



Post Filing Season Review of Refundable Credits

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Money in Your Pocket!

It's not too late...

**File a 2021 Tax Return
to claim available credits**



Pub. 5585 – Child-Related 2021 Tax Credits




CHILD-RELATED 2021 TAX CREDITS

► You might receive a tax refund even if you're not required to file


EARNED INCOME TAX CREDIT	CHILD TAX CREDIT	CHILD & DEPENDENT CARE CREDIT
<ul style="list-style-type: none">► When claiming three or more qualifying children, you can receive up to \$6,728► Your household must have earned income of less than \$57,414► You and your spouse must have valid Social Security numbers► Qualifying child must be younger than you► Qualifying child must be under age 19, or a full-time student under age 24, at end of tax year► Qualifying child can be any age if permanently and totally disabled► You may be able to claim the Earned Income Tax Credit without a qualifying child if your earned income is less than \$21,430 (\$27,380 if Married Filing Jointly)	<ul style="list-style-type: none">► You may receive up to \$3,600 for each child age 5 and under, \$3,000 for each child age 6 through 17 at the end of 2021► No income is required to claim this credit for 2021► Qualifying child must have an SSN► Qualifying child must be claimed as a dependent on your return► Qualifying children may include foster children or extended family if they meet other criteria► Dependents who can't be claimed for the Child Tax Credit may qualify you for the Credit for Other Dependents, which is up to \$600 per dependent	<ul style="list-style-type: none">► You can receive a credit of up to \$4,000 for care expenses for one qualifying person and up to \$8,000 for two or more qualifying persons► You must have qualifying expenses for child or dependent care while you worked or looked for work► Qualifying person can have a Social Security number, Individual Taxpayer Identification Number or Adoption Taxpayer Identification Number► Qualifying person must have lived with you for more than half the tax year► Qualifying person must be under age 13 for the days the care was provided during the tax year, or be physically or mentally incapable of self-care► You must have earned income

More information on tax credits


Please visit www.irs.gov using the QR codes below to check out the interactive Advance Child Tax Credit Eligibility Assistant and learn more about the Earned Income Tax Credit.



Use the EITC Assistant



Advance Child Tax Credit Eligibility



Find a Location for Free Tax Prep

Free Tax Preparation

You may also qualify for no-cost tax preparation and filing assistance at a Volunteer Income Tax Assistance (VITA). Visit www.irs.gov/VITA, use the QR code below or call 1-800-908-9887 to find a site near you.

Publication 5585 (12-2021) Catalog Number 73583J | Department of the Treasury | Internal Revenue Service | www.irs.gov



- 1. Raises the maximum qualifying age**
- 2. Increases the maximum credit amount**
- 3. Makes the credit fully refundable**
- 4. Removes the minimum income requirement**
- 5. Provides advance payments**



“ Enhanced” Child Tax Credit for 2021

- You may receive up to \$3,600 for each child age 5 and under, \$3,000 for each child age 6 through 17 at the end of 2021.
- No income is required to claim this credit for 2021.
- Qualifying child must have an SSN.
- Qualifying child must be claimed as a dependent on your return
- Qualifying children may include foster children or extended family if they meet other criteria



Advance Child Tax Credit Payments

**Advance child
tax credit
payments
were
prepayments
of the
taxpayer's
2021 child tax
credit**

- ✓ Based on the most current year tax filing from either 2020 or 2019
- ✓ Paid Monthly
- ✓ From July 15, 2021, to December 15, 2021
- ✓ 50% of the estimated 2021 child tax credit



