



MARTIN · SMITH

& COMPANY CPAs

January 2022

Dear Client,

It is hard to believe that another year is past and it is tax time again! We hope that 2022 is off to a good start. As in the most recent years, there are once again many challenges facing taxpayers and tax preparers. The following is just a summary of the topics that we feel will affect many of you.

Dates for 2021 tax returns – The due date is April 18 (Monday), instead of April 15 (Friday), because of the Emancipation Day holiday in the District of Columbia. The IRS will begin accepting individual efiled returns on January 24.

3rd Economic Impact (Stimulus) Payment (EIP) - The 3rd EIP received in 2021 is treated the same as the first 2 EIPs received in 2020. The EIP amount is generally \$1,400 per person. These payments are not taxable and are actually “advanced credits” against your 2021 taxes. If you received these payments, you should receive a **Notice 1444-C** letter in January 2022 showing the amount of EIP payment that the IRS sent to you in 2021. The basis for your 3rd EIP is your 2019 and 2020 federal tax returns. If you are eligible for an additional amount, it will appear on line 30 of the 2021 Form 1040 as a “Recovery Rebate Credit.” If you received more than you are eligible to receive, you are not required to repay the excess. The 2021 tax return reconciles the actual EIP amount received to the allowed amount based on your 2021 income. If you did not receive an EIP and should have, you can claim the credit on your 2021 return. If a child was your dependent in 2019 and/or 2020, is not your dependent in 2021 and did not receive a payment, your child should file a tax return to receive the credit on their 2021 return. If your 2021 income decreased and you did not receive that maximum EIP, then you could be eligible for additional EIP in the form of a Recovery Rebate Credit on your 2021 return. **IF you receive a 3rd EIP, we must have the exact amount of the EIP that you received to properly calculate your potential additional credit.** Incorrect amounts will delay the processing of your federal tax return. If you do not know the exact amount, you can obtain that information at <https://www.irs.gov/coronavirus/get-my-payment>. **We do not have access to this information.**

Child Tax Credit - The American Rescue Plan (ARP) includes a significant overhaul of the child tax credit, but only for the 2021 tax year. For 2020, the amount of the child tax credit was equal to \$2,000 per child, but only \$1,000 of that amount was refundable (meaning that the taxpayer received the credit even if there was an insufficient amount of taxes to be credited against). For 2021, the ARP increases the amount to \$3,000 per child (or \$3,600 for a child under the age of six) and makes the credit amount fully refundable. There are some limited situations where the IRS will require repayment of these advances. Like most topics, it is impossible to cover this completely in one paragraph. You can access a “Fact Sheet” that the IRS has prepared at <https://www.irs.gov/pub/newsroom/fs-2022-03.pdf>. We will also post it on our website. For 2021, the ARP also increases the maximum age of qualifying children to include 17 year old children.

ADVANCED Child Tax Credit Payments - The Treasury and IRS were directed by the ARP to issue advance payments of half of the credit amount beginning on July 1, 2021. The remaining half of the credit not paid in advance is received when filing 2021 returns, as the full amount is claimed on the return but reduced by the aggregate amount received in advance. In January 2022, the IRS will send you **Letter 6419** to provide the total amount of Advanced Child Tax Credit payments that were disbursed to you during 2021. Please provide this letter to us. Visit <https://www.irs.gov/credits-deductions/child-tax-credit-update-portal> to view your payments. **We do not have access to this information.**

Charitable Contributions – For 2021, there is a deduction for qualified charitable contributions even if you do not itemize your deductions on Schedule A. Generally, the 2021 deduction is \$300 for a single filer and \$600 for a jointly filed return.

Unemployment Benefits - Unlike 2020, amounts received in 2021 are fully taxable. You should receive a Form 1099-G for unemployment benefits paid to you in 2021, and please include that form with the documentation that you give us. You might want to consider having federal and state taxes withheld from future unemployment benefits.

South Carolina Fuel Tax Credit - For South Carolina residents, the State continues to offer a Refundable Motor Fuel Income Tax Credit. The credit for 2021 will be 7 cents per gallon and will increase each year by 2 cents through 2022. For example, in 2021 the credit for 1,000 gallons will be \$90 per vehicle. You must have records for gallons purchased and vehicle maintenance expenses separately stated for each vehicle. Each taxpayer can claim the credit for up to two vehicles. Due to the amount of information needed, please go to our website at www.martinsmithcpas.com/newsletters.html and download one of the versions of Form I-385 and then fill it out completely and provide it to us with your other tax documents. **Please do not give us your receipts.** If you want to claim the credit for 2022, continue saving your gas and car maintenance receipts during 2022.

We look forward to once again serving you this year as we all hope for a more "normal" year and tax filing season!

Sincerely yours,
MARTIN SMITH & COMPANY CPAs, PA

Any accounting, business or tax advice contained in this communication, including attachments and enclosures, is not intended as a thorough, in-depth analysis of specific issues, nor a substitute for a formal opinion, nor is it sufficient to avoid tax-related penalties. It is not a substitute for specific advice in your own circumstances.