

# CENTER FOR THE WOMEN OF NEW YORK

501(c)(3) Nonprofit Organization

*Empowering and Supporting Women Since 1987*





**FINANCIAL LITERACY SERIES**

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**2021 INCOME  
TAX PREP  
CONTINUED**

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**Guest Speaker: Kathy Carroll, E.A.**

**Wednesday, March 16, 2022**

**8:00 pm to 9:00 pm**

**Via Zoom**

**Register at [tinyurl.com/financial-2022](https://tinyurl.com/financial-2022)**

# CWNY MISSION

The Center for the Women of New York empowers, supports, and advocates for women who face financial, housing, food insecurity, health, violence, social, emotional, or legal problems. We help them by understanding their needs and connecting them with the CWNY services, nonprofit partner organizations, and city agencies they need to overcome their challenges.



# WHO WE ARE

We are a nonprofit 501(c)(3) organization dedicated to women empowerment and gender equality since 1987. CWNY's Volunteers, Members, Sponsors, Advisory Board, and Board of Directors altogether make CWNY's mission possible.





# CWNY PHILOSOPHY

Our philosophy is that when we help women, families become self-sufficient, making our entire community stronger.

CENTER FOR THE WOMEN OF NEW YORK

## WOMEN IN CRISIS SUPPORT

ONE ON ONE SESSION WITH A LICENSED SOCIAL WORKER  
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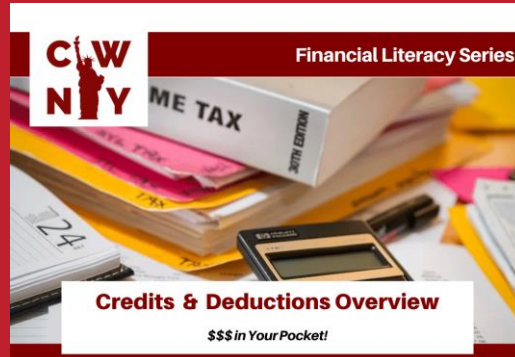


Call 718-793-0672 and leave us a message or Email [events@cwny.org](mailto:events@cwny.org) with subject "one on one social worker sessions"

Please include your name and phone number and/or email address and we will get back to you as soon as possible.

Please call 911 if you are in immediate danger

CWNY Financial Literacy Series



### Credits & Deductions Overview

**\$\$\$ in Your Pocket!**

Join us for the second event of our Financial Literacy Series, in which we will learn about tax credits and deductions: earned income, child credit, dependent care, education

Wednesday, February 17th, 2021  
8 - 9pm via Zoom  
Guest Speaker, Kathleen Carroll, E.A.  
Register via [tinyurl.com/financial-2021](https://tinyurl.com/financial-2021)



CENTER FOR THE WOMEN OF NEW YORK

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CONTACT THE LEGAL SUPPORT TEAM AT [LEGALSUPPORT@CWNY.ORG](mailto:LEGALSUPPORT@CWNY.ORG)  
718-793-0672

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Referral information  
Resources  
Support groups  
and more  
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CENTER FOR THE WOMEN OF NEW YORK

## Conversational English as a Second Language (ESL)

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## CWNY CURRENT SERVICES AND PROGRAMS

- Referrals and Advocacy Program
- Financial Literacy Workshop Series
- Career Workshop Series
- Women in Crisis Support Group
- Caregivers Support Group
- One-on-one tax preparation assistance
- ESL Class for Beginners
- Legal Support Team



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## Q & A

Your questions will be addressed after the presentation.

Use the Chat Box at the bottom of your Zoom screen to ask questions.

If you dialed in, email your questions to [events@cwny.org](mailto:events@cwny.org)





# Income Tax Preparation- 2021 Returns

## **CREDITS AND DEDUCTIONS OVERVIEW**

Welcome and thank you for joining the webinar!

The 2022 Tax Season is well underway. In general, tax returns for 2021 are very similar to 2020, with few rule changes. An exception to this is in regard to unemployment. In 2020, the first \$10,200 of unemployment was not taxed by the federal government. For 2021, all amounts of unemployment are fully taxable on both the federal and state levels. For those taxpayers who have not had enough tax withheld, this will mean either a decreased refund or a payment of taxes.

# Results so Far!

So far the processing of 2021 returns is seeming to go smoothly. For returns that are efiled and refunds direct deposited, the process is taking approximately the 21 days that the IRS advertises, which is good news for taxpayers! Hopefully this will continue for the remainder of the tax season, as there are still many ongoing problems with 2020 returns.

A word about stimulus payments: If a taxpayer did not receive the \$1,400 “stimulus” payment issued in March-May 2021, it can be applied for on the 2021 return. The IRS has been sending Form 1449-C, which is actually a letter rather than a form, to tell you how much you received. The letter refers to the “stimulus” as and “Economic Impact Payment” (EIP); on the tax form itself, it is referred to as the “Recovery Rebate Credit”.

