

<https://www.sun-sentinel.com/business/fl-bz-unemployment-exemption-relief-bill-20210317-dnxc6nk53bcahorq5oz22wov3a-story.html>

Claim your free money: The IRS owes millions to the unemployed

March 17, 2021 | Sun Sentinel: Web Edition Articles [TCA] (Fort Lauderdale, FL)
Author: Ron Hurtibise | Section: Financial

If you were among the 2.7 million Floridians who received unemployment benefits last year, you are likely entitled to a windfall of up to \$1,200.

Think of it as a reward for your perseverance in navigating the state's notoriously rickety unemployment system.

The benefit is buried in the \$1.9 trillion COVID-19 relief bill enacted last week. In addition to the \$1,400 checks that Americans began to receive Wednesday, the bill included a provision that excludes from taxable income up to \$10,200 of the amount of unemployment benefits sent to individuals in 2020.

In other words, whatever your 2020 taxable income would have been before the relief bill was enacted last week can now be reduced by up to \$10,200. If you are married and file taxes jointly, you could reduce your combined taxable income by \$20,400 if each spouse received at least \$10,200 in unemployment benefits.

In Broward, Palm Beach and Miami-Dade, nearly 1 million people received unemployment benefits last year. Nationwide, about 40 million U.S. taxpayers qualified for benefits.

Anyone who received more than \$10,200 in benefits should get back at least \$1,200, according to Elizabeth Pancotti, policy director at Employ America, a progressive think tank in Washington, D.C., that promotes policies benefiting workers.

Married couples able to exclude \$20,400 will get back at least \$2,400.

That's a lot of money for anyone who was thrown out of work and had to rely on unemployment last year.

The benefit is available for individuals or couples with incomes of less than \$150,000. You can get the money either as an increase of the amount of your 2020 federal tax refund or a decrease of the taxes you owe.

Recipients who opted to have federal taxes taken out of their unemployment checks last year should get most of that money back, while those who chose not to have taxes deducted won't have to come up with that money before the April 15 tax filing deadline.

Here's the bad news: If you've already filed your taxes, claiming the benefit will be a bit of a hassle. You'll have to file an amended tax return, and the IRS hasn't yet developed the form or issued guidance for exactly how to do that. For now, the IRS advises you to wait and check its website in the coming days for instructions.

If you filed your taxes through an electronic tax preparation service, such as TurboTax or H&R Block, you'll be able to amend your return through those services.

A spokeswoman for Intuit said Tuesday that the company's tax preparation products, including TurboTax, will enable customers to claim exemptions later this week.

An H&R Block spokesperson said Tuesday that the company is awaiting guidance on how its customers will be able to claim the exemption. As the company receives information from the IRS, it plans to update the unemployment benefits section of its website.

Advocates who lobbied for the exemption say they fear that many people who have already filed their taxes won't find out about it or won't invest the effort to claim the money by filing an amended return.

"We wanted this to be automatic, so if you had already filed, the IRS would just send you a check," Pancotti said. "But the IRS said there's no way for it to automatically adjust returns."

The Treasury Department and IRS are working on ways to minimize burdens for taxpayers who have to file amended returns, such as persuading online tax preparers to eliminate fees they charge for filing amended returns, Pancotti said. She also expects the federal government to launch a public awareness campaign to inform taxpayers about the exemption.

The good news for self-filers who haven't filed their tax returns yet is that the IRS has issued instructions for claiming the exemption. Go to irs.gov/forms-instructions and click on "Post Release Changes to Forms" on the left side of the page. On the following page, click New exemption of up to \$10,000 of Unemployment Compensation.

That takes you to a set of instructions for using Form 1040 Schedule 1 to report your unemployment pay from the tax statement you received from the state and subtract the amount of your exemption to determine how much of it is taxable. Then you enter the taxable amount on your Form 1040 return.

What's important is that you don't report the unemployment pay in the "Wages, salaries, tips, etc." box at the top of your 1040 form.

Certified public accountants who are paid to prepare individuals' taxes are likely aware of what they need to do to file for your exemption, said Ashlie Forum, partner in the tax and business services division of Marcum Accountants & Advisors in Fort Lauderdale.

At her firm, for example, "we have our own software that electronically files returns" and can accommodate clients who seek the exemption, she said.