

IRS Changes for 2020

Following are brief descriptions of the IRS changes for the 2020 tax year.

Form 1040-SR, U.S. Tax Return for Seniors

Form 1040-SR has been expanded from two to four pages for better readability. The Standard Deduction chart has been enlarged and is now the sole item on page 4.

Disaster and Coronavirus Relief

Stimulus Payments

Your \$1,200 (\$2,400 for couples) stimulus payment officially known as a "Recovery Rebate," is an advanced refundable tax credit on 2020 taxes. This means no matter how much you owe (or don't owe) in taxes for the 2020 tax year, you get to keep all the money with no taxes due on it.

The rebate phases out at an adjusted gross income (AGI) of \$75,000 to \$99,000 for singles (or \$150,000 to \$198,000 for joint taxpayers), at a rate of 5% per dollar. Since the stimulus payment will either be based on your AGI for 2018 or 2019, but technically applies to your 2020 AGI, there may be some discrepancy.

- If it turns out your AGI for 2018 or 2019 (whichever one the IRS bases your stimulus payment on), is lower than 2020, resulting in a higher payment, you can keep the overage.
- If your AGI for 2018/19 is higher than your AGI in 2020, you can claim the additional amount owed when you file your 2020 taxes in 2021.
- This applies to dependents under 17 as well. If someone else claims a child now, based on 2018/19 returns, but you legitimately claim that child on your 2020 return, you will get a \$500 tax credit when you file in 2021 and the person who got it based on 2018/19 returns will not have to pay it back.
- If you have a child in 2020 you can claim the child when you file in 2021 and receive the \$500 credit then.

Your recovery rebate is not taxable. It will not add to your taxable income in 2020 (or any other year). All of this is based on the fact that the Coronavirus Aid, Relief and Economic Security (Cares) Act contains no "take back" mechanism by which the government can reclaim funds that were legitimately extended.

For taxpayers who took advantage of provisions of the CARES Act allowing tax-free withdrawals from retirement plans to pay for certain types of disaster expenses, reporting these withdrawals and its repayments are done on Forms 8915-A, 8915-B, 8915-C, 8915-D, and 8915-E.

2020 Disasters

As of the time of this publication, the Coronavirus is the only qualified 2020 disaster reportable on Form 8915-E, Qualified Disaster Retirement Plan Distributions and Repayments. To see if this legislation has been enacted, resulting in changes that affect the taxpayer's 2020 Form 8915-E, see "Recent Developments" at [IRS.gov/Form8915E](https://www.irs.gov/Form8915E)

Additional Charitable Contribution Deduction

Eligible taxpayers are now able to claim an additional deduction of up to \$300 (\$150 for Married Filing Separately filers) for charitable contributions *without* the need to file Schedule A.

Deferral of Payment of 6.2% of Social Security Tax

The CARES Act permitted employers to defer the payment of the “employer’s share”—or 50 percent of the Social Security tax on net earnings—for the period beginning on March 27, 2020 and ending on December 31, 2020. The taxpayer may use any reasonable method to determine what portion of net self-employment income is attributable to the deferral period.

Employees’ Deferral

A presidential memorandum, issued August 8, 2020, offered an option to employees of not having Social Security payments withheld from their wages in 2020, with the understanding that those withholdings must be paid during the first quarter of 2021.

1099-NEC, Nonemployee Compensation

In previous tax years, nonemployee compensation of \$600 or more was reported on Form 1099-Misc (**Miscellaneous Income**) the IRS now requires this income to be reported using Form 1099-NEC, (Non-employee Compensation).

Health Coverage Tax Credit (HCTC) Extension

The HCTC has been extended for all coverage months beginning in 2020, allowing eligible individuals to receive a tax credit to offset the cost of their monthly health insurance premiums for 2020 if they have qualified health coverage for the HCTC.

IRS Changes to Form 5884-A

Form 5884-A is no longer titled “Credit for Affected Disaster Area Employers.” The IRS now calls Form 5884-A “Employee Retention Credit.”

Credits for Sick Leave and Family Leave for Self-Employed

Use Form 7202 to figure the amount of credit to claim for Qualified Sick and Family Leave credits under FFCRA on a 2020 tax return. These refundable credits are available to eligible self-employed individuals if they were unable to work or had to care for family members for reasons related to the Coronavirus. These credits are equivalent to the amount of paid sick or family leave the self-employed individual would be entitled to receive under the Emergency Paid Sick Leave Act or, if the individual was an employee of an employer (other than himself or herself), the Emergency Family and Medical Leave Expansion Act.

Mileage Rates for 2020

The standard mileage rates for the use of a car (also vans, pickups, or panel trucks) for 2020 are as follows:

- 57.5 cents per mile driven for business use
- 17 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations

Standard Deduction for 2020

The standard deduction was increased to \$12,600 for Single and Married Filing Single returns, to \$24,800 for taxpayers filing as Married Filing Jointly or Qualifying Widow(er), and to \$18,650 for those filing as Head of Household.

Amended Form 1040 Returns (1040-X) Eligible for e-File

The IRS now accepts e-filed 1040-X returns. For an amended return to be eligible for e-file, the original return must have been e-filed. Paper-filed returns cannot be amended electronically.

Form 1040-NR, U.S. Nonresident Alien Income Tax Return

Form 1040-NR has been shortened from five pages to two for the 2020 tax year. Schedules A (Itemized Deductions), NEC (Tax on Income Not Effectively Connected With a U.S. Trade or Business), and OI (Other Information) are no longer generated automatically with the return and will now be generated only when necessary. Form 1040-NR now uses the same Schedules 1 (Additional Income and Adjustments to Income), 2 (Additional Taxes), and 3 (Additional Credits and Payments) as Form 1040.