

Welcome to Thursday Tax Topics!

APRIL 8, 2021





Contact Information

Kristine Tidgren
Center for Agricultural
Law & Taxation
ktidgren@iastate.edu
www.calt.iastate.edu
[@CALT_IowaState](https://twitter.com/CALT_IowaState)

Today

- Thanks for joining this inaugural session!
 - Want this to be a useful time for you. During tax season, I will focus on recent updates and most common questions I am hearing. We will have time for **QUESTIONS** and **DISCUSSION**.
 - Would like **feedback** and **input** on topics you'd like to discuss.
 - We will record and post to TaxPlace.
 - You are **BUSY** and we want to be a valuable resource to you during this time.

Discussion

- Deadline Update
- Recovery Rebate Credit Update
- Unemployment Exclusions Update
- New Healthcare Options Are Here
- No APTC Repayment in 2020: What to Do?
- PPP Running Out
- ERC – New Guidance
- New Small Business Aid



Deadline Update

Limited Federal Delay to May 17

- On March 30, IRS issued Notice 2021-21, explaining the delay a little further:
 - Deadline for first quarter estimated payments **has not changed (still due April 15)**!
 - Applies to all versions of the Form 1040 and all schedules and returns filed as attachments to the Form 1040.
 - Any election required to be made on a timely filed Form 1040 is timely if made by May 17.
 - Delay **DOES** extend to contribution deadlines for IRA, ROTH IRA, HSA, Archer MSA, and Coverdell ESA.
 - Forms 5498 are now due June 30 (not June 1)
 - Claim for refund due April 15 is delayed through May 17

Questions?

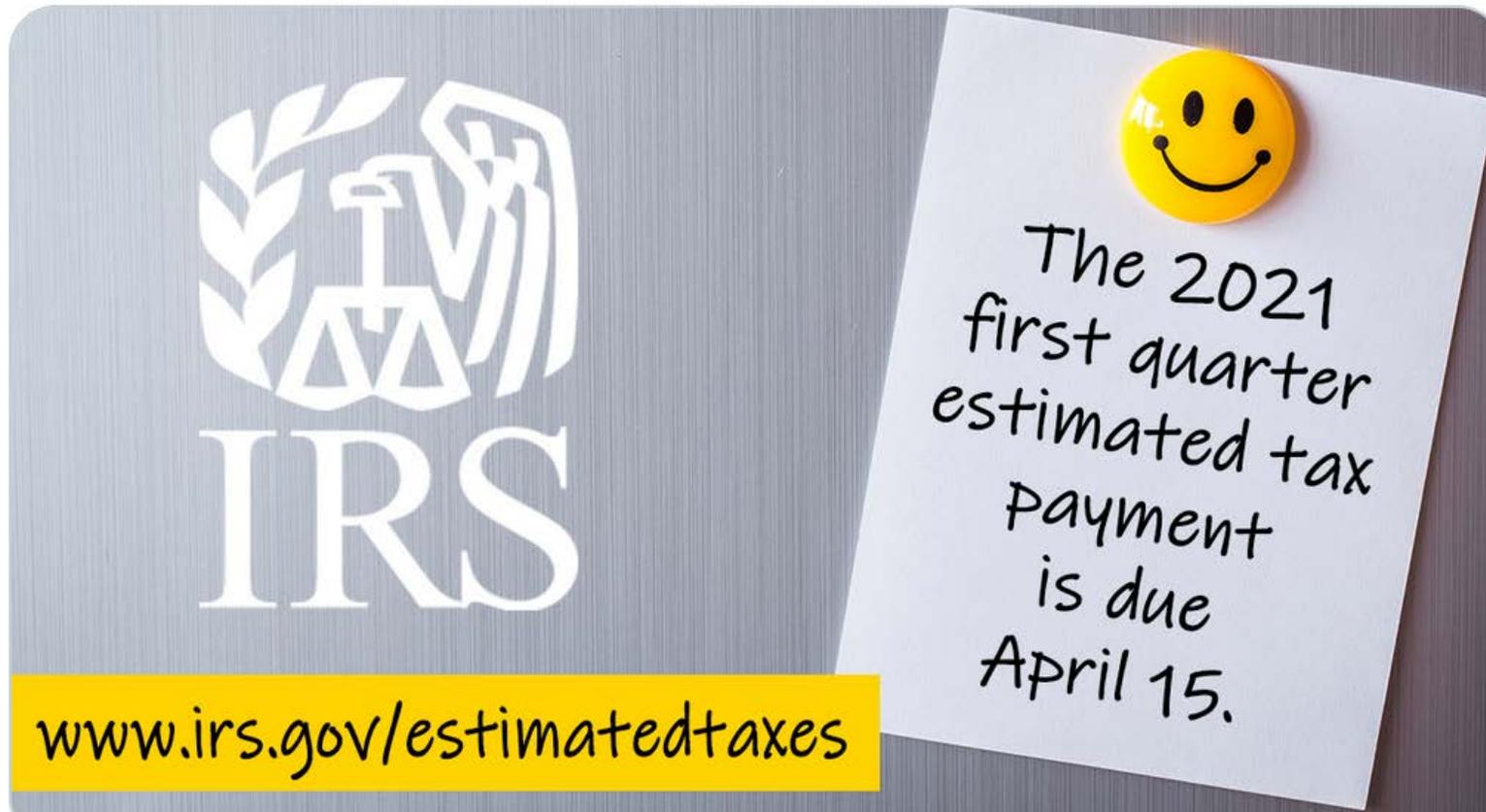
- Does this apply to Form 709s?
 - No. Form 709 deadline is automatically extended if you request an extension (more time to file)
- Why doesn't relief cover estimated tax payments?
 - Rettig: Those are mostly paid by high earners?!?!?!?
- Great article by Ed Zollars: **Can a Taxpayer Apply an Extension Payment in 2021 That Results in an Overpayment to the First Quarter Estimated Tax Payment for 2021?**

