2022 Season

TAX LAW UPDATES

2021 Consolidated Appropriations Act & American Rescue Act Provisions

Recovery Rebate Credit

2020 Provisions

Advance payments were based on the most recent tax return (2018/2019)

Maximum Credit for EIP 1 was $1,200 for Taxpayer (& Spouse on MFJ returns) & $500 for each child that qualified for the CTC (age 16 or under)

Taxpayers & spouses on MFJ returns are required to have a valid SSN in order for any member of the tax family to receive the credit.

Dependents with a valid SSN receive the credit if the Taxpayer (& Spouse on MFJ return) have a valid SSN. There is certain exception to the SSN requirement for military families.

Maximum Credit for EIP 2 was $600 for Taxpayer (& Spouse on MFJ returns) & $600 for each child on the return that qualifies for the CTC.

2021 Provisions

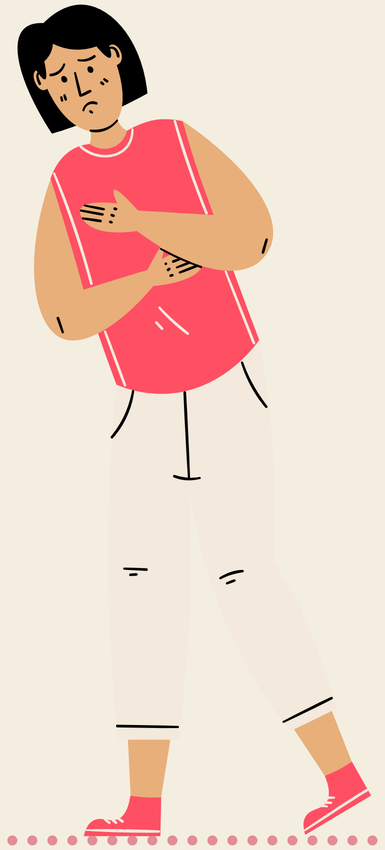
Advance payments were based on the most recent tax return (2019/2020)

Maximum Credit is $1,400 for all members of the tax family (TP, Spouse, & Dependents) that have a valid SSN. Dependents over 16 are eligible for credit.

Taxpayer (&/or Spouse on MFJ return) can have an ITIN and it does not prevent any dependent with a valid SSN claimed on the return from receiving the credit

Income threshold to receive the maximum credit in 2021 is the following:

- $150,00 for MFJ or QW
- $112,500 for HOH
- $75,00 for Single or MFS



Recovery Rebate Credit

2020 Provisions	2021 Provisions

2020 Provisions

Taxpayer or the Spouse (on MFJ returns) were required to have a valid SSN

Income threshold for the credit for EIP 1 & EIP 2 was the following:

- $150,00 for MFJ or QW
- $112,500 for HOH
- $75,00 for Single or MFS

Taxpayers with income above the threshold amounts had EIP 1 and EIP 2 reduced by an amount equal to 5% of the income above the threshold amounts.

Taxpayers that received an advance payment of either EIP 1 or EIP 2 based on the information in their prior return are not required to repay any excess. Taxpayers that did not receive advance payments could claim the credit amount on the 2020 tax return.

2021 Provisions

Taxpayers with income above the threshold amounts will have the credit reduced proportionately until eliminated when income reaches the following amounts:

- $160,00 for MFJ or QW
- $120,000 for HOH
- $80,00 for Single or MFS

Taxpayers that received an advance payment based on the information in their prior return (2020 or 2019) are not required to repay any excess. Taxpayers that did not receive advance payments could claim the credit on the 2021 tax return.

Earned Income Tax Credit

2020 Provisions

The minimum age to collect EITC for a taxpayer without a qualifying child is 25

A taxpayer without a qualifying child must be under age 65 to claim EITC

Taxpayers claiming EITC in 2020 have the option to use their 2019 earned income to calculate the credit instead of their 2020 earned income, if the 2019 amount is greater than 2020 earned income amount.

The maximum investment income that a taxpayer can receive & collect EITC is $3,650

The maximum amount of EITC for a single taxpayer without children is $543 in 2020

2021 Provisions

For 2021 only, the minimum age for a taxpayer without a qualifying child to collect EITC is 19 unless:

- The taxpayer is a full-time student (age 24) or
- Was in foster care since turning 14 or homeless at any time (age 18)

For 2021 only, there is no maximum age limit for taxpayers to claim EITC.

