

What Everyone Should Know When Filing Their 2020 Individual Tax Returns



Resources

[IRS Website](#)

[IRS Free File](#)

[Get My Payment
Tool](#)

[Unemployment
Insurance Tax Break](#)

[Unemployment
Compensation Tax](#)

[DC Tax Updates](#)

[Maryland Tax
Updates](#)

[Virginia Tax Updates](#)

[COVID Relief for
Retirement Plans
and IRAs](#)

[CARES Act
Retirement Plan
Implications](#)

[2020 Charitable
Contribution Tax
Deduction](#)

[Adjusted Gross
Income](#)

2020 Individual Return Frequently Asked Questions

Should I amend my 2020 tax return to get the American Rescue Plan Act of 2021 unemployment insurance tax break of \$10,200?

If you have already filed your 2020 Form 1040 or 1040-SR, there is no need to file an amended return (Form 1040-X) to figure the amount of unemployment compensation to exclude. The IRS will refigure your taxes using the excluded unemployment compensation amount and adjust your account accordingly. The IRS will send any refund amount directly to you.

If I did not receive my first or second Economic Impact Payment (EIP) what should I do when I file my 2020 tax return?

If you were eligible for an EIP but did not receive all/any of it, you will be able to claim it when you file your 2020 taxes in 2021. This claimed amount includes both the first and second round of payments that was not received.

Will reporting working remotely from multiple states affect my taxes?

Employees working remotely could face issues with their taxes, including double state tax on wages, depending on their state of residence and location of their employer. Certain states apply a “convenience versus necessary” test to determine if an employee is required to work from home, or if it is merely “convenient” for the employee to do so. If an employer is in one of the applicable states, and furthermore the law determines the employee works from home out of convenience rather than necessity, the employer’s state can tax remote workers for income earned. The following states apply the above “convenience versus necessary” test: Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming. As Virginia, Washington DC, and Maryland are not one of the states listed above, working remotely from multiple states will not affect your taxes unless the employer is located in one of the states listed above.

Do I still need to file my state taxes by April 15, 2021? When was the Federal tax filing and payment deadline extended to?

The District of Columbia extended their tax filing deadline to May 17th, 2021. Maryland extended their filing deadline to July 15th, 2021. Virginia extended their filing deadline until May 17th, 2021. Individual taxpayers who need additional time to file beyond the May 17 deadline can request a filing extension until Oct. 15 by filing Form 4868 through their tax professional, tax software or using the Free File link on IRS.gov (but does not grant an extension of time to pay taxes due). Taxpayers should pay their federal income tax due by May 17, 2021, to avoid interest and penalties.

What if my earned income in 2019 was higher than my earned income in 2020?

If your earned income from 2019 is higher than your earned income for 2020, a taxpayer can opt to use their 2019 earned income to claim the earned income tax credit. This temporary relief is provided through the Taxpayer Certainty and Disaster Tax Relief Act of 2020. Earned income includes the following: wages, salary, tips, income from a job where the employer did not withhold tax, money made from self-employed business, benefits from a union strike, and disability payments. Earned income does not include the following: interest, dividends, pensions, social security, unemployment benefits, alimony, and child support.

I was impacted by COVID-19, and made withdrawals from my Roth IRA/401(k)/403(b), will this be taxable in 2020?

The CARES Act provides for expanded distribution options and favorable tax treatment for up to \$100,000 of coronavirus-related distributions from eligible retirement plans (certain employer retirement plans, such as section 401(k) and 403(b) plans, and IRAs) to qualified individuals, as well as special rollover rules with respect to such distributions.

What is the charitable contribution limit for 2020?

The contribution limit is generally no more than 60% of your adjusted gross income (AGI). The deduction may be limited depending on the type of property you give and the type of organization you give it to. Limits based on 50%, 30%, and 20% of your AGI also apply. A new provision allows filers to easily deduct up to \$300 in donations to qualifying charities without itemization.

