits-deductions/advance-child-tax-credit-payments-in-2021>

Child Tax Credit Non-Filer Sign-up Tool: <https://www.irs.gov/credits-deductions/child-tax-credit-non-filer-sign-up-tool>

Child Tax Credit Update Portal: <https://www.irs.gov/credits-deductions/child-tax-credit-update-portal>

COVID-19 Economic Relief: <https://home.treasury.gov/policy-issues/coronavirus>

California Earned Income Tax Credit: <https://www.ftb.ca.gov/forms/2020/2020-3514-instructions.html>

Golden State Stimulus: <https://www.ftb.ca.gov/about-ftb/newsroom/golden-state-stimulus/index.html>

IRS FREE FILE RESOURCES <https://www.irs.gov/newsroom/resources-to-help-you-prepare-your-tax-return-and-resolve-tax-disputes>

2021 Child Tax Credit FAQ: <https://www.irs.gov/pub/newsroom/fs-2022-06.pdf>

Filing information: <https://www.irs.gov/pub/irs-pdf/p501.pdf>

IRS Free File: <https://apps.irs.gov/app/freeFile/>

Free Tax USA

https://www.freetaxusa.com/?CMP=105&gclid=EAlalQobChMIg5jSt6PM7wIVzMDACh0rvwizEAAYASAAEgPgPPD_BwE

Volunteer Income Tax Assistance Center (VITA) <https://irs.treasury.gov/freetaxprep/>

Tax Counseling for the Elderly (TCE) <https://irs.treasury.gov/freetaxprep/>

Child Tax Credit Filing Tool: <https://www.getctc.org/en>

Do I need to File a Tax Return? <https://www.irs.gov/help/ita/do-i-need-to-file-a-tax-return>

Filing information: <https://www.irs.gov/pub/irs-pdf/p501.pdf>