IRS Digging In...(This Morning)



IRSnews  @IRSnews · 2m

#IRS reminder: Quarterly estimated tax payment due April 15. See:
go.usa.gov/xHg9W



www.irs.gov/estimatedtaxes

Iowa Delay until June 1

- On March 29, Iowa Department of Revenue announced that it was extending the filing and payment deadline from April 30 to June 1 for individual taxpayers.
 - Unlike the federal extension, this delay applies to individual income tax returns **and *first quarter estimated income tax payments for individuals.***
 - *Form 1040 and all associated schedules and forms.*



Recovery Rebate Considerations

The Latest Deceased Taxpayer News...

- If a **first payment** was made to someone who died *prior to January 1, 2020*, it should be returned to the IRS by following the instructions.
 - Eligible individuals who **died in 2020**, the Recovery Rebate Credit may be claimed on line 30 of their 2020 tax return if the first Economic Impact Payments were not issued.

The Latest Deceased Taxpayer News...

▪ Second payment FAQ:

⊖ Will a deceased individual receive the payment? (updated March 25, 2021)

A payment wasn't issued to someone who has died before January 1, 2020. If you filed a joint return in 2019 and your spouse died before January 1, 2020, you weren't issued a second payment for your deceased spouse, but may have been issued up to \$600 for you and \$600 for any qualifying children, if all other eligibility criteria were met.

Regarding eligible individuals who died in 2020, the Recovery Rebate Credit may be claimed on line 30 of their 2020 tax return. Please refer to the [instructions for the 2020 Form 1040 and Form 1040-SR](#)  for more information.

The Latest Deceased Taxpayer News...

▪ Third payment FAQ:

⊖ Will a deceased individual receive the payment? (added March 26, 2021)

A payment won't be issued for someone who has died before January 1, 2021. If you filed a joint return in 2020 and your spouse died before January 1, 2021, the decedent will not be included in the calculation of the third payment. You as the surviving spouse, if eligible, will be issued up to \$1,400 for you and \$1,400 for any qualifying dependents.

