# Taxes: FAQ's

FILING DEADLINE EXTENDED TO MAY 17, 2021.

Filing income tax returns in 2021 might be more challenging than in past years. Here are some things that are different – and tips to meet the challenge. This will be updated during the tax season as more information becomes available.

The IRS is delaying the start of the 2020 tax filing season to February 12, according to an announcement from the agency. That is the first day the IRS will start accepting and processing last year's tax returns. Normally, the agency opens tax season in late January. This year, however, the IRS will need more time to prepare after the Covid relief act that took effect in late December. The tax filing deadline has been extended to May 17, 2021.

- You can request an extension from the IRS (File an Extension for Free), but if you owe money on your taxes you will end up paying interest.
- If you are getting a refund, you can file late but you just won't get your tax return money until you do. In fact, taxpayers who are owed refunds have up to 3 years to file their returns without penalty. If you don't file taxes, the IRS will hold the refund for up to 4 years; after that, they will keep the money.

**Tax Preparation Assistance**

Many people have used tax preparation assistance programs before. These programs have adjusted their plans due to the COVID-19 epidemic.

- *Tax-Aide* (a partnership program supported by both the AARP Foundation and the IRS) will probably not offer any in-person appointments in 2021. People are encouraged to explore free options such as myfreetaxes.com com or Free E-File through the IRS.
- *Volunteer Income Tax Assistance* (VITA) program is supported by the IRS and helps taxpayers in many communities in South Dakota. VITA is open to low-income taxpayers (less than $54,000 annually), and a variety of special needs individuals and families at no cost. Each location will determine if it is safe to have in-person appointments, and that will be subject to change as they monitor the COVID-19 epidemic trends in their areas. They also offer virtual assistance and drop-off services.

**Filing on Your Own?** The IRS has a list of Electronic Filing Options for Individuals. Visit https://www.irs.gov/filing/e-file-options.

**Issues Specific to 2021 Filing**

- *Stimulus Checks* – Both rounds of stimulus money that were sent out by the federal government during 2020 to help individuals during the COVID-19 epidemic are considered Refundable Tax Credits, not taxable income. This will help reduce your tax bill and might even turn a bill into a tax refund. An example would be, if you owe $1,000 in taxes but had a refundable tax credit of $1,200, you would get a $200.00 tax refund!
  - If for some reason you did not receive your stimulus payments during 2020 and are owed them, you can get it this year when you file your returns.
- *Unemployment Funds* – The first $10,200 of unemployment benefits received in 2020 are not subject to federal taxes this year. If you received more than $10,200 from unemployment payments during 2020 and did not request federal tax withholding on them, you will be require to pay the taxes on them. You should receive a Form 1099-G, Certain Government Payments that will show the amount you received and any tax that was withheld. You will report this along with your W-2 income.
  - If you filed your tax return before the American Rescue Plan Act was passed by Congress and signed by President Biden (March 11, 2021) and you had federal taxes withheld from unemployment payments, the IRS will refigure your taxes using the excluded unemployment compensation amount and adjust your account accordingly. The IRS will send any refund amount directly to you. You do not need to file an amended form. For complete information on how your unemployment benefits might affect your return, please visit the IRS for details.

**Get Ready…**

Whether you choose to use one of the assistance programs, or complete your return yourself, gather the following documents before you get started. You will need:

- Social Security numbers and birth dates for everyone associated with your return (if you are getting help with your form, you will need to bring the Social Security cards for each person as well as your photo ID)
- Last year's tax return (Don't have it? You can call (800) 908-9946 for a transcript or go online to the IRS)
- All federal income tax related documents like W-2's, 1099's, Health Insurance Statements, any forms marked as "Tax Information".
- Any documents or receipts for credits (ie: dependent care expenses, education expenses)
- Any information on deductions if you will itemize your return.

**Get Set…**

Determine which form is the best one to use, given your specific situation (or the volunteer at the assistance program will do this for you). It may be the same as last year's, but if you've had any changes over the past twelve months, a different form might be best. Some other things to remember:

- Make sure all Social Security numbers entered on the form are correct
- Review the income, deductions, credits and other information for accuracy. A misplaced decimal point can make a world of difference!
- Sign and date the form, or add an electronic signature

**Go…**

Before mailing or filing electronically, print and/or save a copy of this year's form – you'll need it next year! And be sure to keep copies of your returns for 3 years after the original filing (or 2 years from paying if you were late).

- **Deadline**: the deadline for filing your return is usually on or around April 15. However, this deadline may be extended to accommodate holidays or extreme weather conditions.
  - You can request an extension from the IRS (File an Extension for Free), but if you owe money on your taxes you will end up paying interest.
  - If you are getting a refund, you can file late but you just won't get your tax return money until you do. In fact, taxpayers who are owed refunds have up to 3 years to file their returns without penalty. If you don't file taxes, the IRS will hold the refund for up to 4 years; after that, they will keep the money.

If you can't pay what you owe, it is still better to file your return by the deadline. Penalties are much more expensive if you don't file. If you can't pay, contact IRS for payment plan options. You will still have fees attached, but they will cost you less than not filing.

For more information on tax preparation assistance, call 211 or search our online database:

- www.helplinecenter.org/211database
  - Try the following keyword search terms:
    - Federal Income Tax Information
    - Tax Preparation Assistance
    - Tax Appeals Filing Assistance
    - Taxpayer Advocate Services

**Sources**

- Internal Revenue Service

- Taxes – Find Law

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