What Everyone Should Know When Filing Their 2020 Business Tax Returns



Resources

[IRS Website](#)

[IRS Business](#)

[Net Operating Losses](#)

[Small Business
Administration \(SBA\)
Website](#)

[SBA Paycheck
Protection Program](#)

[Virginia PPP Loan Tax
Implications](#)

[State PPP Loan Tax
Implications](#)

[SBA EIDL Grant](#)

[Employee Retention
Credit](#)

[Self-Employment Tax](#)

[Business Expense
Deductions](#)

[IRS Small Business
Tax Workshop](#)

[Estimated Tax](#)

2020 Business Tax Frequently Asked Questions

What if my business suffered losses/closures due to COVID-19, how will that impact my taxes?

There are many ways business revenue losses and government-mandated closures suffered due to COVID-19 could impact your 2020 taxes. Refer to the state your business primarily operates in for specific information that could pertain to your tax situation. There are various tax credits, loans, and tax provisions including the Payment Protection Program tax implications, the COVID-19 Economic Injury Disaster Loans, Net Operating Loss (NOL) limits, and the Employee Retention Credit.

What is the Payment Protection Program (PPP) and are PPP loans taxable?

The Paycheck Protection Program is a loan program created from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and has been extended. The loans are backed by the Small Business Administration (SBA). PPP loans that are forgiven are not taxable as income. States may limit taxable business income for PPP loans. Check with your state for information regarding tax implications of PPP loans.

As a small business, am I eligible for COVID-19 Economic Injury Disaster Loan (EIDL) loans?

Applicants must be physically located in the United States or designated territory and suffered working capital losses due to the Coronavirus pandemic. Businesses with 500 or fewer employees (see SBA definition), cooperatives with 500 or fewer employees, agricultural enterprises with 500 or fewer employees, most private nonprofits, faith-based organizations, and sole proprietorships and independent contractors.

What is the Employee Retention Credit?

Companies effected by COVID-19 are eligible for an Employee Retention Credit which is a refundable tax credit. Section 2301 of the CARES Act allows a credit (employee retention credit or credit) against applicable employment taxes for eligible employers, including tax-exempt organizations, that pay qualified wages, including certain health plan expenses, to some or all employees after March 12, 2020, and before January 1, 2021.

What forms should I file as an independent contractor for Uber, Lyft, Via, Instacart, or DoorDash?

Independent contractors should complete Form 1099-NEC. Form 1099-NEC is used by payers to report payments made in the course of a trade or business to others for services.

What is a 1099 form and which businesses are exempt from a 1099?

A 1099 form is a record that an entity (a payer) other than your employer paid you money. The payer will fill out a 1099 form and provide copies to you and the IRS. There are several kinds of 1099 forms: 1099-MISC, 1099-NEC, 1099-A, 1099-B, and 1099-C. If you are performing services for a business, you are required to obtain a 1099 from the business. If you have an employer, the employer should report your wages in the form of a W-2.

What are some general business deductions?

Business expenses are the cost of carrying on a trade or business. These expenses are usually deductible if the business operates to make a profit. If you do not carry on the activity to make a profit, you must report all of the gross income (without deductions) from the activity on Form 1040 or 1040-SR, line 21. Special limits apply to what expenses for a not-for-profit activity are deductible. Business expenses are typically deductible as long as they are ordinary and necessary which include items such as costs of goods sold, taxes, insurance, employee pay, rent expense, etc. In terms of COVID-19, expenses now considered ordinary and necessary typically can be deducted.

I started a business this year, what should I know about quarterly tax payments and when to file my taxes?

Quarterly taxes are how small businessowners pay taxes to the IRS throughout a tax year if your income exceeds a certain level. The Tax payments are typically due on: (1) April 15 (2) June 15 (3) September 15 (4) January 15. To file quarterly taxes, a self-employed person will use a 1040-ES for quarterly payments. A Corporation will use form 1120-W. You would want to file prior to the deadline, otherwise, you may incur an underpayment penalty if you do not pay enough taxes throughout the year.