Reconcile Advance Child Tax Credit Payments

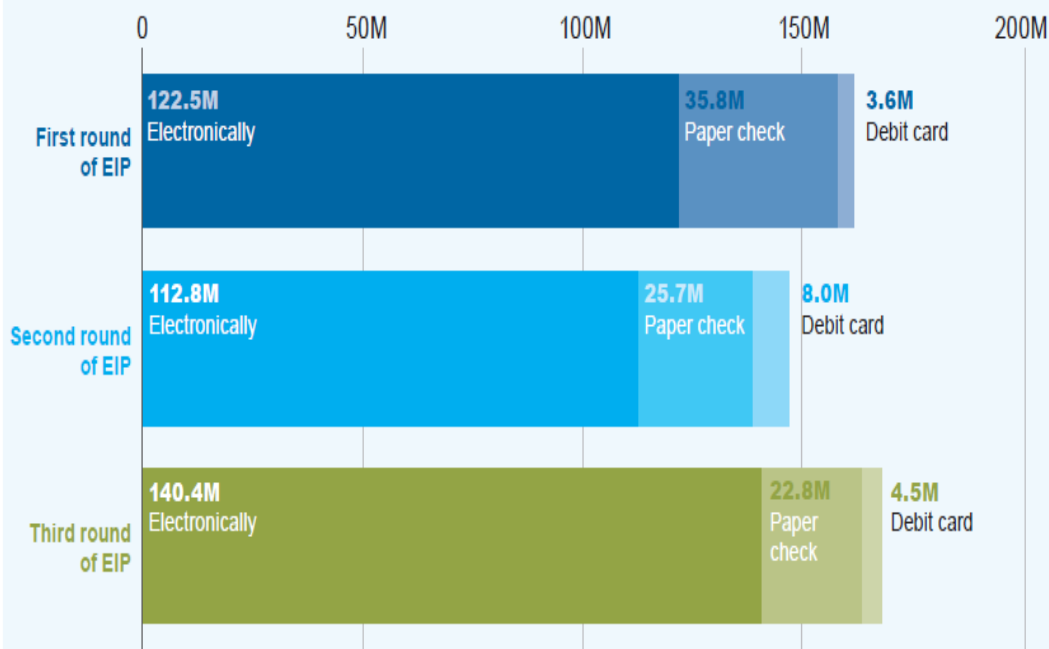
- Compare the Advance Child Tax Credit payments that you received during 2021 with the amount of the Child Tax Credit that you can properly claim on your 2021 tax return.
- If you received less than the amount that you're eligible for, you'll claim a credit for the remaining amount.
- If you received more than the amount that you're eligible for, you may need to repay some or all of that excess payment when you file.
- The IRS is sending you **Letter 6419** which will provide the total amount of 2021 Advance Child Tax Credit payments you received. **Be sure to keep this letter** with your tax documents.



Economic Impact Payments

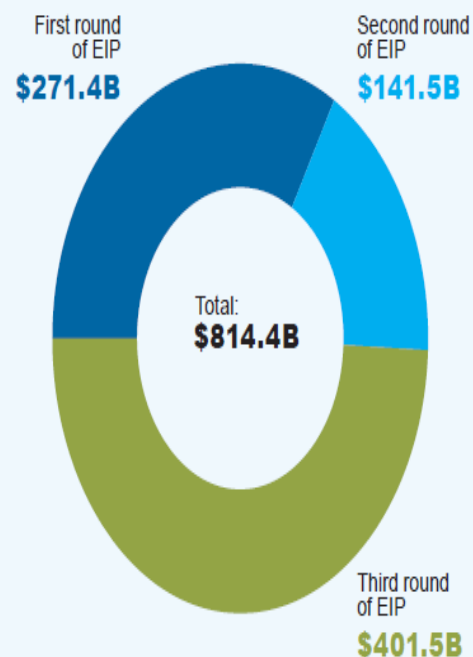
INTERNAL REVENUE SERVICE DATA BOOK, 2021

Number of Economic Impact Payments by Type



SOURCE: IRS, RAAS, March 2022

Amount of Economic Impact Payments





In Case You Forgot...

Recovery Rebate Credit for 2020

- **2020 Tax returns can be filed till April 15, 2024**
- Missing first and second payments may only be claimed on a 2020 tax return.
- 2020 Earned Income Tax Credits may be claimed based on 2019 Earned Income.



3rd Economic Impact Payment and the Recovery Rebate Credit for 2021

If you didn't receive the 3rd Economic Impact Payment or didn't receive the full amount you may be eligible for the Recovery Rebate Credit based on your **2021** tax situation.

Here's what you'll need to do:

- **Keep Letter 6475** the IRS sends you about any payments you did receive so you can accurately calculate your credit.
- File a 2021 tax return to claim the Recovery Rebate Credit even if you don't have a filing requirement.



