



**Form 1040** Department of the Treasury—Internal Revenue Service (99) **2014** OMB No. 1545-0074  
For the year Jan. 1–Dec. 31, 2014, or other tax year beginning , 2014, ending

Your first name and initial \_\_\_\_\_ Last name \_\_\_\_\_

If a joint return, spouse's first name and initial \_\_\_\_\_ Last name \_\_\_\_\_

Home address (number and street). If you have a P.O. box, see instructions. \_\_\_\_\_

City, town or post office, state, and ZIP code. If you have a foreign address, also complete space \_\_\_\_\_

Foreign country name \_\_\_\_\_

**Filing Status**  
Check only one box.

1  Single  
2  Married filing jointly (e) \_\_\_\_\_  
3  Married filing separately and full name \_\_\_\_\_

**Exemptions**

6a  Yourself  
b  Spouse  
c  Dependents (1) First \_\_\_\_\_

more than four dependents, see instructions

Tax Guide

# Taxes and Unemployment

Unemployment payments are usually taxed as income by the federal government. That changed, however, in March 2021, when Congress passed the American Rescue Plan.

The law provided for people (including joint filers) making less than \$150,000 to exclude \$10,200 in unemployment benefits from their income when they file their income taxes for the 2020 tax year. Because the change was made in the middle of a tax filing season, the IRS pledged to recalculate the tax bills of most taxpayers who received unemployment benefits and send them refunds.

By late summer, however, many people were still waiting on their refunds. Other filers need to amend their tax returns on their own to get a refund. This applies to those who would qualify for additional deductions or credits not claimed on their original returns, according to Forbes.

## HOW TO TAKE ADVANTAGE

If you think you might qualify for a refund based on the new law, first check to see if the IRS is already processing your refund. You can do this by visiting [IRS.gov](https://www.irs.gov) and requesting a transcript of your



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tax returns. If the refund is not already in the works, speak to your tax preparer about filing an amended return to take advantage of the new tax benefits.

Anyone who receives unemployment payments receives a Form 1099-G, Certain Government Payments, at tax

time. You may need to request the form from your state if you did not receive it. Box 1 of the form will show the total dollar amount of unemployment payments you received. You may deduct \$10,200 from that amount when you file your tax return, if you qualify for the deduction. To do so, report the

full amount on Line 7 of Schedule 1, then subtract the deduction on Line 8, according to Forbes.

## FRAUD

Some tax filers during the pandemic have found that a criminal using their identity has received unemployment

benefits using their name. If this happens to you, immediately contact the police and your state unemployment agency to report the fraud and request corrected forms. The IRS urges taxpayers not to report as income on their tax returns any fraudulent payments they did not receive.

# IRS Budget Cuts Hit Taxpayers

The Internal Revenue Service's budget has steadily declined for the past 10 years, from \$14 billion in 2010 to \$12 billion in 2021.

The \$2 billion in lost funding has had serious consequences. A 2020 report by the House Committee on the Budget read, "The Internal Revenue Service (IRS) has faced harsh budget cuts over the last decade, hindering its ability to serve the American people in fundamental ways. Not only have funding cuts led to deteriorating customer service for law-abiding taxpayers, they have also weakened the IRS's ability to ensure that corporations and wealthy individuals pay their fair share of the revenues necessary to sustain vital benefits and services Americans need from their government."

## LOST REVENUE

A ProPublica investigative piece in 2018 labeled the IRS "a bureaucracy on life support" and said the federal government had lost out on tens of billions of dollars in revenue due to the budget cuts. While there have not been massive layoffs at the agency, the report found that due to attrition, the IRS was down to two-thirds the number of auditors it once had, and with morale suffering, the exodus was expected to continue.

A culture at the IRS of



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rewarding quick, successful audits meant that, without the proper resources to conduct complicated audits, they were often cut short. The problem was compounded by the agency's most experienced employees leaving. Revenue from audits dropped dramatically.

With not enough employees to collect taxes owed, the amount of tax debt exceeding the statute of limitations, meaning it can no longer be collected, also spiked. In 2015, Congress increased funding for hiring agents to answer taxpayer phone calls but kept making

cuts to enforcement budgets. In 2017, when the Tax Cuts and Jobs Act of 2017 Act passed, the IRS saw a \$320 million increase in funding but also a bevy of new responsibilities in regards to implementing the new law.

## AN EQUITY FAILURE

The changes at the IRS also meant that poorer filers saw worse outcomes. "Corporations and the wealthy are the biggest beneficiaries of the IRS' decay," wrote Paul Kiel and Jesse Eisinger for ProPublica. They noted that audits of the rich had dropped much more

quickly than audits of the poor.

