



Tax Changes from a Forms Perspective Tax Year 2021

November 2021



Tax Changes from a Forms Perspective Tax Year 2021

Objectives

- Knowledge of major income tax changes for individual taxpayers for tax year 2021
- Knowledge of major employment tax changes for tax year 2021
- Knowledge of major tax form changes from 2020 to 2021
- Knowledge of new tax forms for tax year 2021



Tax Changes from a Forms Perspective Tax Year 2021

Information on Changes to Tax Forms

- Drafts of tax forms, instructions, and some publications are posted at [IRS.gov/DraftForms](https://www.irs.gov/DraftForms) before the final release is posted at [IRS.gov/LatestForms](https://www.irs.gov/LatestForms)
- 500+ “Product pages” ([IRS.gov/Form1040](https://www.irs.gov/Form1040), [IRS.gov/W4](https://www.irs.gov/W4), etc.) provide links and show any changes that impact the product after its initial final release; those changes are also at [IRS.gov/FormChanges](https://www.irs.gov/FormChanges)
- All revisions of all tax products can be viewed and downloaded at [IRS.gov/AllForms](https://www.irs.gov/AllForms)



Tax Changes from a Forms Perspective Tax Year 2021

Recent Tax Laws

- Consolidated Appropriations Act, 2021
 - PL 116-260
 - Enacted December 27, 2020

- American Rescue Plan Act (ARP)
 - PL 117-2
 - Enacted March 11, 2021



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Consolidated Appropriations Act, 2021

- Division N – COVID-related Tax Relief Act of 2020
- Division EE – Taxpayer Certainty and Disaster Tax Relief Act of 2020



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Taxpayer Certainty and Disaster Tax Relief Act of 2020

- Reduction in medical expense deduction floor
- Increase maximum adjusted gross income for the Lifetime Learning Credit
- Temporary full deduction for certain business meals
- Charitable contributions deductible by non-itemizers
- Temporary carryover/extended claims period for health FSAs and dependent care assistance programs



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Extenders

- Energy-related provisions
 - Nonbusiness energy property
 - Alternative fuel vehicle refueling property credit
 - Energy efficient homes credit
- Mortgage insurance premiums as qualified residence interest
- Exclusion for discharge of qualified principal residence debt
- Health coverage tax credit



Disaster Tax Relief

- Special rule for use of retirement funds
- Special casualty loss rules
- Employee retention credit for employers affected by disaster



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American Rescue Plan

- Enhanced credits:
 - Child Tax Credit
 - Child and Dependent Care Credit
 - Earned Income Credit



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Child and Dependent Care Credit

- Dollar limit amount increased to \$8,000 for one qualifying person and \$16,000 for two or more qualifying persons.
- Increased credit rate and income phaseout amounts
- Refundable in 2021 for most taxpayers
- Increased the maximum exclusion amount for employer-provided dependent care benefits to \$10,500



What's new about the CTC in 2021? American Rescue Plan Act (ARPA)...

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- 1. Raises the maximum qualifying age**
- 2. Increases the maximum credit amount**
- 3. Makes the credit fully refundable**
- 4. Removes the minimum income requirement**
- 5. Provides advance payments**



Eligibility for the newly expanded CTC

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**United States
Residence**



**Taxpayer
Identification
Number –
Filer**



**2021 Modified
Adjusted
Gross Income**



**Qualifying
Child**





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Child Tax Credit

- Extended qualifying child to under age 18
- Credit increase to \$3,000 per child (\$3,600 for under age 6)
- New phaseout amount for additional credit amounts
- Refundable in 2021 for most taxpayers
- Creates an advanced child tax credit payment



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Earned Income Tax Credit

- Expansion for taxpayers with no qualifying children
- Increase investment income to \$10,000
- Rules for separated spouses
- Use of 2019 earned income for 2021 calculation



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Employment Tax Changes

- Extension and modification of employee retention credit
- Sick and family leave credit
- COBRA premium assistance credit



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Major tax form changes

- Schedule 8812 (Form 1040), Credits for Qualifying Children and Other Dependents
- Form 461, Limitation of Business Losses
- Form 2441, Child and Dependent Care Expenses
- Form 7202, Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals
- Form 8962, Premium Tax Credit



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Schedule 1 (Form 1040), Additional Income and Adjustment to Income

- Line for other income expanded:
 - Line 8 has been expanded to lines 8a to 8p and 8z
 - Added line 9 for total other income
- Added new lines in Part II:
 - Added line 23 for Archer MSA deduction
 - Lines 24a to 24k and 24z added for Other Adjustments
 - Added line 25 for total other adjustments



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New Products List

- Form 9000, Alternative Media Preference
- Schedule K-2 (Form 1065, 1120-S and 8865)
- Schedule K-3 (Form 1065, 1120-S and 8865)
- Schedule B (Form 1116), Foreign Tax Carryover Reconciliation Schedule
- Schedule C (Form 1116), Foreign Tax Redeterminations



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New Products List

- Form 8453-TE, Tax Exempt Entity Declaration and Signature for Electronic Filing
- Form 8879-TE, IRS e-file Signature Authorization for a Tax Exempt Entity



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Additional Resources

- [IRS.gov/Coronavirus](https://www.irs.gov/Coronavirus), [IRS.gov/EmploymentTaxes](https://www.irs.gov/EmploymentTaxes)
- [IRS.gov/DraftForms](https://www.irs.gov/DraftForms), [IRS.gov/AllForms](https://www.irs.gov/AllForms)
- [IRS.gov/FormChanges](https://www.irs.gov/FormChanges), [IRS.gov/FormsUpdates](https://www.irs.gov/FormsUpdates)
- FAQs (links at [IRS.gov/Form941](https://www.irs.gov/Form941) and [IRS.gov/Coronavirus](https://www.irs.gov/Coronavirus))
- [IRS.gov/MyLanguage](https://www.irs.gov/MyLanguage)



COVID-19 Scams

- **Cybercriminals have attempted to exploit COVID-19 concerns by using it as their “bait” in phishing scams**
- **Cybercriminals pose as government agencies with “urgent” messages promising help**



Internal Revenue Service Does Not:

- **Call Demanding Payment and Making Threats of jail or lawsuits**
- **Demand payment via gift, debit, or iTunes cards**
- **Send unsolicited e-mails about refunds**
- **Request login credentials, Social Security Numbers or other sensitive information**
- **irs.gov/phishing**



- **Phone, e-mail, and texts impersonating Internal Revenue Service employees**
- **"As the holiday season and tax season approach, everyone should remember to take basic steps to protect themselves"**
 - **IRS Commissioner Chuck Rettig**



Signs of Client Data Theft

Client e-filed returns begin to reject;

Clients who haven't filed tax returns begin to receive authentication letters (5071C, 4883C, 5747C) from the IRS;

Clients who haven't filed tax returns receive refunds;



Signs of client data theft (cont.)

Clients/Practitioners receive tax transcripts that they did not request;

Clients who created an IRS Online Services account are notified that their account was accessed or disabled

Another variation: Clients receive notice that an account was created in their names



Thank You