Earned Income Tax Credit 2021

- Expansion for taxpayers with no qualifying children
- Increase investment income to \$10,000
- Rules for separated spouses
- Use of 2019 earned income for 2021 EITC calculation in limited situations



Child and Dependent Care Credit 2021

- Dollar limit amount increased to \$8,000 for one qualifying person and \$16,000 for two or more qualifying persons.
- Increased credit rate and income phaseout amounts
- Refundable in 2021 for most taxpayers
- Increased the maximum exclusion amount for employer-provided dependent care benefits to \$10,500



Charitable Contributions - 2021

- For 2021 only, individuals who make contributions –by cash, check, or debit/credit card– to qualified charities can take a deduction on their tax return **WITHOUT** itemizing deductions.
- This one-time deduction is:
 - \$300 for individual taxpayers including MFS or
 - \$600 for joint filers
- The deduction is taken on line 12b on Form 1040 or Form 1040-SR.



Steps to Take Now

Gather and organize your tax records:

Key records include:

- Forms W-2 and 1099
- Form 1095-A, *Health Insurance Marketplace Statement*
- **Letter 6419**, *2021 Total Advance Child Tax Credit Payments*
- **Letter 6475**, *Your 2021 Economic Impact Payment*

Remember, mismatched information could delay your refund!



Tips for Filing Season 2022

Electronic Filing Options –many options are available

- [Use IRS Free File or Fillable Forms](#)
- [Use a Free Tax Return Preparation Site](#)
- Use commercial software
- Find an Authorized e-file provider

Choose Direct Deposit for a faster and safer refund

- [If you don't have a bank account, get one—many free accounts are available](#)

Check on your refund status using “Where’s my refund?”

- [Available within 24 hours of filing for e-filed returns, 4 weeks for paper returns](#)



2021 Taxes - Your Online Account

An online account can help you with your IRS issues

- Individuals who have not set up an online account yet should act soon to create an account.
- People who have already set up an online account should make sure they can still log in successfully.

With an online account you can:

- View your balance due
- View or create payment plans, make payments
- Access your tax records

All without calling or writing the IRS!



How long will it take to get your refund?

- Some returns, filed electronically or on paper may require manual review, delaying the processing when:
 - our systems detect a possible error
 - it is missing information
 - there is suspected identity theft or fraud
- These situations require special handling which may take longer than 21 days to process the return and issue any refund.



Additional Resources

- [Schedule 8812- Credits for Qualifying Children and Other Dependents](#)
- [Schedule 8812 Instructions - Credits for Qualifying Children and Other Dependents](#)
- **Publication 5533, [Why You Should Create an IRS Online Account](#)**
- **Publication 5136, [IRS Services Guide Shows where to find help on IRS.gov](#)**




Additional Resources

- [2021 Child Tax Credit and Advance Child Tax Credit Payments Frequently Asked Questions](#)
- [Earned Income Tax Credit \(EITC\)](#)
- [Child and Dependent Care Credit FAQs](#)
- [Frequently Asked Questions and Answers](#)
- [How to Register for Certain Online Self-Help Tools](#)



Help on IRS.gov!

[File](#)[Pay](#)[Refunds](#)[Credits & Deductions](#)[Forms & Instructions](#)

Fraud/Scams

Notices and Letters

Appeals

Frequently Asked Questions

Accessibility

Contact an International IRS Office

Tax Topics

Other Languages

Browse the tax tools available for individual taxpayers, businesses, and tax professionals.

For Individual Taxpayers

Account


[Your Online Account](#)
View the amount you owe, make and track payments, and manage your communication preferences.


[Get Transcript](#)
Get a copy of your tax transcript online or by mail.

Filing

[Free File](#)
Prepare and file your federal income taxes online for free.

[Authorized E-file Provider](#)
Locate an authorized e-file provider in your area who can electronically file your tax return.

[Volunteer Income Tax Assistance Locator](#) 
Get free tax help for the elderly, the disabled, people who speak limited English and taxpayers who generally earn less than \$54,000.

[Directory of Federal Tax Return Preparers](#) 
Search for preparers in your area who hold professional credentials recognized by the IRS.

[Where's My Amended Return?](#)
Track the status of your amended return.