## A PATH FORWARD

The 2020 House report, titled "Funding the IRS Pays Off: Preventing Tax Dodging by Wealthy Filers Is the First Step to Fixing Our Tax Code," laid out a path forward to fix the IRS. Studies show that increasing IRS enforcement funding would increase tax collections by much more than the cost, according to the report.

In fact, the Congressional budget Office estimates that increasing the IRS's funding for examinations and collections

over 10 years by \$20 billion would increase revenues by \$61 billion.

Change does appear to be on the horizon, as President Joe Biden's multi-year plan to fully fund the agency and replace its outdated technology appears to be coming to fruition. By late summer 2021, the appropriations committee's draft of the Financial Services and General Government spending bill, which gives the IRS a \$13.6 billion bump in funding in the 2022 fiscal year, was working its way through Congress.

# Resolving Tax Debt

Having tax debt hanging over your head can be a source of stress and anxiety.

The Internal Revenue Service has immense power to collect monies owed, which can put a pinch on your financial resources. Resolving outstanding tax debt should be a top priority.

If your tax debt is large, you might feel discouraged about resolving it. The IRS, however, will negotiate your debt and you could see significant savings by reaching out to the agency.

## FRESH START

In 2011, the IRS began offering its Fresh Start program to help individuals and small businesses settle their tax debt. The Fresh Start program includes the following features:

- Streamlined installment payments that can generally be set up with just a phone call.
- An increased amount owed (\$10,000) before the IRS will file a tax lien.
- Offers in compromise, which allow taxpayers to agree to settle their debt for less if they are deemed unable to pay the full amount.

(Generally, the IRS does not accept an OIC if they believe the debt can be paid in full as a lump sum or through a payment agreement.)

## WATCH OUT FOR SCAMS

If your tax debt is less than

\$50,000, settling it directly with the IRS is likely your best bet. The IRS warns that consumers are often targeted by scammers looking to make money off of people by charging fees to resolve debt that could likely be negotiated for free direct-

ly with the agency.

Known as “OIC mills,” these companies use deceptive claims, such as the ability to settle tax debt for “pennies on the dollar” or claiming there is a strict deadline to settle tax debt.

This type of fraud is listed among the IRS’ “Dirty Dozen” tax scams. “Offer in Compromise mills contort the IRS program into something it’s not,” the IRS warns, “misleading people with no chance of meeting the

requirements while charging excessive fees, often thousands of dollars. .. Companies advertising on TV or radio frequently can’t do anything for taxpayers that they can’t do for themselves by contacting the IRS directly.”



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# Why Hire a Professional?

Hiring a professional tax preparer to do your taxes can be a smart financial decision.

These professionals stay up to date on the newest tax laws and filing requirements, and you may find that being sure your taxes are done well is worth the cost.

According to the IRS, in 2020, about 80.6 million people e-filed their returns themselves, versus 72.2 million people who self prepared and e-filed.

## CONSIDERATIONS

Here are some things to consider when deciding on hiring a professional.

**Time.** Filing your own taxes can be a time-intensive endeavor. If you own a small business, you could spend as much as 20 hours gathering receipts and other documentation and entering the information into an online platform. If you could use that time for something more important or valuable to you, choose a paid preparer.

**Money.** The National Society of Tax Professionals says the average fee for preparing Form 1040 is \$203, and preparers who charge by the hour typically charge \$138 per hour. What you get in exchange for the money you spend on your return is the next item on our list.

**Peace of mind.** When you

pay someone to prepare your taxes, you are responsible for providing accurate information. Your preparer will do the work of checking for deductions, credits and other tax programs you might qualify for, as well as filing your taxes properly and timely. If you're afraid you will second-guess the accuracy of your filing if you do it yourself, it might be worth the money to hire a pro. Some

paid services even offer help if you're audited or otherwise contacted by the IRS about your return.

**Complexity.** If you are a high earner, have multiple sources of income, investments, charitable contributions and other complicated tax situations, hiring a professional might be a good idea. Knowing the specifics of the tax law is critical in filing a complex return.

## WHAT TO LOOK FOR

Business Insider suggests hiring a tax attorney, a certified public accountant or an IRS enrolled agent to prepare your returns.

Visit the National Association of Tax Professionals' website at [www.natptax.com](http://www.natptax.com) to find a qualified preparer.

You can also visit the Directory of Federal Tax Return Preparers with

Credentials and Select Qualifications at [irs.treasury.gov/rpo/rpo.jsf](http://irs.treasury.gov/rpo/rpo.jsf).

The IRS recommends making sure your preparer has a Preparer Tax Identification Number (PTIN) issued by the agency.