# Form 1449-C “Stimulus” Letter

My fellow American,

On March 11, 2021, I signed into law the American Rescue Plan, a law that will help vaccinate America and deliver immediate economic relief to hundreds of millions of Americans, including you.

A key part of the American Rescue Plan is direct payments of \$1,400 per person for most American households. With the \$600 direct payment from December, this brings the total relief payment up to \$2,000. This fulfills a promise I made to you, and will help get millions of Americans through this crisis.

I am pleased to inform you that because of the American Rescue Plan, a direct payment of \$1,400.00 was issued to you by direct deposit. If you haven't received your payment within 7 days of receiving this letter, please check the status of the payment by visiting the IRS website or calling the IRS phone number listed at the bottom of this letter.

There may be other parts of the American Rescue Plan that will help you as well. For example, there is aid for small businesses, an expanded child tax credit for families, and resources to reopen our schools safely. The American Rescue Plan also extends unemployment insurance and helps reduce your health care premiums if you have a plan through the Affordable Care Act.

To learn more about this law and how it will work for you, please visit [wh.gov/arp](https://www.whitehouse.gov/arp).

When I took office, I promised the American people that help was on the way. The American Rescue Plan makes good on that promise. This bill was passed to provide emergency relief to millions of Americans. I want to be sure you receive all the benefits that you are entitled to.

This has been a long, hard time for our nation. But I believe brighter days are ahead. We are on the path to vaccinating the nation. Our economy is on the mend. And our children will be back in school. I truly believe there is nothing we can't do as a nation, as long as we do it together.

# What are Credits and Deductions?

In last month's webinar, we were introduced to the most common types of income and the documents that people typically receive to report it:

W2 (wages)

1099 NEC (self-employment/independent contractor)

1099G (unemployment compensation)

For all of these types of income, there are tax credits and deductions that will help to decrease the tax that one has to pay and to increase refunds for others.



# Credits and Deductions Defined

The terms “Credits” and “Deductions” are both moneysavers for the taxpayer. Many taxpayers can benefit from either one or the other, and sometimes both!

A CREDIT will directly reduce your tax on a dollar for dollar basis. Some credits, such as the Earned Income Credit (EITC) and certain Education Credits, will even refund you the amount by which the credit exceeds your tax liability!

A DEDUCTION is an allowable item that will reduce your taxable income so that your tax liability will be lower. Deductions do not reduce tax liability on a dollar for dollar basis; the benefit is based on your own tax rate.

## DEDUCTIONS

Deductions are an allowable amount that reduce one's income in arriving at taxable income.

All taxpayers **MAY** choose to use the basic standard deduction to calculate their taxable income. Most taxpayers will **HAVE** to use the standard deduction if their potential itemized deductions do not exceed the standard deduction threshold.

# Standard Deduction

The Standard deduction is the basic amount allowed to reduce income. The amount of the standard deduction is based on one's filing status. Under the TCJA (Tax Cuts and Jobs Act), which came into effect for the 2018 Tax Year, the Standard Deduction was raised significantly.

# Standard Deduction Amounts for 2021

The following amounts apply to the 2021 tax year:

Single	\$12,550
Married Filing Jointly	\$25,100
Head of Household	\$18,800
Married Filing Separately	\$12,550

These amounts have increased very slightly from the 2020 Standard Deduction amounts.

# Itemized Deductions

Itemized deductions are a list of specific items that, when grouped together, will lower your taxable income IF they exceed the amount of your allowable standard deduction. For example, if a single person has itemized deductions in the amount of \$13,000, it would be beneficial to use this amount rather than the allowable standard deduction of \$12,400. The process is not as straightforward as it appears, however, as we will see shortly.



# Types of Itemized Deductions

Itemized Deductions available to taxpayers include:

Medical Expenses including insurance premiums, out-of pocket expenses, co-pays, vision and dental expenses, travel to and from doctors' offices such as cost of taxis are also deductible. HOWEVER, your medical expenses must exceed 7.5% of your income before you can use any of the expenses (this is a change from last year's 10% of income limitation). For example, if your income is \$50,000, your medical expenses would have to exceed \$3,750 before any of the amount becomes usable, and then only the difference between the amount and the base is counted toward the deduction.

# SALT- State and Local Taxes

Other types of itemized deductions include:

State and local taxes withheld from one's pay during the year, as well as any balance due paid on a prior year's state tax return.