Recovery Rebate Errors Auto Corrected

- If there's a mistake with the credit amount on Line 30 of the 1040, the IRS will calculate the correct amount, make the correction and continue processing the return. If a correction is needed, there may be a slight delay in processing the return and the IRS will send the taxpayer a notice explaining any change.
- Here are some common reasons the IRS corrected the credit:
 - The individual was claimed as a dependent on another person's 2020 tax return.
 - The individual did not provide a Social Security number valid for employment.
 - The qualifying child was age 17 or older on January 1, 2020.
 - Math errors relating to calculating adjusted gross income and any EIPs already received.

Unemployment Update



Calculating Modified AGI – March 24 Guidance

- Unemployment compensation is **excluded** from **MAGI** for purposes of the \$150,000 limit.
- **MAGI** (for this purpose) =
 - Add together the following:
 - Lines 1 through 7 of Form 1040
 - Schedule 1, lines 1 through 6
 - Other Income on Line 8, Schedule 1 (don't reduce by unemployment)
 - Subtract the sum of Schedule 1, line 22 deductions (line 10a, 1040) and the above-the line charitable deduction (line 10b, 1040)

Reporting the Exclusion – March 24 Guidance

- If MAGI < \$150,000,
 - Exclude up to \$10,200 **per spouse** by entering as follows:
 - Subtract from the amount on Schedule 1, line 8. If the result is less than zero, enter it in parentheses. On the dotted line next to Schedule 1, line 8, enter "**UCE**" and show the amount of unemployment compensation exclusion in parentheses on the dotted line.

Other Impacts – March 24 Guidance

- When figuring any of the following deductions or exclusions, include the **full amount of unemployment benefits** (unreduced by any exclusion amount):
 - taxable social security benefits,
 - IRA deduction,
 - student loan interest deduction,
 - nontaxable amount of Olympic or Paralympic medals and USOC prize money,
 - the exclusion of interest from Series EE and I U.S. Savings Bonds issued after 1989,
 - the exclusion of employer-provided adoption benefits,
 - the tuition and fees deduction
 - deduction of up to \$25,000 for active participation in a passive rental real estate activity.

What about those who have already filed?

- In its March 31 announcement, IRS stated:
 - IRS will **automatically adjust** and issue refunds or apply to tax due.
 - Two phases:
 - First those taxpayers eligible for the up to \$10,200 exclusion
 - Then those married filing jointly taxpayers who are eligible for the up to \$20,400 exclusion and others with more complex returns.
 - First refunds are expected in May. Others will follow.

Unemployment and Amended Return

- There is no need for taxpayers to file an amended return **unless** the calculations make the taxpayer newly eligible for **additional** federal credits and deductions **not already included** on the original tax return.

- **Example:**

- If taxpayer claimed the EITC, IRS will adjust to allow for larger credit (if this is the case).
- But, if taxpayer did not claim EITC and is now eligible for EITC, an amended return is necessary.

“Any resulting overpayment of tax will be either refunded or applied to other outstanding taxes owed.”

Iowa's Exclusion

- Iowa's March 29 announcement affirmed that Iowa's rolling conformity means the same unemployment exclusion applies to Iowa.
 - Taxpayers filing an **original 2020 individual income tax return** should **report the unemployment compensation exclusion amount on Form IA 1040, line 14, using a code of M.**
 - For those who already filed, IDOR will begin making unemployment compensation related **automatic adjustments**. The adjustment process may take up to 90 days due to cross-checking these amounts against 1099s and validating eligibility to ensure accuracy and eliminate fraud.