Taxpayers claiming EITC in 2021 have the option to use their 2019 earned income to calculate the credit instead of their 2021 earned income, if the 2019 amount is greater than 2021 earned income

Earned Income Tax Credit

2020 Provisions

The maximum income for a single filer without a qualifying child is $15,820

Taxpayers filing MFS cannot claim the EITC

2021 Provisions

Taxpayers cannot use 2020 earned income to claim the credit

The maximum investment income that a taxpayer can receive and still collect EITC is $10,000 which will be adjusted in future years for inflation

The maximum amount of EITC for a single taxpayer without children has been increased to $1,502 in 2021

The maximum income for a single filer without a qualifying child is increased to $21,430

Taxpayers separated from their spouse & living apart for the last six months of the year may be eligible for EITC if they have a qualifying child that lived with them for at least 6 months of the year

Child Tax Credit - Basic Provisions

2020 Provisions	2021 Provisions
CTC is $2,000 for each qualifying child under the age of 17 that is claimed as a dependent on the tax return.	CTC is a fully refundable credit as long as the Taxpayer (or Spouse) has a principal place of abode in the US for more than half the year.
The refundable portion of the CTC (ACTC) is up to $1,400 for each qualifying child	The CTC amounts for 2021 are $3,600 for each qualifying child under 6 & $3,000 for each qualifying child over 5 & under 18 .
To receive the ACTC the taxpayer must have earned income	No income, including no earned income is required to claim the CTC
The refundable amount is calculates on Schedule 8812 & it is limited to 15% of the earned income on the return over $2,500	CTC is subject to two phase-out provisions. 1st reduces the credit to $2,00 and it occurs if the Taxpayer's AGI is more than the following: • $150,000 for MFJ • $112,500 for HOH • $75,000 for all other filing statuses 2nd phase-out occurs when the taxpayers AGI is more than the following: • $400,000 for MFJ • $200.000 for all other filing statuses
CTC is phased out if the Taxpayer's Adjusted Gross Income is more than the following: • $400,000 for MFJ • $200,000 for all other filing statuses	
For taxpayers with AGI above the threshold amounts, the credit is reduced by an amount equal to 5% for each $1,000 of income or part therof that exceeds the limits	For taxpayers with AGI above the second phase-out amounts, the credit is reduced by an amount equal to 5% for each $1,000 of income that exceeds the limit

Child Tax Credit-Advance Payments/Reconciliation

2020 Provisions	2021 Provisions
NO Advance Payments of the Child Tax Credit or Reconciliation Occurred in 2020	Advance payments were based on the qualifying children claimed on the most recent return - 2020 (or 2019). If the taxpayer claims a different number of qualifying children on the 2021 return it may result in an additional credit (if an additional child is claimed) or repayment of the advance payment (if fewer children are claimed). Advance Payments started on July 15 & were made monthly thereafter on the 15th of the month. Advance payment amounts were \$300/month for each child under 6 and \$250/month for each child 6-17. These amounts MUST be reconciled on the 2021 tax return. The actual amount of the Child Tax Credit will be determined by the information entered on the 2021 return.

Child Tax Credit-Advance Payments/Reconciliation

2020 Provisions

NO Advance Payments of the Child Tax Credit or Reconciliation Occurred in 2020

2021 Provisions

Taxpayers will receive a notice (Letter 6419) in January of 2022 that reports the number of qualifying children that was used to determine the amount of advance payments made to the Taxpayer & aggregate amount of the ACTC payments. These amounts will be required for reconciling the CTC on the 2021 tax return.

Reconciliation/Repayment relief is based on the Taxpayers AGI based on the following income thresholds:

- $60,000 to $120,000 for MFJ or QW
- $50,000 to $100,000 for HOH
- $40,000 to $80,000 for Single or MJS

If the Taxpayer's AGI is below these thresholds they will not be required to repay any advance payments. However, if the Taxpayer's AGI is above these thresholds they will repay all of the advance payments. When the Taxpayer's AGI falls between the thresholds, the Taxpayer will have to repay a portion of any advance payments.

Child & Dependent Care Credit

2020 Provisions

Child & Dependent Care Credit was a nonrefundable credit which it has been since it was first enacted.

There are four basic requirements for a Taxpayer to claim the Child & Dependent Care Credit. It requires the following:

- Care is given to a Qualifying Person which is a child 12 or under or a disabled spouse or dependent.
- The Taxpayer & Spouse on a joint return must have earned income.
- The expenses must be incurred in order for the Taxpayer &/or Spouse on a joint return to work.
- Provider information (EIN/SSN) must be given.

Child Care or Dependent Care expenses were subject to the following limits:

- $3,000 for one qualifying individual
- $6,000 for more than one qualifying individual

2021 Provisions

Child & Dependent Care Credit was a nonrefundable credit which it has been since it was first enacted.