These are the only professionals who can represent you in front of the IRS if you are audited, or have issues with payments or collections.



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# Advance Child Tax Credit

The Child Tax Credit is typically a credit parents with dependent children receive on their income tax return.

In 2021, Congress passed the American Rescue Plan, which made a one-time increase in the credit for the 2021 tax year and provided for the IRS to pay half of the credit to taxpayers in equal monthly payments from July through December.

Children ages five and younger qualify for up to a \$3,600 credit, while children ages six to 17 qualify for up to \$3,000. The full credit is available to taxpayers who make less than \$150,000 for married filing jointly or qualified widows or widowers; \$112,500 for head of household, and \$75,000 for single and married filing separate. The credit phases out by \$50 for every \$1,000 over those limits.

The new law made the credits fully refundable, so even those who don't owe taxes can get the credit and receive a refund. Nearly 90% of children in the U.S. qualify for the advance payments, according to the IRS.

## THE CATCH

The payments could cause some confusion in 2022, because when taxpayers file their tax return for 2021, they will need to reconcile the



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advance payments with the actual credit they are entitled to, according to Kiplinger.

In addition, some upper-income families do not qualify for the increased credit, creating some confusion among taxpayers.

## TAKE ACTION

The payments are most likely to be problematic for certain taxpayers, according to H&R Block. The company recommends that those who received a small refund or had a balance due when they filed

their 2020 tax return consider unenrolling from advance Child Tax Credit payments, updating their W-4s by entering an additional amount to be withheld each pay period on step 4c of the form, or making quarterly estimated

tax payments for the remainder of 2021.

Visit [IRS.gov](https://www.irs.gov) to check if you're enrolled for advance payments, unenroll from advance payments, update your bank account and mailing address or view your payments.

# Filing an Amended Return

There are a few reasons you might need to file an amended tax return.

You might have made a mistake on your return, need to update information or take advantage of a tax credit, deduction or other benefit.

In fact, each year, about 3 million Americans file an amended return. Here are some tips from the IRS about when and how to amend your return.

## CORRECTING MISTAKES

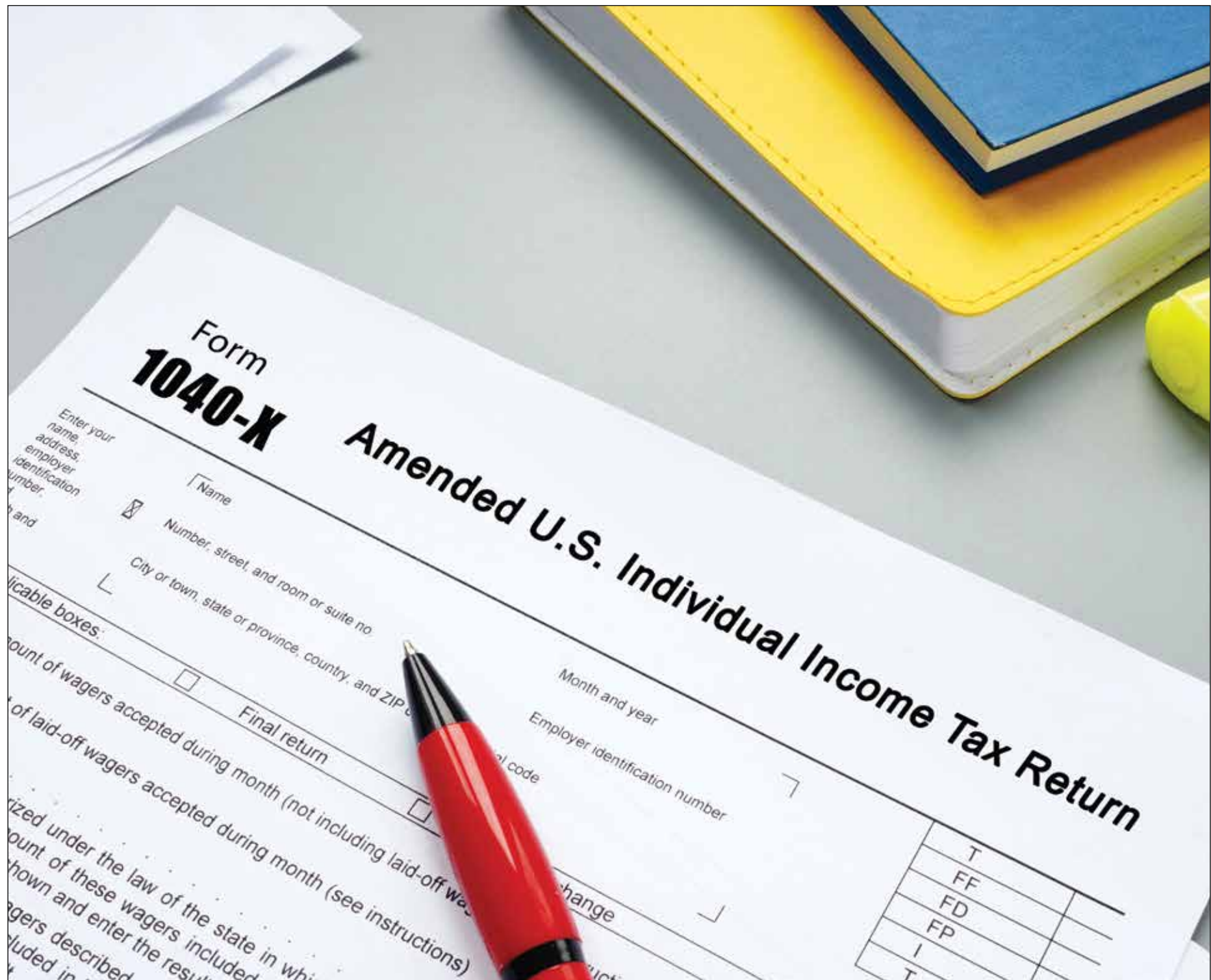
The IRS recommends filing an amended tax form 1040-X in order to correct your filing status, the number of dependents you claimed or your total income. You might realize your mistake on your own or receive a notice of an error from the IRS.

