

Status of the 2020 Unemployment Compensation Exclusion Corrections

Remember way back in early March 2021, Congress changed the rules on taxation of unemployment compensation benefits for calendar year 2020. Briefly, the change made unemployment compensation benefits nontaxable up to \$10,200 per taxpayer, with a \$150,000 modified AGI limitation. Millions of tax returns had already been filed.

Very shortly after the law change, IRS announced it would review returns previously filed and IRS would automatically make the change. We were advised NOT to amend returns for this unless there was some other reason to file an amended return, such as now being eligible (due to lower AGI) to claim a credit that was not claimed on the original return.

Last spring IRS announced it had corrected over 11 million of these returns. IRS also stated it would begin correcting those more complex returns that reported unemployment income.

NOW IRS has announced it has completed the corrections. The report states IRS corrected 14 million returns and issued 12 million refunds totaling \$14.7 billion. Some taxpayers received refunds, while others had the overpayment applied to taxes due or other debts. IRS will mail a letter to affected taxpayers to inform them of the corrections, generally within 30 days from when the corrections were completed.

Since IRS has completed its correcting of affected returns, it is time for tax professionals to again become involved. If you have a client who was entitled to a refund of taxes paid due to this change AND your client did not receive their proper refund, an amended return is proper. We suggest you obtain a transcript of the taxpayer's account for the 2020 income tax return before you prepare an amended return. It is possible your client received the refund and doesn't remember it, so checking the account transcript may save you amending a return that doesn't need amending.

The IRS information mentioned above can be found on [irs.gov](https://www.irs.gov) site by searching or "IRS Operations During COVID-19: Mission-critical functions continue"

We wish everyone a Merry Christmas, a Happy New Year, and a successful tax season.

This text has been shared courtesy of: David & Mary Mellem, EAs & Ashwaubenon Tax Professionals, 920-496-1065, fax 920-496-9111, ataxprof.com.

We ask that no reproduction of this article take place without the express written consent of Ashwaubenon Tax Professionals, 2140 Holmgren Way, Suite 1040, Green Bay, WI 54304.

We do not sell, give, or in any way share email addresses with anyone. If you would like to be removed from our email list, send us an email to that effect or use the word UNSUBSCRIBE in the SUBJECT line.