

FINANCIAL LITERACY SERIES

Tax Workshop

Filing 2020 Tax Returns - Income Overview

Hosted by Senator Roxanne J. Persaud

Moderators:

Victoria Pilotti, President

Cecilia Venosta-Wiygul, Vice President & Program Committee Chair

Guest Speaker

Kathleen M. Carroll, E.A.



Center for the Women of New York

The Center for the Women of New York advocates for women's rights and full equality for women. Since 1987 CWNY has been empowering women to reach their full potential by offering services that provide the skills, information, and support they need to address economic, emotional, and legal challenges.





Given the vast women's needs due to the pandemic, in 2021, CWNY's focus is Women's Health and Wellbeing (physical and mental) and Women's Financial Independence.

CWNY offers educational programs, support services, and classes.



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Panel Discussions and Webinars on:

- Domestic Violence
- Trafficking Awareness
- Health and Wellness
- Financial Literacy and Independence
- Career Advancement



SERVICES

- Caregiver Support Group
- Women in Crisis Support Group
- ESL Classes
- Legal Team
- Fitness Classes
- Referrals



UPCOMING EVENTS

- Health Fair
- Career Conference
- Women's Art Exhibit
- Green Team-Sustainable Gardening classes and activities
- Book Club (Women's issues)
- Film Club (Women's issues)



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KATHLEEN M. CARROLL, E.A.

Kathy is a professional Accountant (Enrolled Agent to practice before the Internal Revenue Service). She has been practicing Accounting and providing Bookkeeping Services since 1981 to the present. She works with individual and corporate clients.

She directed and ran the Student Association Income Tax Preparation Program at Queens College for twenty-six years (1983-2009). She also ran an annual seminar at the International Students and Scholars Office at Queens College (2008-2017). These programs provided free, on-campus tax prep and advice to students.

She received a B.S. in Accounting from the C.W. Post Center of Long Island University and attended a graduate program at New York University.

KATHLEEN M. CARROLL, E.A.

Kathy volunteers at the Center for the Women of New York as current Treasurer and former Vice President of Finance. She provides job and vocational training, presents at our Financial Literacy Programs, and is the CWNKY Work Readiness Program Advisor.

Kathy may be reached at

K. M. Carroll Accounting
149-25 14 Avenue
Whitestone, NY 11357
(718) 767-2299

TAX TRAUMA TERMINATED

FILING 2020 TAX RETURNS PART 1 – INCOME OVERVIEW

Kathleen M. Carroll, E.A.

Tax Season Delayed

On January 15, 2021, the Internal Revenue Service announced that it would not begin processing 2020 income tax returns until Feb. 12, 2021. This delay is due to the issuance of the \$600 stimulus checks, which were authorized on December 27, 2020. **The \$600 stimulus, and the previous \$1,200 stimulus checks issued earlier in 2020, are not taxable income.**

NOTE: TO ACCOMMODATE MARCH 2021 ISSUANCE OF STIMULUS CHECKS, ON MARCH 17, 2021 THE 2020 TAX FILING DUE DATE WAS EXTENDED TO MAY 17 (from April 15)

Sources used throughout this presentation: [irs.gov](https://www.irs.gov)

[https://www.irs.gov/efile.com](https://www.irs.gov/efile)

What if I didn't get my \$600 Stimulus yet?

The IRS was sending out the stimulus to taxpayers until January 15, 2021. Most taxpayers would be receiving the \$600 payment directly into their bank account, as long as they had used direct deposit for their 2019 tax return. This means that the IRS will have your bank account # and routing # on file. If you did not use direct deposit, you will receive the stimulus check in the mail.

Reason for Tax Season Delay

After January 15, there will still be taxpayers who did not receive the stimulus payment. **These taxpayers will be able to request the \$600 (plus additional \$600 payments for dependents under the age of 17) on the 2020 tax return.** This is the major reason for the delay of the start of the 2020 filing season: The IRS had to redesign and test the new forms to allow for the stimulus request. Taxpayers who did not receive the earlier stimulus payment will also be able to request it on this tax return. On the tax return, the stimulus payments are referred to as **“The Recovery Rebate Credit”**.

