

Checkpoint Contents

Federal Library

Federal Editorial Materials

PPC's Five-Minute Tax Briefing

2021

March 23, 2021—No. 2021-06

PPC

Five-Minute Tax Briefing[®]
March 23, 2021
No. 2021-06

Highlights

American Rescue Plan Act Enacted: On 3/11/21, President Biden signed the American Rescue Plan Act of 2021 (P.L. 117-2), which provides for \$1.9 trillion in relief funds. In addition to the expansion of some personal credits and unemployment exclusions, the bill provides \$1,400 (\$2,800 for eligible individuals filing a joint return) plus \$1,400 for each dependent of the taxpayer. The credit will be ratably phased out between \$150,000 and \$160,000 of AGI for joint filers, \$112,500 and \$120,000 for heads of household, and \$75,000 and \$80,000 for all other taxpayers. The credit rebate is treated as an overpayment on the 2019 return (or 2020, if that return has been filed). The bill adds \$300 to extended weekly unemployment payments through 9/6/21 and extends the employee retention credit from 6/30/21 to 12/31/21. The paid sick and family leave credits are extended from 3/31/21 to 9/30/21. Additional funds have been allocated to the Paycheck Protection Program (PPP); however, the application period has not been extended and remains 3/31/21 (although separate legislation could change this). For more information, see NTA-1141 in this issue.

Federal Tax Relief for Individuals: The IRS announced that the federal income tax filing due date for individuals for the 2020 tax year will be automatically extended from 4/15/21 to 5/17/21. Individual taxpayers also can postpone federal income tax payments for the 2020 tax year due on 4/15/21 to 5/17/21 without penalties and interest regardless of the amount owed. This postponement applies to individual taxpayers, including individuals who pay self-employment tax.

Penalties, interest, and additions to tax will begin to accrue on any remaining unpaid balances as of 5/17/21. Additional time for filing beyond 5/17/21 can be requested by filing an extension until 10/15/21 on Form 4868. Note that this relief does not apply to estimated tax payments that are due on 4/15/21. The IRS will provide formal guidance in the coming days. News Release IR 2021-59 .

Instructions on Reporting New Unemployment Exclusion:The American Rescue Plan Act of 2021 (ARPA), enacted on 3/11/21, excludes from income up to \$10,200 of unemployment compensation paid by states and the federal government [as reported on Form 1099-G (Certain Government Payments)] in 2020 if modified Adjusted Gross Income (AGI) is less than \$150,000. If married, each spouse receiving unemployment compensation may exclude up to \$10,200. If modified AGI is \$150,000 or more, unemployment income cannot be excluded. Instructions for Schedule 1, Form 1040 , line 7, are updated to reflect this exclusion for taxpayers who have not filed their 2020 tax return. The Unemployment Compensation Exclusion Worksheet should be used to figure the exclusion and the amount to enter on Schedule 1, lines 7 and 8. For those who received unemployment benefits in 2020 and have already filed their 2020 tax return, the IRS emphasizes they should not file an amended return until additional guidance is issued. See www.irs.gov/faqs/irs-procedures/forms-publications/new-exclusion-of-up-to-10200-of-unemployment-compensation for more information.

Other Current Releases

Applicable Federal Rates for April:The Section 7520 rate for April 2021 is 1.0%, while the Applicable Federal Rates (AFRs) are as follows (Rev. Rul. 2021-7):

	Annual	Semiannual	Quarterly	Monthly
Short-term (≤ 3 years)	0.12%	0.12%	0.12%	0.12%
Mid-term (> 3 years but ≤ 9 years)	0.89%	0.89%	0.89%	0.89%
Long-term (> 9 years)	1.98%	1.97%	1.97%	1.96%

Income Tax—Improper Domestic Production Activities Deduction (DPAD) Refund

Claims:The IRS has issued an alert concerning amended returns and claims for the DPAD under IRC Sec. 199, which was repealed as part of the Tax Cuts and Jobs Act (TCJA) for tax years after 12/31/17. In wake of the repeal, the IRS has received a wave of questionable amended returns and claims for tax benefits in the billions of dollars. A large majority of the filings involve taxpayers claiming the DPAD based on studies conducted after the fact containing unreasonable assumptions of facts and law. In September 2018, an audit campaign was announced to risk assess claims and amended returns under repealed IRC Sec. 199. In July 2020, the IRS issued a General Legal Advice Memorandum (AM 2020-007) to address examples of meritless Section 199 online software activity. Taxpayers and their advisors should ensure that documentation supports their position and should expect the IRS to impose appropriate penalties unless the taxpayer establishes reasonable cause. News Release IR 2021-45 .