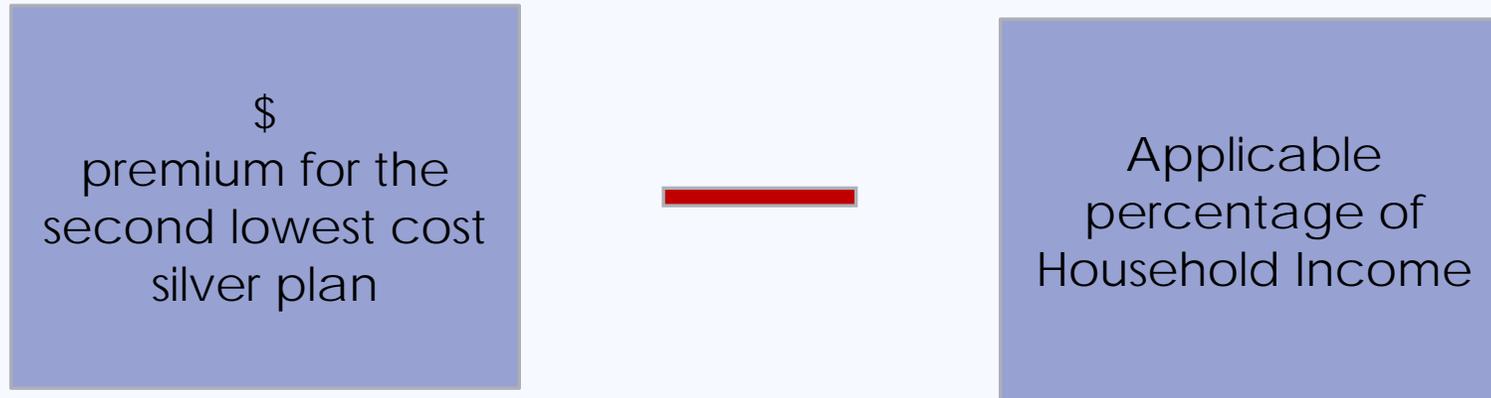
Some Clients May Have New Healthcare Options

Greatly Expanded Premium Tax Credit in 2020 and 2021 (American Rescue Plan Act)

- For tax years beginning in **2021 and 2022**, the applicable percentages of household income (which determines the amount of the required premium) have been lowered for **all income levels**, and taxpayers with income of 400 percent of the FPL or higher **are now eligible for the PTC/APTC** (if they otherwise qualify)
 - Not eligible if affordable MEC has been offered.
 - Family Glitch was not eliminated.
- The **highest** applicable percentage is now **8.5 percent for anyone**.
 - This means even those with income at or above FPL are required to pay no more than 8.5 percent of their household income on the healthcare premium.

Expanded PTC for 2021 and 2022

- The **Premium Tax Credit** is generally equal to:



2020 FPL Limits

Persons in Household	48 Contiguous States and D.C. Poverty Guidelines (Annual)							
	100%	133%	138%	150%	200%	250%	300%	400%
1	\$12,760	\$16,971	\$17,609	\$19,140	\$25,520	\$31,900	\$38,280	\$51,040
2	\$17,240	\$22,929	\$23,791	\$25,860	\$34,480	\$43,100	\$51,720	\$68,960
3	\$21,720	\$28,888	\$29,974	\$32,580	\$43,440	\$54,300	\$65,160	\$86,880
4	\$26,200	\$34,846	\$36,156	\$39,300	\$52,400	\$65,500	\$78,600	\$104,800
5	\$30,680	\$40,804	\$42,338	\$46,020	\$61,360	\$76,700	\$92,040	\$122,720
6	\$35,160	\$46,763	\$48,521	\$52,740	\$70,320	\$87,900	\$105,480	\$140,640
7	\$39,640	\$52,721	\$54,703	\$59,460	\$79,280	\$99,100	\$118,920	\$158,560
8	\$44,120	\$58,680	\$60,886	\$66,180	\$88,240	\$110,300	\$132,360	\$176,480

What it was supposed to be in 2021

The applicable percentage table for 2021 will be:

