



# Highlights of Tax Changes From a Tax Forms Perspective

December 1, 2020



# Objectives

- Knowledge of major income tax changes for tax year 2020
- Knowledge of major tax form changes from 2019 to 2020
- Knowledge of new tax forms for tax year 2020



## Info on Changes to Tax Forms

- Drafts of tax forms, instructions, and some publications (“tax products”) are posted at [IRS.gov/DraftForms](https://www.irs.gov/DraftForms) before the final release is posted at [IRS.gov/LatestForms](https://www.irs.gov/LatestForms)
- 500+ “Product pages” ([IRS.gov/Form1040](https://www.irs.gov/Form1040), [IRS.gov/W4](https://www.irs.gov/W4), [IRS.gov/ScheduleA](https://www.irs.gov/ScheduleA), etc.) provide links and show any changes that impacted the product after its initial final release; those changes are also at [IRS.gov/FormChanges](https://www.irs.gov/FormChanges)
- All revisions of all tax products are at [IRS.gov/AllForms](https://www.irs.gov/AllForms)



## Recent Tax Laws

- Further Consolidated Appropriations Act of 2020
- Families First Coronavirus Response Act (FFCRA)
- Coronavirus Aid, Relief, and Economic Security Act (CARES Act)



## SECURE Act

- Small employer automatic enrollment credit—Form 8881, Credit for Small Employer Pension Plan Startup Costs and Auto-Enrollment
- Kiddie tax changes—Instructions for Form 8615, Tax for Certain Children Who Have Unearned Income, impacted for 2018, 2019 and 2020
- Retirement savings and pension changes
- Distribution changes



# Taxpayer Certainty and Disaster Tax Relief Act

- Individual Extenders
- Business and Energy Extenders
- Disaster Tax Relief



## Individual Extenders

- Exclusion for discharge of qualified principal residence indebtedness
- Mortgage insurance premiums
- Medical expense deduction floor
- Tuition and fees deduction



## Coronavirus Tax Changes

- Deferral of payment of employment taxes for employers and self-employed
- Sick and Family Leave credits
- Additional \$300 charitable contribution above-the-line deduction
- Recovery Rebate credit



## Deferral of Employment Taxes

- Payment of part of employer share of social security tax may be deferred.
- Generally, half due 12/31/21, half 12/31/22
- Figured on employment tax return or new Part on Schedule SE, Self-Employment Tax
- Reported on Schedule 3, line 12e



## Sick and Family Leave Credits

- Employers claim on employment tax return
- Self-Employed claim on new Form 7202, Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals
- Also applies to certain household employers



## Schedule SE (Form 1040)

- Short Schedule SE calculation removed
- Maximum deferral of part of self-employment tax figured in new Part III
- Each spouse may be eligible to defer tax on their Schedule SE



# Form 1040, U.S. Individual Income Tax Return

- Removed Paid Preparer's 3rd Party Designee Checkbox
- Virtual currency question added
- Estimated tax payments line added
- New above-the-line deduction for charitable contributions
- Recovery rebate credit on new line 30



## Form 1040-SR U.S. Tax Return for Seniors

- Remains identical to Form 1040--Same changes
- Form 1040-SR will be four pages for 2020 to preserve bigger entry spaces and fonts
- All lines and line numbers are exactly the same as Form 1040; the only differences are font size and entry space (and page count) are bigger and Form 1040-SR has a standard deduction chart



## Recovery Rebate Credit

- Similar to 2008, taxpayers who didn't get some or all of the Economic Impact Payment they were entitled to will be able to claim the difference as a recovery rebate credit
- Claimed on new line 30 of Forms 1040 and 1040-SR
- Worksheet in instructions to figure the credit



## Schedule 1 (Form 1040), Additional Income and Adjustments to Income

- Schedules 1, 2, and 3 (Form 1040) can now be filed with Form 1040-NR, in addition to being fileable with Forms 1040 and 1040-SR
- Virtual currency question removed from Schedule 1 to Forms 1040 and 1040-SR