- [Affordable Care Act Estimator Tools](#)
- [Direct Pay Help](#)
- [Tax Season Refund Frequently Asked Questions](#)
- [Online EIN: Frequently Asked Questions](#)

<https://www.irs.gov/help/tools>



Additional Help on IRS.gov!

Tax Information for Individuals

English | [Español](#) | [中文\(简体\)](#) | [中文\(繁體\)](#) | [한국어](#) | [Русский](#) | [Tiếng Việt](#) | [Kreyòl ayisyen](#)

Individuals

[Who Should File](#)

[How to File](#)

[When to File](#)

[Where to File](#)

[Your Information](#)

[Students](#)

[Employees](#)

[Parents](#)

[Military](#)

[Seniors & Retirees](#)

Businesses and Self-Employed



Your 2021 Tax Return: Reconcile Child Tax Credit Payments

If you got advance payments of the Child Tax Credit, find how to [reconcile the payments on your 2021 federal tax return](#).

Tools

[View Your Tax Account](#)

[Get Your Transcript](#)

[Where's My Refund?](#)

File

- [Don't lose your refund by not filing](#), even if you missed the deadline
- [Filing past due returns](#)
- Special deadlines for [taxpayers living overseas](#) and some disaster victims

Pay

- [Options for paying your taxes](#)
- [How to choose a payment option](#)
- [Tax withholding](#)
- [Estimated taxes](#)
- [Understanding your IRS notice or letter](#)

<https://www.irs.gov/individuals>



Form 1099-K, Payment Card and Third-Party Network Transactions - Threshold Change

CPA CPE Society of PA

June 22, 2022





Understanding your Form 1099-K

Form 1099-K, Payment Card and Third Party Network Transactions, is an IRS information return used to report certain payment transactions.

You should receive Form 1099-K by January 31st if, in the prior calendar year, you received payment:

- From payment card transactions (e.g., debit, credit, or stored-value cards), and/or
- In settlement of third party network transactions above the minimum reporting thresholds for the provision of goods or services.



Form 1099-K Minimum Threshold

For returns for calendar years prior to 2022:

- Aggregate amounts of payments exceed \$20,000, **AND**
- More than 200 such transactions

For returns for calendar years after 2021:

- Aggregate amounts of payments exceed \$600, **AND**
- Any number of transactions



Threshold change Jan. 1, 2022

- Form 1099-K reporting by Third Party Settlement Organizations (TPSOs) is limited to transactions for the provision of goods and services, this doesn't include things like paying family or friends back for dinner, gifts, shared trips, etc.
- Effective 1/1/2022: The Internal Revenue Code requires TPSOs to report transactions for the provision of goods and services with customers if the aggregate amount of payments made during the calendar year is more than \$600 regardless of the number of transactions on Form 1099-K.
- Prior to Jan. 1, 2022, a Form 1099-K was only required when a user participated in more than 200 transactions and received more than \$20,000 in exchange for goods and services.



1099-K Payment Card and Third Party Network Transactions

What does my Form 1099-K report to me?

[Form 1099-K](#) includes the gross amount of all reportable payment transactions.

- Payment card transaction or
- Third party network transaction.

The minimum reporting thresholds apply only to payments settled through a third party payment network; there is no threshold for payment card transactions.



Business income recordkeeping

Books and records should reflect your business income including amounts that may be reported on Form 1099-K .

- Cash
- Checks
- Debit/credit card payments



[Understanding Your 1099-K](#)

Understand Form 1099-K, Payment Card and –Third Party Network Transactions, and what you should do if you receive one.

[About Form 1099-K, Payment Card and Third Party Network Transactions](#)

Includes recent updates, related forms, and instructions on how to file.

[General FAQs on Payment Card and Third Party Network Transactions](#)

General frequently asked questions on Payment Card and Third Party Network Transactions.



Virtual Currency



Objectives

- Explain virtual currency fundamentals
- Describe Tax Practitioners' due diligence responsibilities for Client Returns affected by virtual currency transactions
- Explain the tax consequences from:
 - Sale or other exchange of virtual currencies
 - Use of virtual currencies to pay for goods or services
 - Investments in virtual currencies

- Buying good and services
- Investments
- Payroll and bonuses
- Gaming/Sports
- Gambling
- Darknet Markets
- Money laundering





Notice 2014-21

- Virtual currency is a digital representation of value that functions as a...
 - Medium of exchange
 - Unit of account
 - Store of value
- In some environments, it operates like “real” currency
- But...it does not have legal tender status in any jurisdiction.