The eligibility requirements for claiming the credit remain the same as in 2020, except the Taxpayer or Spouse must have a principal place of abode in the US for more than 6 months of the year.

Child care or dependent care expenses are subject to the following limits:

- $8,000 for one qualifying individual
- $16,000 for more than one qualifying individual

The Credit is 50% of eligible expenses until the Taxpayer's AGI reaches $125,000. The credit is then reduced by an amount of equal to 1% for each $2,000 of income or part thereof that exceeds the limits until AGI reaches $183,000.

Child & Dependent Care Credit

2020 Provisions

The credit is a percentage of the eligible child care expenses and the percentage is based on the Taxpayer's AGI.

A maximum credit of 35% of eligible expenses is available for Taxpayers with AGI of up to $15,000.

Once AGI is above $15,000, the credit is reduced by an amount equal to 1% for each $2,000 of income or part thereof that exceeds $15,000 until AGI reaches $43,000. Above $43,000 the credit is 20% of the eligible expenses and there is no limit.

Based on expense and AGI limitations, the maximum credit that a Taxpayer can claim is the following:

- $1,050 for one qualifying individual ($3,000 x 35%)
- $2,100 for more than one qualifying individual ($6,000 x 20%)

2021 Provisions

Once AGI is above $183,000, the credit percentage of eligible expenses remains at 20% until AGI reaches $400,000. Then the credit percentage is again reduced by an amount equal to 1% for each $2,000 of income or part thereof that exceeds $4000,000 until AGI reaches $438,000. Above $438,000,there is no credit

Based on expense and AGI limitations, the maximum credit that a Taxpayer can claim is the following:

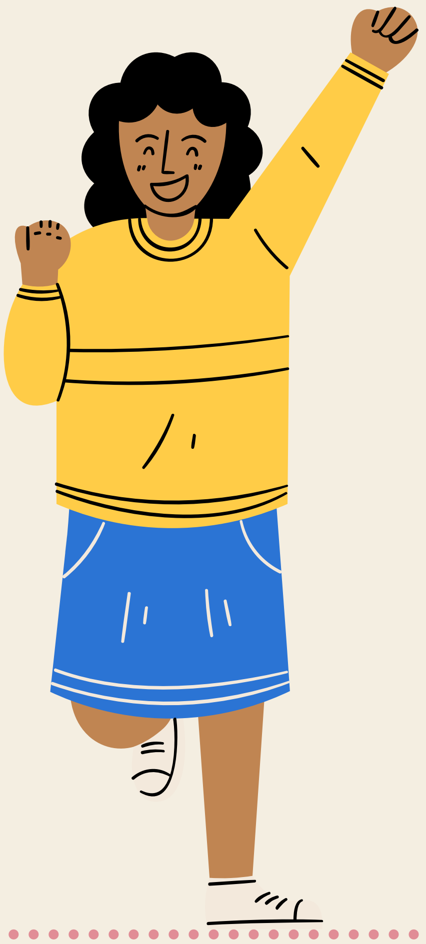
- $4,000 for one qualifying individual ($8,000 x 50%)
- $8,000 for more than one qualifying individual ($16,000 x 50%)

For Taxpayers that do not have a principle place of abode in the US for more than 6 months of the year, the Child & Dependent Care Credit is not refundable. However, all of the other enhanced provisions for 2021 apply including all monetary amounts.

Unemployment Compensation

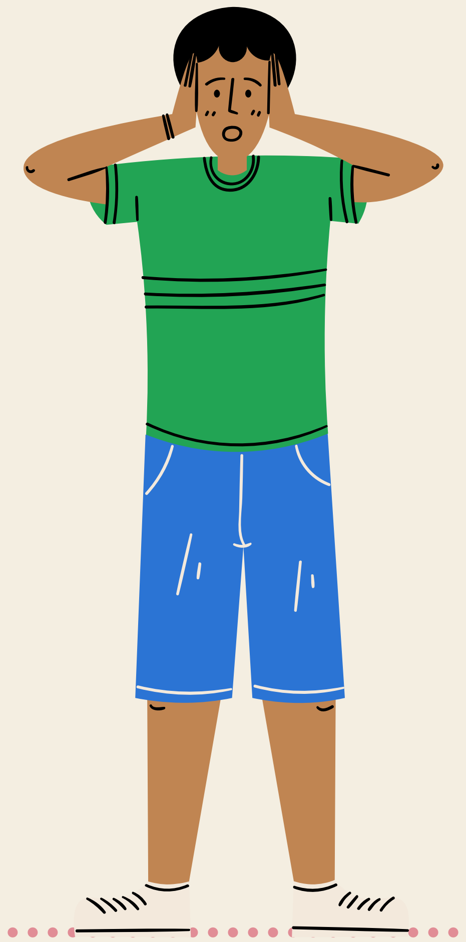
2020 Provisions

Taxpayers with Adjusted Gross Income of less than $150,000 without considering any unemployment benefits received, were able to exclude up to $10,200 of unemployment benefits from their taxable income. This $10,200 exclusion was applied equally to the taxpayer and the spouse on MFJ returns.