## Schedule 3 (Form 1040), Additional Credits and Payments

- Line for other credits on Schedule 3 expanded:
  - Line 12b added for qualified sick and family leave credits from Schedule H and new Form 7202;
  - Line 12e added for deferral of payment of taxes from Schedule H and Schedule SE.
- Estimated tax line removed from Schedule 3, added to Forms 1040 and 1040-SR (and 1040-NR)



## Form 1040-NR, U.S. Nonresident Alien Income Tax Return

- Redesigned to have almost all the same line numbers as Forms 1040 and 1040-NR
- Will use Schedules 1, 2, and 3 (Form 1040)
- Will have 3 new, separate Schedules A, NEC, and OI (Form 1040-NR)
- Form 1040-NR-EZ, U.S. Income Tax Return for Certain Nonresident Aliens with No Dependents, obsolete for 2020



## Schedule LEP (Form 1040), Request for Change in Language Preference

- Schedule LEP (Form 1040), Request for Change in Language Preference, is for Limited English Proficiency (LEP) filers
- Allows for individuals to indicate a preference for communications in a language other than English
- The IRS will only send communications (such as a notice) in the preferred language if the communication has been translated. A copy of the communication in English will also be provided



## Efile for Form 1040-X, Amended U.S. Individual Income Tax Return

- Form 1040-X now available to be efiled
- Filed as a refigured Form 1040 with Form 1040-X and an amended return indicator
- Form 1040-X can be efiled only for 2019 tax returns and subsequent years
- Original return must have been efiled



## New Products List

- Schedule LEP (Form 1040)
- Form 7202
- Form 8915 series (Disaster Retirement Plan Distribution and Repayments)
- Schedules A, NEC
- Spanish products



## New Spanish Products

- Form 1040 will be available in Spanish for first time ever
- Form 1040-SR also
- Instructions for Forms 1040 and 1040-SR in Spanish
- Schedules 1, 2, and 3 will also be translated
- Other products will be translated into Spanish and other languages as resources allow



## Form 1099-NEC, Nonemployee Compensation

- Form 1099-NEC has been restored (previously issued 1979-1982)
- Removes reporting of nonemployee compensation from Form 1099-MISC
- Due January 31
- All Forms 1099-MISC now due February 28



## Additional Resources

- [IRS.gov/Coronavirus](https://www.irs.gov/Coronavirus), [IRS.gov/TaxReform](https://www.irs.gov/TaxReform)
- [IRS.gov/DraftForms](https://www.irs.gov/DraftForms), [IRS.gov/AllForms](https://www.irs.gov/AllForms),  
[IRS.gov/LatestForms](https://www.irs.gov/LatestForms)
- [IRS.gov/FormChanges](https://www.irs.gov/FormChanges), [IRS.gov/FormsUpdates](https://www.irs.gov/FormsUpdates)
- [IRS.gov/Form941](https://www.irs.gov/Form941), [IRS.gov/Form1040](https://www.irs.gov/Form1040), etc.
- FAQs (links at [IRS.gov/Form941](https://www.irs.gov/Form941) and [IRS.gov/Coronavirus](https://www.irs.gov/Coronavirus))
- Email [TaxForms@irs.gov](mailto:TaxForms@irs.gov) and include “NTF” in subject for questions about content of forms, instructions, or publications



## Spear Phishing

**Targets a specific audience**

**91% of all cyber attacks/data breaches start with spear phishing email**

**Appears as a trusted source**

Fellow tax practitioner/software provider

Potential or current client

IRS e-Services

**Objective: entice you to open link or download attachment**





## Spear Phishing

----- Original Message -----  
Subject: Tax return  
From: [REDACTED]  
Date: Tue, February 28, 2017 5:10 am  
To:

Hello,

I got your email from the local directory. Hope your doing good and actively involved in the tax filing season.

I would like to file my tax return. which includes that of me and [REDACTED]s are below. I would like you to have a review and let me know the cost. Click [here](https://bit.ly/2loxgsa) to view my details

Regards  
[REDACTED]

Thief targets specific audience - such as tax pros

Email may be ungrammatical or oddly worded

<https://bit.ly/2loxgsa>  
Click to follow link

Includes hyperlink using a tiny URL to disguise link destination.





## Account Takeover

**From:** IRS E Services < >  
**Sent:** Wednesday, April 26, 2017 2:39 PM  
**Subject:** