

INSIGHT

Business Newsletter



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Updates to IRS Form 1040
and MORE!



Changes to IRS Form 1040 for tax year 2021

The year 2021 continued to bring many challenges and tax changes. This includes some changes to IRS Form 1040. While its format remains similar to that of 2020, the changes are due in large part to the American Rescue Act of 2021. Here are some of them:

Virtual Currency. On page 1 of Form 1040, the following question appears: *At any time during 2021, did you receive, sell, exchange, or otherwise dispose of any financial interest in any virtual currency?* You must answer this question - you cannot leave it blank.

Premium Tax Credit - Expanded. The ARP expanded the Premium Tax Credit by eliminating the limitation that a taxpayer's household income

may not exceed 400% of the Federal Poverty Line and generally increases the credit amounts. In addition, in 2021, if you receive unemployment compensation, you are generally eligible to claim the PTC if you meet the other requirements.

Credits for Qualifying Children and Other Dependents.

Talk about complications. Its now so complicated it takes three (3) pages to explain and has been moved to Schedule 8812. Part III now includes calculations for any additional tax due because of excess advance child tax credit payments.

Complete Schedule 8812 if you are claiming the nonrefundable child tax credit, refundable child tax credit, additional child tax credit, or credit for other dependents, and attach it to your Form 1040 or 1040-SR.

Earned Income Credit. Special Rules for Taxpayers without a Qualifying Child. Special rules apply if you claim the EIC (Earned Income Credit) without a qualifying child. In these cases, the minimum age has been lowered to age 19 except for specified students who must be at least 24 years old at the end of the year. However, the applicable minimum age is lowered further (to age 18) for former foster youth and qualified homeless youth. Additionally, you no longer need to be under age 65 to claim the EIC without a qualifying child.

Extension & Expansion of Sick and Family Leave Credits. Under ARP, certain self-employed individuals can claim credits for up to 10 days of “paid sick leave” and up to 60 days of “paid family leave” if they are unable to work or telework due to circumstances

related to coronavirus. Self-employed individuals may claim these credits for the period beginning on April 1, 2021, and ending September 30, 2021.

Tuition and Fees Deduction No Longer Available. Finally, as a reminder, the tuition, and fees deduction, which was worth up to \$4,000, is no longer available starting in 2021. Instead, the income limitations for the lifetime learning credit have been increased. Please call if you need more information about this valuable education-related tax credit.

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