## TAX BENEFITS

You can amend your return to claim tax deductions or tax credits that you did not claim when you filed your original return. This might be a mistake or new legislation may have created new tax benefits retroactively. In 2019, for example, three new federal laws provided tax relief to families affected by tragedies and disasters and other changes. Check with your tax preparer to see if you might qualify for any new programs.

## HOW TO AMEND

Talk to your tax preparer



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about how to amend your tax return. If you received a letter from the IRS, provide that letter to your tax professional, along with any requested information. You will likely have to pay a separate fee for this filing service. Amended returns are

filed on form 1040-X. You will also need to refile any schedules to which you need to make changes.

If you are seeking a tax refund or credit, you must file Form 1040-X within three years after the date you timely filed

your original return or within two years after the date you paid the tax, whichever is later, according to the IRS. It can take the IRS up to 16 weeks to process your amended return.

In the past, amended tax returns were required to be

filed on paper. As of May 2020, they can be filed electronically. Beginning three weeks after you file, you can use the IRS's online "Where's My Amended Return" tool at [www.irs.gov/filing/wheres-my-amended-return](http://www.irs.gov/filing/wheres-my-amended-return).

# Savvy Ways to Use a Refund



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In 2021, more than 93 million individual tax returns were filed with the IRS, and more than 62 million people received refunds, according to CNBC. The average refund was \$2,893.

Getting a sizable refund can be exciting. Make some plans before the cash arrives. This gives you the best chance to make smart financial decisions with your money.

## **PAY OFF DEBT**

Paying off debt, especially high-interest debt, will go the farthest toward helping your financial situation. Many financial publications advise taxpayers to put their tax re-funds toward debt first. If you pay off \$5,000 in credit card debt, at 19.99% interest, you will save \$1,688 in interest

charges versus paying off that debt over 3 years. It's a no-brainer.

## **SAVE FOR THE FUTURE**

After paying off debt, your next smartest strategy for spending your tax return is saving for your future. Do you have three to six months of living expenses saved up? If not, now is the time to start. If you don't already have a retirement account, use your tax windfall to start one. You could also consider starting a college savings fund for your child. If you are planning to purchase a home, your tax

refund can help you reach your down payment savings goal.

## **INVEST**

If you get a \$3,000 refund, you could invest it with a 6% average annualized re-turn, and in 10 years you will have \$5,000, according to NerdWallet.com. If you invest a similar sized refund every year over 10 years, you would have \$40,000, or \$120,000 over 20 years.

If you're looking for a more short-term savings option, consider a certificate. If you buy a seven-year certifi-

cate for \$5,000 at 3.15% APY and added your dividends back into your certificate balance, you would earn \$1,228.12 after seven years, according to SELCO Community Credit Union.

## **LARGE PURCHASES**

Sometimes it seems that large expenses lurk on the horizon, only to pounce as soon as we get a financial windfall. Perhaps you've been putting off a large purchase, such as car repairs or a medical procedure, until you receive your refund. Sometimes these one-time expenses can't be helped. Consider, however, putting at least part of the return into a savings account to help fund future unexpected expenses.