In the case of household income (expressed as a percent of poverty line) within the following income tier:	The initial premium percentage is	The final premium percentage is
Up to 133%	2.07%	2.07%
133% up to 150%	3.10%	4.14%
150% up to 200%	4.14%	6.52%
200% up to 250%	6.52%	8.33%
250% up to 300%	8.33%	9.83%
300% up to 400%	9.83%	9.83%

What it is now in 2021 and 2022

<i>“In the case of household income (expressed as a percent of poverty line) within the following income tier:</i>	<i>The initial premium percentage is—</i>	<i>The final premium percentage is—</i>
<i>Up to 150.0 percent</i>	<i>0.0</i>	<i>0.0</i>
<i>150.0 percent up to 200.0 percent</i>	<i>0.0</i>	<i>2.0</i>
<i>200.0 percent up to 250.0 percent</i>	<i>2.0</i>	<i>4.0</i>
<i>250.0 percent up to 300.0 percent</i>	<i>4.0</i>	<i>6.0</i>
<i>300.0 percent up to 400.0 percent</i>	<i>6.0</i>	<i>8.5</i>
<i>400.0 percent and higher</i>	<i>8.5</i>	<i>8.5”.</i>

Example – Pre-2021

- Tom and Kari – Married couple, each 60 years old
- Modified AGI - \$70,000/year
- \$3,324.96 – monthly cost of second lowest cost premium on the Marketplace (actual cost of SLSP for a couple in Western Iowa)
 - **\$39,899.52** a year if they purchased the insurance.
 - Not eligible for PTC (400% or higher FPL)

Example – 2021

- Tom and Kari – Married couple, each 60 years old
- Modified AGI - \$70,000/year
- \$3,324.96 – monthly cost of second lowest cost premium on the Marketplace (actual cost of SLSP for a couple in Western Iowa)
 - **In 2021, must pay only \$5,950** a year if they purchase the SLSP.
 - Eligible for a **\$33,949.52** PTC, may receive it in advance.

New Special Enrollment Period

- Began **April 1** and runs **through August 15**.
 - Because of coronavirus disease 2019 (COVID-19) emergency.
- Applies to **those who do not have a Marketplace plan**.
- Applies to **those who already have a Marketplace plan**.
 - Must log in to update the application and enrollment to receive the **increased APTC**.
 - Will be a reconciliation on 2021 where they will otherwise claim the difference.
- Current subscribers can **change Marketplace health coverage** during this period, but their deductible will likely reset.

New Special Enrollment Period

New, lower costs are here! Find health coverage now

You can enroll in or change plans due to the COVID-19 emergency through August 15, or see if you qualify for Medicaid or CHIP.

TAKE THE FIRST STEP TO APPLY

UPDATE/CHANGE PLANS TO SAVE

Looking for coverage for a small business? [Learn more](#)



NO APTC Repayment for 2020! 😊

- For tax year 2020 alone, ARPA eliminates the requirement to **repay an excess advance premium tax credit**.
- If a taxpayer's APTC exceeds the actual PTC, **no additional tax is imposed**, regardless of household income.
 - Taxpayers who filed a 2020 tax return and reported an excess advance premium tax credit repayment on Line 29 of Form 8962, **should not file an amended tax return** only to get a refund of this amount.
 - **IRS has not yet provided instruction as to how to report if you haven't filed.**
 - **Stay tuned!!**

NO APTC Repayment for 2020! 😊

Check Back for Updates to this Page



We're reviewing the tax provisions of the American Rescue Plan Act of 2021, signed into law on March 11, 2021. Taxpayers who filed a 2020 tax return and reported an excess advance premium tax credit repayment on Line 29 of Form 8962, Premium Tax Credit, should not file an amended tax return only to get a refund of this amount. The IRS will provide more details soon. For the latest updates, check [IRS.gov/coronavirus](https://www.irs.gov/coronavirus).