2021 Provisions

Taxpayers receiving unemployment in 2021 must include all of their unemployment in their taxable income on their 2021 tax return. There is no exclusion in 2021 for unemployment compensation.



Form 7202 - Credit for Sick Leave & Family Leave

2020 Provisions

As part of the CARES ACT, a self-employed taxpayer could receive a refundable credit for sick leave due to their diagnosis of Coronavirus. The maximum number of days that could be claimed was 10 and the amount of the credit was their average daily income from self-employment up to a maximum of $511/day.

A self-employed taxpayer could also receive a refundable credit for up to 50 days of family leave to care for a family member that had a coronavirus diagnosis or to care for a child that was not able to attend to school or day care due to a stay at home order or closure of the facility due to the Coronavirus pandemic. The amount of the family leave credit was 67% of their average daily income from self-employment up to a maximum of $200/day.

Taxpayers could claim both benefits but could not use the same days for sick leave benefits & family leave

All benefits are claimed on Form 7202.

2021 Provisions

The self-employed taxpayer can continue to claim on Form 7202 any unused sick or family leave benefit from the first qualification period of April 1, 2020, through March 31, 2021. All of the terms & conditions of the credit for sick leave & family leave for the self-employed that were applicable in 2020 remain in effect for 2021.

A second qualification period has been added for 2021 which runs from April 1, 2021 through September 30, 2021. The calculation of the benefit amounts & the eligibility requirements for both the sick leave & family leave has not changed from 2020.

The maximum number of days that a taxpayer can claim for either sick leave or family leave for this second qualification period (April 1 to September 30) is a combined 10 days. Just like 2020, Taxpayers cannot use the same days to claim both sick leave & family leave.

Deferral of Portion of Self-Employment Tax

2020 Provisions	2021 Provisions
The CARE Act allowed self-employed individuals and household employers to defer the payment of the portion of the SE Tax that represents the employer part for Social Security. Hald of the deferred portion would be paid in 2021 and the balance is due in 2022. The first deferred installment is due by December 31, 2021, and the second installment is due by December 31, 2022.	There is NO additional deferral of any portion of the 2021 Self Employment Tax. Taxpayers that deferred a portion of their SE Tax in 2020 should make their 2021 payment at www.irs.gov/payments by December 31st. This installment is not collected on the 2021 tax return but should be made directly to the IRS by December 31, 2021 in order to avoid penalty.

Charitable Contributions

2020 Provisions

The CARES Act allowed taxpayers that used the standard deduction to deduct $300 in cash contributions as an above-the-line adjustment to income. The $300 amount was the same for all filing statuses.

The CARES Act raised the limitation on cash contributions for taxpayers that used Schedule-A to deduct up to 100% of their income as a charitable contribution instead of the 60% limitation that was imposed with the passage of the Tax Cuts and Jobs Act.

2021 Provisions

Taxpayers that used the Standard Deduction will be allowed to deduct $300 in cash contributions for all filing statuses other than MFJ as a below-the-line deduction. Taxpayers filing as MFJ and using the Standard deduction will be allowed to deduct $600 in cash contributions.

For taxpayers using Schedule-A, the limitation on cash contributions will remain 100% of their income.

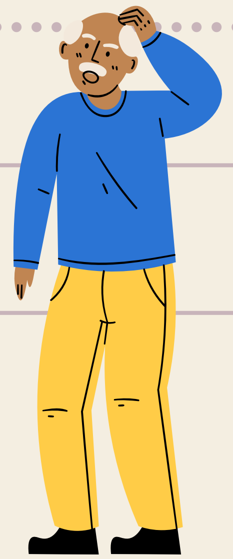
Coronavirus - Related Retirement Plan Distributions

2020 Provisions

The CARE Act allowed eligible participants in certain retirement plans - including Traditional IRAs - to take an early distribution of up to $100,000 during calendar year 2020 without paying the 10% penalty tax on withdrawals before an account owners is 59-1/2

This penalty-free provision will also apply to certain early withdrawals from other qualified retirement plans such as 401(k) plans. These distributions were designated as Coronavirus-Related Distributions.