File Your Taxes for Free

Many people feel that they must use a paid preparer to prepare their tax return. While this is generally a good idea in order to maximize deductions and increase refunds, Certified Public Accountants and chain tax preparers such as H&R Block can be pricey. The Internal Revenue Service itself realized this, and since 2003 has made it's Free File Program available to taxpayers. The Free File program can be viewed at www.irs.gov. **Not all taxpayers will qualify for each Free File provider ; requirements for use should be read carefully before starting your return. Also, most Free File providers will not include your state return (the state return in most cases can be completed for an additional fee).**

IRS Free Tax Program

IRS Free File participants

For 2021, these providers are participating in IRS Free File:

- 1040Now,
- ezTaxReturn.com,
- FreeTaxReturn.com,
- FileYourTaxes.com,
- Intuit (TurboTax),
- On-Line Taxes (OLT.com),
- TaxAct,
- TaxHawk (FreeTaxUSA),
- TaxSlayer.

For 2021, the following providers have IRS Free File products in Spanish:

- ezTaxReturn.com,
- TaxSlayer (Available after January 18).

E-File

The IRS Free File Program, as well as Certified Public Accountants and paid tax preparers, encourage the use of E-file and Direct Deposit. The use of these two functions will typically allow the IRS to process your refund within twenty one days of receipt. Occasionally, an e-file will be rejected. Usually this is because information (such as a social security #, date of birth, or W2 information) has been input incorrectly. If an e-filed return is rejected, IRS (through the tax program used), will let you know what needs to be fixed so that your return can be resubmitted.

If e-file is not used, the return must be printed and mailed via the United States Postal Service. Direct deposit can be used with a mailed return, but the processing of the return will be slower. Alternatively, returns can be either e-filed or mailed without direct deposit; the IRS will mail your refund to your mailing address. Again, the processing of your return will be slowed.

When to File

Although the IRS will not be processing returns until Feb. 12, 2021, the Free File Program opened on January 15th. **Returns can be filed, but will not be processed.**

However, most people cannot yet file because they do not have their W2s and other important filing documents. These documents must be issued to taxpayers by January 31 each year. Although many employers may issue W2s prior to January 31, they are not legally required to do so.

Unemployment Compensation

Beginning in March 2020, many people suddenly found themselves unemployed due to the effects of the COVID-19 pandemic on business. A record number of people applied for and received unemployment benefits. Many recipients had never before received unemployment.

Unemployment benefits are fully taxable on both the federal and the New York State tax returns. Hopefully everyone who received unemployment in 2020 (including the special Pandemic Unemployment Assistance (PUA) unemployment benefits for independent contractors and the self-employed), had tax withheld for both the federal and the state.

Both the regular unemployment program and the PUA program were administered through the New York State Department of Labor. **The Department of Labor will NOT be mailing a 1099-G with your amounts. This required document, showing the total amount of benefits received and tax withheld, MUST be obtained and printed out from the NYS DOL website. This document is needed for your tax preparation.**

Getting Started

So now that we have discussed some background on what to expect when filing 2020 tax returns, we are ready to get started assembling the needed documents.