NO APTC Repayment for 2020! 😊

4	Federal poverty line. Enter the federal poverty line amount from Table 1-1, 1-2, or 1-3. See instructions. Check the appropriate box for the federal poverty table used. a <input type="checkbox"/> Alaska b <input type="checkbox"/> Hawaii c <input checked="" type="checkbox"/> Other 48 states and DC	4	12,490
5	Household income as a percentage of federal poverty line (see instructions)	5	401%
6	Did you enter 401% on line 5? (See instructions if you entered less than 100%). <input type="checkbox"/> No. Continue to line 7. <input checked="" type="checkbox"/> Yes. You are not eligible to take the PTC. If advance payment of the PTC was made, see the instructions for how to report your excess advance PTC repayment amount.		
7	Applicable Figure. Using your line 5 percentage, locate your "applicable figure" on the table in the instructions	7	
8a	Annual contribution amount. Multiply line 3 by line 7. Round to nearest whole dollar amount	8a	
	b Monthly contribution amount. Divide line 8a by 12. Round to nearest whole dollar amount	8b	
Part II Premium Tax Credit Claim and Reconciliation of Advance Payment of Premium Tax Credit			
9	Are you allocating policy amounts with another taxpayer or do you want to use the alternative calculation for year of marriage? See instructions. <input type="checkbox"/> Yes. Skip to Part IV, Allocation of Policy Amounts, or Part V, Alternative Calculation for Year of Marriage. <input checked="" type="checkbox"/> No. Continue to line 10.		
10	See the instructions to determine if you can use line 11 or must complete lines 12 through 23. <input type="checkbox"/> Yes. Continue to line 11. Compute your annual PTC. Then skip lines 12-23 and continue to line 24. <input checked="" type="checkbox"/> No. Continue to lines 12-23. Compute your monthly PTC and continue to line 24.		
Annual Calculation			
	(a) Annual enrollment premiums (Form(s) 1095-A, line 33A)	(b) Annual applicable SLCSP premium (Form(s) 1095-A, line 33B)	(c) Annual contribution amount (line 8a)
	(d) Annual maximum premium assistance (subtract (c) from (b), if zero or less, enter -0-)	(e) Annual premium tax credit allowed (smaller of (a) or (d))	(f) Annual advance payment of PTC (Form(s) 1095-A, line 33C)
11	Annual Totals		
Monthly Calculation			
	(a) Monthly enrollment premiums (Form(s) 1095-A, lines 21-32, column A)	(b) Monthly applicable SLCSP premium (Form(s) 1095-A, lines 21-32, column B)	(c) Monthly contribution amount (amount from line 8b or alternative marriage monthly calculation)
	(d) Monthly maximum premium assistance (subtract (c) from (b), if zero or less, enter -0-)	(e) Monthly premium tax credit allowed (smaller of (a) or (d))	(f) Monthly advance payment of PTC (Form(s) 1095-A, lines 21-32 column C)
12	January		47
13	February		
14	March		
15	April		
16	May		
17	June		
18	July		
19	August		
20	September		
21	October		
22	November		
23	December		
24	Total premium tax credit. Enter the amount from line 11(e) or add lines 12(e) through 23(e) and enter the total here	24	
25	Advance payment of PTC. Enter the amount from line 11(f) or add lines 12(f) through 23(f) and enter the total here	25	47
26	Net premium tax credit. If line 24 is greater than line 25, subtract line 25 from line 24. Enter the difference here and on Schedule 3 (Form 1040) line 8. If line 24 equals line 25, enter -0-. Stop here. If line 25 is greater than line 24		

Courtesy:
TaxTwitter

Unemployment and the PTC

- The ARPA provides that any taxpayer who has received, or has been approved to receive, unemployment compensation for **any week** beginning during **2021**, will be eligible for the **PTC**.
- These taxpayers will calculate the PTC as though income **does not exceed 133 percent** of the FPL. Need guidance on this!
 - **FULL SUBSIDY FOR SLSP**
 - **Likely not available as an APTC until summer**