- Used to pay for good or service and held for investment
- Not U.S. legal tender (see 31 USC §5103)
- Taxed as property – not currency
- Subject to the capital asset rules (IRC§1221)
- Subject to information reporting



How can you get virtual currency?

- Buy it, mine it, work or trade for it
- Mined by solving complex mathematical problems
 - Solve a certain problem, get a mining reward
 - Miners also earn fees by posting transactions to the “Blockchain”
- What is the Blockchain?
 - The blockchain is a distributed public ledger that compares to a traditional ledger where a transaction is a line in the ledger, a block is a page, and the entire blockchain is a continuous accounting ledger.



How does virtual currency work?



- 1 Someone initiates a virtual currency transaction, such as sending one unit of a virtual currency to another individual.



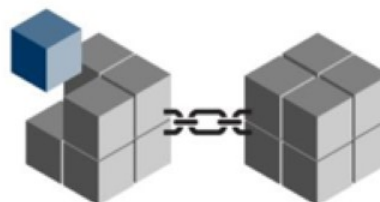
- 2 The transaction is broadcast to a peer-to-peer network of computers that support the blockchain.



- 3 The network of computers validates the transaction. For example, the network ensures that the virtual currency has not been previously spent.



- 4 Once verified, the transaction is combined with other transactions to create a new block of data. A block typically contains information about transactions that have not yet been linked to previous blocks, such as the date, time, and amount of virtual currency sent.



- 5 The new block is then added to the blockchain, which is made up of digital information (blocks) stored in the format of a distributed ledger (chain). Different virtual currencies transact on different blockchains.



- 6 The transaction is complete. For example, virtual currency has been deposited into the recipient's virtual wallet.

Source: GAO. | GAO-20-188



Circular 230 contains the minimum ethical requirements that practitioners are required to follow.

- Practitioners must exercise due diligence when determining the correctness of a tax position, whether that position is presented orally or in writing.
- Taxpayers may not be aware of tax consequences of virtual currency transactions.
 - Defining virtual currency as “property” clarifies understanding of the tax treatment.



Ordinary income

- Form 1040
- Form 1040-SS
- Form 1040-NR
- Form 1040, Schedule 1, Additional Income and Adjustments to Income

Capital gain or loss

- Form 8949, Sales and other Dispositions of Capital Assets
- Form 1040, Schedule D, Capital Gains and Losses



Virtual Currency Required Reporting

Form **1040**

Department of the Treasury—Internal Revenue Service (99)
U.S. Individual Income Tax Return

2021

OMB No. 1545-0074

IRS Use Only—Do not write or staple in this space.

Filing Status

Check only one box.

☐ Single ☐ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)

If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial		Last name		Your social security number	
If joint return, spouse's first name and middle initial		Last name		Spouse's social security number	
Home address (number and street). If you have a P.O. box, see instructions.				Apt. no.	
City, town, or post office. If you have a foreign address, also complete spaces below.			State	ZIP code	
Foreign country name		Foreign province/state/county		Foreign postal code	
				<input type="checkbox"/> You <input type="checkbox"/> Spouse	

At any time during 2021, did you receive, sell, exchange, or otherwise dispose of any financial interest in any virtual currency? ☐ Yes ☐ No



Convertible virtual currency taxed as property, not currency

- No foreign exchange gain/loss

Income recognition upon receipt

- Payment for goods or services
- Basis if purchased as capital asset

Value

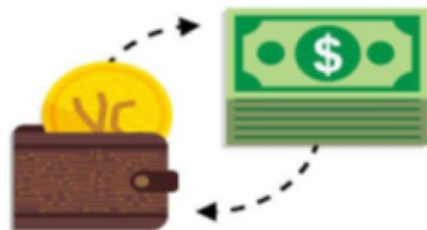
- Fair market value at date and time of receipt
- Definition of Receipt: dominion and control over units or when recorded on a distributed ledger



Income recognition events:

- Sale for cash (fiat currency)
- Exchange for other property
- Receipt as payment for goods or services
- Receipt of “Air Drop” virtual currency
- Exchanging one kind of virtual currency for another
- Receiving a mining reward or fees for blockchain transaction posting

Transactions That Could Affect Taxable Income



Selling virtual currency for U.S. dollars.