The most common documents that taxpayers can expect to receive are:

Form W2: statement of employee wages (typical for most people employed by companies)

Form 1099 NEC: this is a new format for a long existing form. Non-employee compensation (NEC) was reported in previous years on 1099 MISC. This year it has earned its own form. This form is typically received by independent contractors and persons who received payments as part of self-employment (have their own business)

Form 1099 G: reports unemployment compensation and other less common types of government payments

Form W2

		a Employee's social security number		Safe, accurate, FAST! Use				Visit the IRS website at www.irs.gov/efile		
b Employer identification number (EIN)				1 Wages, tips, other compensation		2 Federal income tax withheld				
c Employer's name, address, and ZIP code				3 Social security wages		4 Social security tax withheld				
				5 Medicare wages and tips		6 Medicare tax withheld				
				7 Social security tips		8 Allocated tips				
d Control number				9		10 Dependent care benefits				
e Employee's first name and initial		Last name		Suff.		11 Nonqualified plans		12a See instructions for box 12		
						13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b		
						14 Other		12c		
								12d		
f Employee's address and ZIP code										
15 State Employer's state ID number		16 State wages, tips, etc.		17 State income tax		18 Local wages, tips, etc.		19 Local income tax		20 Locality name

Form **W-2** Wage and Tax Statement

2020

Department of the Treasury—Internal Revenue Service

Copy B—To Be Filed With Employee's FEDERAL Tax Return.
This information is being furnished to the Internal Revenue Service.

Form 1099 NEC

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		OMB No. 1545-0116		<p>2020</p> <p>Form 1099-NEC</p> <p>Nonemployee Compensation</p>
		1 Nonemployee compensation		
		\$		
PAYER'S TIN	RECIPIENT'S TIN	2		
RECIPIENT'S name		3		
Street address (including apt. no.)		4 Federal income tax withheld		
		\$		
City or town, state or province, country, and ZIP or foreign postal code				
		FATCA filing requirement		
		<input type="checkbox"/>		
Account number (see instructions)		5 State tax withheld	6 State/Payer's state no.	7 State income
		\$		\$
		\$		\$

**Copy B
For Recipient**

This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

Form **1099-NEC**

(keep for your records)

www.irs.gov/Form1099NEC

Department of the Treasury - Internal Revenue Service

Do I Need To File?

Whether you have to or should file a 2020 Tax Return in 2021 is answered here. The very basic and general answer is this: as a [filing single](#) or [married filing separate](#) person, if your [2020 income](#) did not not equal or exceed the [standard deduction limit](#) of \$12,400 and you do not owe any special taxes or have any special tax situations that require you to file, you do not need to file. For the [head of household](#) filing status, the income limit would be at or above \$18,650 and, for [married filing jointly](#) and [qualifying widow\(er\)](#), \$24,800.

The filing thresholds shown above apply **ONLY** if there was no tax withheld from your pay if you received a W2 form. If your wages were equal to or less than the amounts shown above, and you do not file, you will **NOT** be able to get your refund. This also applies if you received unemployment equal to or less than the threshold amount and had tax withheld. You **MUST** file a return in order to get the refund you are entitled to.

It is also necessary to file to receive refundable credits to which you may be entitled, including the earned income credit.

It also may be very important to file a return for other purposes including, but not limited to, financial aid applications, mortgage applications, applications for other types of credit and to create an identity presence for the IRS. <https://www.efile.com>

Special Note About Filing

Most taxpayers expect to file their tax returns on time (generally April 15 of each year). The filing of personal tax returns can be extended for six months until Oct 15 of each year by filing form 4868 (for federal returns) and Form IT 370 (New York State).

But suppose you did not realize you needed to file to get your refund? **Every taxpayer can file for a refund (if eligible), for three years after the filing date.** For example, a return for 2020 that was due a refund can be filed until April 15, 2024. After that date the refund is lost to the taxpayer and cannot be recovered.

Conversely, if one owes money to the IRS, it is due to them indefinitely and accrues interest and penalty over time. A common misconception is that an extension to file a return is also an extension to pay. **This is not the case.** Even if a return is filed on extension, the estimated payment is due on April 15.

Special Note about 1099 NEC

For 2020, Form 1099 NEC (formerly 1099 MISC) will be received by persons working as independent contractors and persons receiving payments from self-employment (generally persons operating their own businesses).