Real estate taxes

These two itemized deductions are referred to as "SALT". (state and local income taxes). The SALT deduction is currently limited to \$10,000 per taxpayer. There has been much controversy about this limitation, particularly here in New York and several other highly taxed states, including our neighboring states, New Jersey and Connecticut. In fact, the SALT limitations impact approximately ten states or less throughout the U.S.. Despite recent discussions in the U.S. Congress about possible repeal, the SALT limitation remains in effect for 2021.

# List of itemized Deductions continued

## Mortgage Interest

Mortgage Interest includes interest paid to banks and private lenders, and includes points and origination fees paid on a purchase.

If you purchased a home this year, you should look at your closing statement closely as you may have paid mortgage interest and real estate taxes that may not appear on the Form 1098 that your lender provides.

# Charitable Contributions

Charitable contributions can be deducted for both cash and non-cash items. If a cash contribution of more than \$250 is made to a single recipient such as a church or charitable organization, a receipt is required to be kept in your records. Noncash contributions such as clothing and household items must have a receipt for contribution amounts over \$500. Many people believe that, in the case of a noncash contribution, the organization will let you know the amount. This is not the case. The organization will only provide a receipt saying the item was donated. It is up to the taxpayer to estimate the amount.

# Charitable Contributions – Standard Deduction

Charitable contributions have always been a favorite itemized deduction, It helps taxpayers save money, and it assists those that need our help.

In 2021 (continued from 2020), non-itemizers may deduct up to \$300 for their charitable contributions (\$600 for taxpayers filing a joint return). So even if you are not able to itemize, you can still use up to \$300 (\$600 if joint) of charitable contributions to reduce your taxable income.



# A Word on Miscellaneous Job Expenses

With the introduction of the Tax Cuts & Jobs Act (TCJA), the deduction for miscellaneous job expenses such as union dues, workclothes, work tools, work travel, job related education, and other items of this type have been eliminated for nearly every type of occupation. So there is no need to hang on to small receipts for items of this type, as they are no longer deductible.

**EXCEPTION:** Teachers are allowed a \$250 adjustment to income for their purchase of school and classroom supplies. This includes the purchase of PPE, disinfectant, and other safety supplies for the classroom related to COVID-19. Additionally, it may be possible to use some job expenses on your New York State return, but the limitations on these expenses make this unlikely.

# Bottom Line on Itemized Deductions

The bottom line on itemized deductions is this:

Due to the limitations placed on them (limit on medical expenses, SALT cap, etc.), most taxpayers will not be able to itemize and will use the standard deduction. Itemized deductions can be most frequently used by taxpayers who own homes and have significant mortgage interest to deduct.

# Credits

Unlike a deduction, a tax credit can save a taxpayer money on a dollar for dollar basis. In some cases, if your tax is reduced to zero by a credit, you may be able to receive the additional amount of the credit. This is known as a “refundable” tax credit. A quick overview shows at least twenty credits (non-refundable and refundable) available to the average taxpayer. These include the Earned Income Credit, the Child Tax Credit/Additional Child Tax Credit, and Education Credits (American Opportunity and Lifetime Learning Credits). These credits help families raise and educate their children.

# Earned Income Credit

The Earned Income Credit is a refundable credit based on income and family size. Although mostly designed to help families, this credit is available to single persons and married couples with no children. There is an age requirement (taxpayers must be between the ages of 25 and 65 to be eligible for the Earned income Credit). In all cases, the Earned Income Credit is determined based on a sliding scale based on the relationship between your adjusted gross income and your earned income. Earned income is defined as money received from a job (W2) or net income from self-employment (1099 NEC/Schedule C).

# EIC continued

The earned income tax credit, also known as the EITC or EIC, is a refundable tax credit for low- and moderate-income workers.

For the 2021 tax year, the earned income credit ranges from \$1,502 to \$6,728 depending on tax-filing status, income and number of children. People without children can also qualify. If you fall within the guidelines for the credit, be sure to claim it on your return when you do your taxes. And if you didn't claim the earned income credit when you filed your taxes in the last three years but you think you qualified for it, the IRS encourages you to let it know so you can get that money back.

<https://www.nerdwallet.com/article/taxes/can-you-take-earned-income-tax-credit>

A single person with no children can qualify for the EITC with income up to \$15,570, whereas as a single person (head of household), can qualify with up to \$41,094 in income.

# EIC Calculated

For example, if your income falls into the highest range of the sliding scale, and you have three children, you could receive a full refund of your taxes withheld, plus an additional \$6,728 from the IRS.

Regarding Unemployment Compensation received in 2021: Unemployment compensation is fully taxable income. However, it is not considered earned income. In many cases, the calculation for the EIC will be thrown off by the addition of Unemployment (unearned income) on the tax return, possibly reducing the amount of the Earned Income credit for the taxpayer.