Exchanging one type of virtual currency for another.



Receiving virtual currency for services.

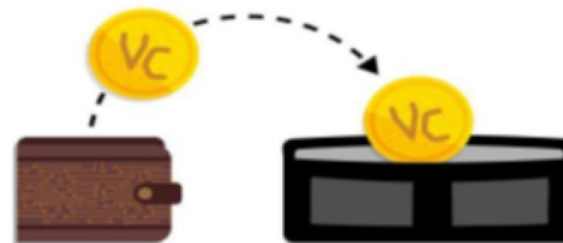


Mining virtual currency.

Transactions That Do Not Affect Taxable Income



Buying virtual currency with dollars and holding on to it.



Sending virtual currency to a different virtual wallet or account with the same owner.

Source: GAO analysis of Internal Revenue Service guidance. | GAO-20-188



Non-taxable events include, but not limited to:

- Purchase of virtual currency using fiat currency
- Reassignment from one distributed ledger address to another controlled by a single party
- Receipt of virtual currency as a gift



Capital asset

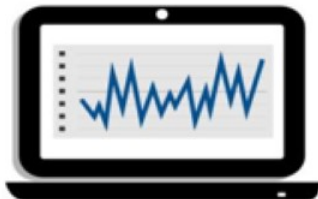
- Amount realized over basis
- Amount realized = value of property received

Not a capital asset

- Ordinary income
- Mining



Virtual Currency Transaction



- 1 Taxpayer buys virtual currency. The price paid in dollars is the cost basis.
- 2 Fair market value of the virtual currency fluctuates over time.
- 3 Taxpayer uses virtual currency to pay for goods, which may affect taxes if the transaction results in a capital gain or loss.



- 4 Taxpayer calculates capital gain or loss by subtracting the cost basis from the fair market value of the goods purchased.
- 5 Taxpayer reports capital gain or loss to IRS.

Source: GAO analysis of Internal Revenue Service guidance. | GAO-20-188



- www.irs.gov/virtualcurrency
- Notice 2014-21, found at www.irs.gov/2014n21, explains how general tax principles for property apply to virtual currency
- Revenue Ruling 2019-24, found at www.irs.gov/rr201924, explains the tax treatment of cryptocurrency hard forks and air drops



How do I navigate to virtual currency frequently asked questions?

- Go to **IRS.gov**
- Enter in Search box: **Virtual Currency FAQ**



- Link to Virtual Currency FAQ:
 - **<https://www.irs.gov/individuals/international-taxpayers/frequently-asked-questions-on-virtual-currency-transactions>**



Common Questions Answered

- Q1. What is cryptocurrency
- Q2. How is virtual currency treated for Federal income tax purposes
- Q4. Will I recognize a gain or loss when I sell my virtual currency
- **Q5. Discussed on the Next Slide**
- Q6. How do I calculate my gain or loss when I sell virtual currency
- Q8. Do I have income if I provide a service and paid with VC
- Q30. I received virtual currency as a bona fide gift; do I have income



⊖ **Q5. The 2020 Form 1040 asks whether at any time during 2020, I received, sold, sent, exchanged, or otherwise acquired any financial interest in any virtual currency. During 2020, I purchased virtual currency with real currency and had no other virtual currency transactions during the year. Must I answer yes to the Form 1040 question? (3/2/2021)**

A5. No. If your only transactions involving virtual currency during 2020 were purchases of virtual currency with real currency, you are not required to answer yes to the Form 1040 question.



Timeline of Virtual Currency Guidance Issued

- October 2019—IRS publishes Revenue Ruling 2019-24
- June 2020—IRS Chief Counsel Memorandum 202035011
- March 2021—IRS Chief Counsel Memorandum 202114020

Other Virtual Currency Resources

- IRS FAQ landing page for virtual currency transactions
- Proposed regulations regarding information reporting on virtual currency under § 6045 are found at
- https://www.irs.gov/pub/irs-utl/2020-2021_pgp_initial.pdf



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