

**STRAUSS TAX SERVICE
30 EAST HURON SUITE 1101
CHICAGO, IL 60611**

(630) 964 – 4018

(312) 988 -- 9996

Judi@strausstax.com

SUMMER 2021 TAX ALERT!

1. COVID, THE IRS AND YOU!!

The IRS (and IL) have been working remotely since the beginning of the pandemic- and are still not fully back in the office. What does this mean? a lot!

- Refunds are being processed very slowly and many of us are still waiting for refunds from our 2020 tax filing.
- This is especially true if you were expecting refunds from additional stimulus payments owed or refunds from the exclusion of the first \$10,200 of unemployment.
- Any tax return amended return or reply to a notice sent in paper is in storage centers and being processed very slowly. Additional computer-generated notices are still being sent to taxpayers despite replies having been sent to the IRS and IL. The expected wait time for replies/refunds can be 90-120 days!!
- Phone lines are so busy that you and we are often told the wait time is way too long and to call back at another time- and then we are disconnected. We keep calling on my cell and eventually can get through.
- Since both the IRS and IL have been taking a long, exceptionally long time to cash Estimated payment checks, we have been advising clients to pay online. If you want to learn how, contact us!

2. UNEMPLOYMENT IN 2021!

- The additional unemployment of \$300/week in IL will be ending September 4, 2021.
- There is NO exclusion of any unemployment income from taxes in 2021 as there was in 2020. ALL unemployment is taxable income for both the IRS and IL.

3. HOUSE SALES

- Many of us have sold or are selling our principal residence (home) in this crazy market. Here is what you need to know:
 - There is NO tax on the gain if it is less than \$250,000 if Single and \$500,000 if married and you lived there as your main home for 2 of the last 5 years.
 - To figure the gain you start with the Closing statement, subtract the expenses of the sale, and get the net sales price. Then you use the original

purchase price and add all the capital improvements (that increase the house in value. Not repairs or decorating). The difference between the two is your profit.

- Since many of us bought our homes a long time ago, it is important to both keep track of all improvements since there could be a taxable gain on the sale.
- And, if you sell any home that is NOT your main residence, there is NO exclusion- true for summer homes, vacation homes or even land. If the sale is not in IL, then a tax return must be filed in that state and any tax due on the gain is paid there. Not simple.

4. ADVANCE CHILD CREDIT PAYMENTS

- There is a bigger and better child tax credit for 2021 – but some parents might not want to take advantage of one of the most important new perks. In addition to higher credit amounts for 2021, families can receive part of the credit in advance through monthly payments from July to December. However, for some people, it's better to just claim the entire credit all at once when they file their 2021 tax return next year. If that's the case for you, the IRS now has an online portal you can use to opt out of the monthly payments.
- For this year only, the credit amount for many families is increased from \$2,000 per child to \$3,000 per kid (\$3,600 for children under age six), 17-year-olds qualify, and the credit is fully refundable.
- One additional major element of the new child tax credit regime requires the IRS to make advance payments of the credit each month to qualifying families. The advance payments will account for half of a family's 2021 child tax credit. The IRS will issue these monthly child credit payments to eligible families on July 15, August 13, September 15, October 15, November 15, and December 15. Most payments will be directly deposited into bank accounts. Families for which the IRS does not have bank account information could receive paper checks or debit cards in the mail.
- The amount a family receives each month will vary based on the number of children in the family, the ages of the kids and the amount of the family's modified adjusted gross income. Families who qualify for the full \$3,000 or \$3,600 credit will see checks of \$250 or \$300 per child for six months. Families with higher incomes who qualify for the \$2,000 credit will get monthly payments of \$167 per child for six months.
- The IRS will base eligibility for the credit and advance payments, and calculate the amount of the advance payment, based on previously filed tax returns. It will first look to your 2020 return, and if a 2020 return has not yet been filed, the IRS will look to your 2019 return. Thus, most eligible families do not have to do anything to get these payments, provided the IRS has your 2019 or 2020 return information and you don't need to change anything to reflect current circumstances.
- People who want to opt out of the advance monthly payments can do so through the IRS's online [Child Tax Credit Update Portal](#), which is now up and running. You will have to first verify your identity before using the tool. If you already have

an existing IRS username, you're set to go. People without an existing account will have to verify their identity with of form of photo identification using [ID.me](#), a trusted third party for the IRS.

- There are many reasons a person may want to opt out of the advance payments. Some people would rather take the fully refundable child credit in one lump sum on their 2021 tax return that they will file next year instead of receiving half of the credit in 2021 through monthly payments.
- Opting out is also recommended for families who know their 2021 modified adjusted gross income will be too high to qualify them for the child credit. For 2021, the full \$3,000 (or \$3,600) credit per child is available for families with modified adjusted gross income of no more than \$75,000 on single returns, \$112,500 on head-of-household returns and \$150,000 on joint returns.
- The IRS has also just launched an interactive [Child Tax Credit Eligibility Assistant](#) online tool to help families determine whether they qualify for the advance payments. Because this tool doesn't ask for personal information, users won't have to first verify their identity.

And this is just the beginning! Call or email us with your questions - and we will keep you informed as the tax laws keep changing in 2021- and the year ahead too!!