IRS Announces National Virtual Settlement Days (VSDs):The IRS declared the month of March 2021 as "National Settlement Month." VSD events will be conducted by every Chief Counsel office across the country and will serve taxpayers in all 50 states and the District of Columbia. Settlement Days events are coordinated efforts to resolve cases in the U.S. Tax Court by providing taxpayers who are not represented by counsel with the opportunity to receive free tax advice from Low Income Taxpayer Clinics, American Bar Association volunteer attorneys, and other pro bono organizations. Taxpayers also can discuss their Tax Court cases and related tax issues with members of the Office of Chief Counsel and the IRS Independent Office of Appeals. If settlement is reached, IRS Collection personnel will be available to discuss potential payment alternatives. Participation is available through multiple avenues, including invitation. News Release IR 2021-61 .

Procedure—Denial of Passport Constitutional:IRC Sec. 7345, enacted by the Fixing America's Surface Transportation Act (FAST Act), was designed to increase tax compliance. If the IRS certifies that an individual has a seriously delinquent tax debt, the Secretary of State may deny, revoke, or limit a passport. A *seriously delinquent tax debt* is debt greater than \$50,000 and must be assessed by the IRS. Craig Jones presented a motion for summary judgment when he was unable to renew his passport due to his federal tax liability (totaling \$404,928.24). The IRS certified the debt and informed Jones he was "ineligible to receive passport services." Jones did not dispute the debt, but requested a summary judgment on the constitutionality of IRC Sec. 7345 . The court denied summary judgment, concluding that IRC Sec. 7345 is constitutional. According to the Court, there is a rational basis for the provision as the government has a legitimate interest in collecting seriously delinquent tax debt. *Craig Jones*, 127 AFTR 2d 2021-XXXX (DC GA).

Procedure—New Information on Filing Form 1040-X:The IRS has released the 2020 revision of Form 1040-X (Amended U.S. Individual Income Tax Return) and its instructions. The revision contains new information about e-filing and mailing the form. E-filing is available for amending 2019 and 2020 returns that were originally e-filed and will result in faster processing and refunds. However, an amended return for tax year 2019 or 2020 also can be filed on paper. Instructions for mailing and correct addresses can be found in the Form 1040-X instructions. If the taxpayer is amending a return in response to an IRS notice, the return should be mailed to the address in the notice. The IRS also notes that all addresses must have three full lines of text to meet USPS mailing requirements. For more information, see www.irs.gov/Form1040X and www.irs.gov/filing/amended-return-frequently-asked-questions .

Procedure—Tax Relief for Victims of Louisiana Winter Storms:The IRS has provided tax relief for those in all 64 Louisiana parishes affected by winter storms. The relief postpones various tax filing and payment deadlines that occurred starting on 2/11/21. Affected individuals and businesses now have until 6/15/21 to file returns and pay any taxes that were originally due during the relief period. This includes (1) 2020 individual and business tax returns and related payments normally due on 4/15/21 (including 2020 IRA contributions); (2) various business returns due on 3/15/21; (3) tax-exempt organization returns due on 5/17/21; (4) quarterly estimated income tax payments due on 4/15/21; and (5) quarterly payroll and excise tax returns normally due on 4/30/21. In addition,

penalties on payroll and excise tax deposits due on or after 2/11/21 and before 2/26/21 will be abated, as long as the deposits were made by 2/26/21. News Release LA 2021-02.

© 2021 Thomson Reuters/PPC. All rights reserved.

END OF DOCUMENT -

© 2021 Thomson Reuters/Tax & Accounting. All Rights Reserved.