<i>“In the case of household income (expressed as a percent of poverty line) within the following income tier:</i>	<i>The initial premium percentage is—</i>	<i>The final premium percentage is—</i>
<i>Up to 150.0 percent</i>	<i>0.0</i>	<i>0.0</i>
<i>150.0 percent up to 200.0 percent</i>	<i>0.0</i>	<i>2.0</i>
<i>200.0 percent up to 250.0 percent</i>	<i>2.0</i>	<i>4.0</i>

COBRA Subsidy/Tax Credit

- **100 percent premium assistance subsidy** for COBRA coverage from April 1 through September 30, 2021,
 - Excluded from gross income.
- To fund the coverage, the person to whom the continuation coverage premiums must usually be paid (employer, plan, or insurer) is allowed a **refundable payroll tax credit** to cover the cost of the premiums.
 - Watch for guidance.

PPE is a Medical Expense

- On March 26, 2021, IRS announced that taxpayers may treat the expense of **personal protection equipment** (PPE) purchased for the purpose of preventing the spread of COVID-19, as a medical expense under section 213(d). **IRS Announcement 2021-7**
 - Medical expense deduction
 - Reimbursable under HRAs, HSAs, etc.

PPP Update



Money is Running Out!

Likely mid-April.



Reauthorized and Extended PPP

Summary of all PPP-approved lending (as of April 4, 2021):

Loans Approved	Total Net Dollars	Total Lenders
9,140,946	\$745,822,791,609	5,479

Summary of all 2021 PPP-approved lending (as of April 4, 2021):

Loans Approved	Total Net Dollars	Total Lenders
3,997,635	\$223,574,562,746	5,244

Iowa Conformity

- Iowa is fully conformed with federal tax treatment, except for 2019 fiscal entities.
 - These entities cannot deduct expenses (even though proceeds are excluded from income).
 - **SF 364** would fix this issue, but likely won't pass until the end of the session. April 30 is last scheduled day...

S Corp and Partnership Issue

- Loan proceeds excluded from income are treated as tax exempt income for purposes of *pass-through entity basis adjustments*. See IRC § 705 and § 1366.
- Partners and S corporation shareholders **increase their basis** in the entity by the amount of the forgiven loan proceeds, thereby preserving the tax-free nature of the proceeds at the owner level.
 - What happens when expenses were not paid during same period as when forgiveness was obtained?
 - AICPA recommended to IRS that proper period for including the income is when the expenses are incurred.
 - Also recommended to IRS that PPP expenses (for S Corps) should be included in OAA, not AAA.



Employee Retention Credit Update

New Guidance (Notice 2021-23)

- On April 2, IRS issued guidance with the first and second quarter changes made by CAA (really just “codified” FAQs).
- The guidance does not address the ARPA expansion.
- The guidance does not address lingering questions:
 - Can > 50 percent owners claim the credit? Some say yes, some say no.
 - Do gross receipts for ERC include forgiven PPP loan proceeds? Some say yes, some say no.

Advance Credit for Small Employers

- ERC is claimed on the 941 or the 943, but:
 - A Form 7200 advance is available to “**small employers**” in 2021.
 - This is defined as those employers with an average of 500 or fewer full-time employees in 2019.
 - On January 26, 2021, IRS provided limited informal guidance on claiming this advance credit in IR-2021-21.
 - Fax completed form to 855-248-0552.
 - Can only use current form through second quarter.

Iowa Treatment

- Credit is not included in gross income, but corresponding expenses are not deductible.
- **Iowa conforms to this treatment, without the associated tax benefit.**
- **Legislature would have to pass a fix.**

New ERC Categories (Need Guidance)

- ARPA allows "**recovery startup businesses**" (those started after February 15, 2020 with < \$1 million in average gross receipts) to receive the ERC, limited to **\$50,000 per quarter**.
- New category of "**severely financially distressed employers.**"
 - Those whose revenue for any quarter in 2021 is less than 10 percent of its revenue for the comparable quarter in 2019. **Severely financially distressed employers may count all wages paid to employees during that quarter as "qualified wages,"** except for those wages used to obtain relief from other provisions, such as the FFCRA or the Paycheck Protection Program.