# Child Tax Credit

The Child Tax Credit was significantly changed for 2021. Most eligible taxpayers have already received half of their Child Tax Credit (maximum \$3,000 per child), **in advance** between July and December of 2021. The advance payment was \$300 per child per month under the age of six, and \$250 per child per month between the ages of six and seventeen. This advance credit received will reduce expected refunds by the amount already received.

The child tax credit is generally limited to your tax liability. However, if your **earned** income is \$2,500 or more, or if you have three or more children, the excess amount may be refunded to you as the Additional Child Tax Credit.



# Form 6419

Form 6419 is being

Sent to taxpayers

To let them know

How much Advance

Child Tax Credit was

Received.

2021 Total Advance Child Tax Credit (AdvCTC) Payments	
Keep this important tax information. You need it to prepare your 2021 income tax return.	
<b>Box 1. Aggregate amount of AdvCTC payments you received for 2021.</b> Enter this amount on Schedule 8812, line 14f or line 15e, whichever applies. If you file a joint return for tax year 2021, you must add the amounts in Box 1 from both Letters 6419 and enter the total amount on Schedule 8812.	<b>\$3,300.00</b>
<b>Box 2. Number of qualifying children taken into account in determining the AdvCTC.</b> See Schedule 8812 instructions if you complete Part III, Additional Tax.	<b>4</b>

**Why you received this letter**  
Under the American Rescue Plan, the IRS made monthly AdvCTC payments of up to half of your 2021 Child Tax Credit from July through December to help support families raising children.

- If you're eligible for the credit, **file Schedule 8812 with your 2021 income tax return to claim your remaining credit** (for a total amount of up to \$3,600 per child under age 6 and \$3,000 per child age 6 through 17).
- If you aren't eligible for the credit, file Schedule 8812 to determine if you must pay back some or all the monthly payments you received in 2021 and if you qualify for **repayment protection** (discussed below).

**How the IRS determined your payment amounts**  
Monthly payment amounts were initially based on information from an income tax return you filed or information you entered in the *IRS non-filer sign-up tool* in 2020 or 2021. Your monthly payment amount or how or where the IRS paid your payment may have changed based on information you provided the IRS through your 2020 income tax return if the IRS processed it after June, the Child Tax Credit Update Portal, or the dedicated IRS Child Tax Credit phone line. Review each monthly payment, including any changes, at [IRS.gov/ctcportal](https://www.irs.gov/ctcportal), and click "Manage Advance Payments." If you did not receive one or more payments, contact the IRS at 800-908-4184 before filing your return.

**Repayment protection**  
You may not have to repay in full any AdvCTC payments that took into account more qualifying children (Box 2 above) than you claim on your 2021 income tax return (Schedule 8812). The repayment protection is based on your 2021 modified adjusted gross income (MAGI). You will not have to repay any AdvCTC payments for non-qualifying children if your 2021 MAGI is under:

- \$60,000 if you are married and filing a joint return or if filing as a qualifying widow or widower.
- \$50,000 if you are filing as head of household.
- \$40,000 if you are a single filer or are married and filing a separate return.

**For more information**

- For more information about completing Schedule 8812, visit [IRS.gov/Schedule8812](https://www.irs.gov/Schedule8812).
- For more information about the 2021 Child Tax Credit, visit [IRS.gov/advctc](https://www.irs.gov/advctc). This page also includes a link to frequently asked questions and answers about the advance Child Tax Credit payments.

Letter 6419 (en-sp) (10-2021)  
Catalog Number 33081X



# Education Credits

Everyone knows the high cost of going to college these days. While tale of student loan debt relief and other ways to relieve college costs are discussed, one thing that has been available to parents (and in some cases the students themselves) are the Education Credits: The American Opportunity had the Lifetime Learning Credit. The Amercian Opportunity Credit is available for the first four years of higher education at an accredited institution; the Lifetime Learning Credit is available for education years thereafter. The American Opportunity Credit is 40% refundable in most cases.

# Wrap-Up

The three major tax credits discussed tonight would be the most likely to apply to the average taxpayer. There are many more credits that are available that can help taxpayers reduce their tax liability. Information on these credits can be found at:

[www.irs.gov](http://www.irs.gov)

Thank you for your attendance. Our next topic in our series will be an overview of New York State Personal Income taxes, as well as an update on any issues that might be affecting federal returns.



**Thank you,  
Kathy Carroll**

## UPCOMING EVENTS

### CAREER WORKSHOP SERIES

#### **Resume Writing**

1<sup>st</sup> Thursday of each month 12-1PM

### FINANCIAL LITERACY SERIES

#### **Income Tax Basics for 2021 Returns**

3<sup>rd</sup> Wednesday of each month 8-9PM



# UPCOMING EVENTS

Tax Filing Preparation One on One  
March and April



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