The filing rules for 1099 NEC differ completely from the standard filing thresholds. 1099 NEC must be issued for payments of \$600 or more. If a 1099 NEC is received in the amount of \$600 or more, a return must be filed even if no tax is due.

1099 NEC and the Gig Economy

Over the past several years, and especially since the onset of the pandemic, people have been turning to non-traditional ways to make money. These non-traditional jobs are often referred to as the “Gig economy”. Jobs of these types include Uber, UberEats, Lyft and similar companies. Companies in the “Gig economy” will issue 1099 NEC to their workers (typically the worker can find it on the company website, along with information about possible deductions).

Be Aware

When getting ready to do your taxes, be aware of your documents. If you are ready to start your taxes and have not received all your documents in the U.S. mail, check online for them. Unemployment 1099G, Uber, Lyft 1099 NEC, and even some W2s from companies are increasingly found online and will not be arriving in your mailbox.

Other Types of Income

In addition to wages (W2), simple self-employment (1099 NEC) and unemployment (1099G), taxpayers may have other types of income:

Bank interest (1099-INT)

Dividends (1099-DIV)

Capital Gains (1099-B)

Banks and investment companies will not usually issue these types of statements unless the amount received by the taxpayer during the year was more than \$10.00

If in doubt, please call your bank or investment company before filing your return.

Other Types of Income - continued

Some taxpayers may have income where they do not receive a W2 or a 1099 form. These types of income may include:

Income (and expenses) from rental properties

Income from a small business (owned corporately, as an LLC with others, or as a partnership)

Reportable income from these types of situations is typically determined through your own (or your accountant's) recordkeeping throughout the year (Quickbooks, Excel, or accounting software). In some instances a form K-1 may be provided to the taxpayer showing the amount of income to be reported.

Also, if you are lucky enough to win the Lottery or have gambling winnings, this income is fully taxable and must be reported.

General Tips

When filing your tax return, be sure to review all information for accuracy:

Names (taxpayer, dependents)

Address

Dates of Birth

Social Security #'s (in 2019, there was a delay in issuing social security #'s to newborn babies) - **every dependent claimed on a tax return must have a valid social security # or Individual Taxpayer Identification Number (ITIN) or else the return cannot be filed.**

Informational errors will cause the return to be rejected or cause delays in processing.

Special Pandemic Note: Many wedding ceremonies and celebrations were postponed in 2020 due to the pandemic. If you were legally married in 2020, you should file as Married Filing Jointly or Married Filing Separately even if you did not have your church wedding or your party. You cannot file as single for 2020.

Wrap-Up

The discussion today has focused on reportable income for 2020 Income Tax Returns. Tax time does not have to be traumatic or stressful if you are prepared and know what to expect. Particularly with the announced IRS delay in processing returns (Feb. 12, 2021), my advice would be to wait to file until you have all the correct paperwork in hand. The most upsetting thing is to file your return and then, after the filing, receive another document that was needed in the mail.

Thank you for your participation. Our next tax workshop topic will be deductions and credits that can help to increase your refund.

Please send any questions or comments to events@cwny.org



Q & A

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RESOURCES

Internal Revenue Service
E-File

irs.gov
e-file.com

NYS Department of Taxation

tax.ny.gov

American Savings Education Council & Choose to Save

asec.org

Financial Literacy & Education Commission

mymoney.gov

Pension & Welfare Benefits Administration

<https://www.dol.gov/general/topic/retirement>

Social Security Administration

socialsecurity.gov

Women's Institute for Financial Education

wife.org

Women's Institute for a Secure Retirement

wiserwomen.org

AARP

aarp.org

Thank You!



Kathleen M. Carroll, E.A.



Contact us

cwny.org

Queens Borough Hall
120-55 Queens Boulevard
Room 325
Kew Gardens, NY 11424
(718) 793-0672

Fort Totten Park
207 Totten Avenue
Bayside, NY 11359
(718)229-0020

info@cwny.org



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