A significant aspect of Coronavirus-Related Distributions of up to $100,000 were eligible to have the income recognized over three years. This was done on Form 8915-E and one-third of the amount of the Coronavirus-Related Distribution was included on the 2020 tax return. The remaining amount will be reported on the 2021 and 2022 returns.



2021 Provisions

Retirement plan and IRS distributions that are taken at any time after December 31, 2020 are not considered Coronavirus-Related Distributions.

Only distributions taken in connection with a FEMA-designated disaster will be eligible for deferral treatment in 2021. No distribution from any retirement plans or IRAs for Coronavirus layoffs or illness will be deemed a qualified disaster distribution and eligible for any waiver of the 10% penalty for early withdrawl.

The recognition of second installment of income from a 2020 Coronavirus-Related Distribution will be reported on Form 8915-F in 2021

Form 8915-E has been retired by the IRS and replaced by Form 8915-F which will cover multiple years of qualified disaster distributions and recognition of deferred amounts.

Other Miscellaneous Tax Changes

2020 Provisions	2021 Provisions
FORM 8917-TUITION & FEE DEDUCTION- The Tuition & Fees Deduction was extended through the end of 2020. It allowed Taxpayers to deduct up to $4,000 from their income for qualifying tuition expenses paid for Taxpayer, Spouse, or Dependents. 	FORM 8917-TUITION AND FEES DEDUCTION- The Tuition and Fess Deduction has been eliminated and is no longer available. 
LIFETIME LEARNING CREDIT- This nonrefundable credit is 20% of the first $10,000 of qualified education expenses or a maximum of $2,000 per return. In 2020, the amount of the credit was phased out between $59,000 and $69,000 ($118,000 & $138,000 if filing a joint return)	LIFETIME LEARNING CREDIT- This credit remains 20% of the first $10,000 of qualified education expenses or a maximum of $2,000 per return. In 2021, the amount of the credit will phase out between $80,000 and $90,000 ($160,000 and $180,000 if filing a joint return). These amounts now match the income limits for the American Opportunity Credit.

Other Miscellaneous Tax Changes

2020 Provisions	2021 Provisions
MEALS DEDUCTION- Taxpayers can only deduct 50% of the cost of business meals.	MEALS DEDUCTION- Taxpayers can deduct 100% of the cost of business meals that are purchased from a restaurant or are food deliveries from a restaurant or catering service. De Minimis benefits like coffee and snacks do not fall into this category and are still only 50% deductible.
NET OPERATING LOSS CARRYBACK- CARES Act provided a special provision allowing a five-year NOL carryback for 2020.	NET OPERATING LOSS CARRYBACK- A Net Operating Loss incurred in 2021 will revert to Tax Cuts and Jobs Act Provisions that provide that an NOL will only carry forward.
EXCESS BUSINESS LOSS LIMITATIONS- CARES ACT repealed the limitations on Excess Business Loss for 2020.	EXCESS BUSINESS LOSS LIMITATIONS- Excess Business Loss Limitations are in effect for 2021. These limitations will be calculated on Form 461-Limitations on Business Losses.

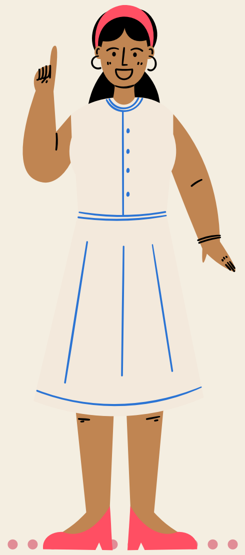
Other Miscellaneous Tax Changes

2020 Provisions

For 2020, Taxpayers were not required to repay any Advance Premium Tax Credit that they would otherwise have had to repay due to their income being below 100% or above 400% of the federal poverty level for their family size.

The IRS did not require a taxpayer that received a Form 1095-A to file Form 8962 on their 2020 tax return unless the taxpayer was entitled to receive an additional premium tax credit.

Taxpayers that filed returns with Form 8962 before this provision went into effect retroactively on March 11, 2021, were to be sent adjustments by the IRS during the summer of 2021.



2021 Provisions

Taxpayers are required to repay any excess Advance Premium Tax Credit. This repayment will be reported on Form 8962 which must be filed with the return if the Taxpayer received a Form 1095-A.

New for 2021 and 2022, the premium support has been enhanced. Taxpayers with Household Income between 100% to 150% of the Federal Poverty Level will not be required to pay anything towards the cost of the Second Lowest Cost Silver Plan in their market.

Households reporting unemployment compensation will automatically be treated as having household income of 133% of the FPL regardless of the actual income reported on the return.