Restaurant Revitalization Fund

- Created by the **American Rescue Plan Act (\$28.6 billion)**.
 - Will provide restaurants, bars, food trucks, caterers, etc. with grants equal to their pandemic-related revenue loss (2019-2020 gross receipts), up to \$10 million per entity, \$5 million per physical location.
 - Provision for new businesses in 2020.
- Funds could be used to pay expenses: Payroll costs; Principal and interest payments on a mortgage; Rent; Utilities; Maintenance expenses; Supplies; Food and beverage expenses; Covered supplier costs; Operational expenses; Paid sick leave; and any other expenses the SBA determines to be essential.
- If restaurant closes, funds must be returned.
- Watch for **SBA guidance and announcement of program's unveiling...**

Shuttered Venue Operators Grant

- Created by CAA and modified by ARPA.
- Eligible applicants may qualify for grants equal to 45 percent of 2019 gross earned revenue, with maximum single grant = \$10 million.
 - Live venue operators, theatrical producers, performing arts organization operators, movie theaters, museums, zoos, talent representatives.
 - Must have been in operation as of February 29, 2020.
 - PPP loans after December 27, 2020, reduce SVOG.
- Opening applications **supposed to start today**.
 - Prioritized by revenue loss.

Shuttered Venue Operators Grant

Shuttered Venue Operators Grant Application

The Shuttered Venue Operators Grant (SVOG) program was established through the Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act and amended by the American Rescue Plan Act to provide over \$16 billion in economic relief to target industries. The SVOG application is slated to open April 8, 2021.

Sign up to be informed when the Application opens



10:32 AM
4/8/2021

State Aid and Lingering Questions

- ARPA has pledged \$350 billion to states.
 - Money **may** be used to: respond to the public health emergency, replace lost tax revenue, offset the pandemic's negative economic effects, or invest in infrastructure
 - this funding may **not** be used by States to offset a reduction in net tax revenue resulting from certain changes in law.
 - Question: Whether income tax changes that simply conform a State or territory's tax law with recent changes in federal income tax law are subject to the offset provision: Regardless of the particular method of conformity and the effect on net tax revenue, Treasury views such changes as **permissible** under the offset provision. <https://home.treasury.gov/news/press-releases/jy0113> (New Treasury statement yesterday)
 - Treasury will issue comprehensive guidance to implement the statutory framework.
 - **Iowa has joined 16 other states (so far) in lawsuit.**

What May Be Ahead? *Interested Next Time (April 22)?*

- Sign up for April 22 here:
<https://attendee.gotowebinar.com/register/7995489541948880397>
- Corporate Tax Increase to 28 percent?
- Increased corporate audits?
- Minimum Tax on Corporate Book Value
- Doubling GILTI Tax
- Taxing > \$1 M in capital gains at death or at gift?
- Like-Kind Exchange Eliminated?

Additional Resources

- April 1, 2021 Recorded Two-Hour Webinar on the American Rescue Plan Act:
 - [A 2021 Filing Season Update for Tax Professionals](#)
- March 29, 2021
 - [IDOR Extends Filing Deadline and Provides Unemployment Compensation Instructions](#)
- March 25, 2021
 - [Congress Has Passed the PPP Extension Act](#)
- March 18, 2021
 - [A Look at Iowa's Rolling Conformity with Federal Tax Law](#)
- March 18, 2021
 - [IRS Postpones Individual Filing and Payment Deadline to May 17](#)
- March 16, 2021
 - [\\$1.9 Trillion America Rescue Plan Contains Wide-Reaching Tax Changes](#)

Additional Content Specialists



[Kitt Tovar Jensen](#)

Staff Attorney

kwtovar@iastate.edu

(515) 294-5608



[Guido van der Hoeven](#)

Agricultural Tax Specialist

guidov@iastate.edu

(919) 819-3961

QUESTIONS?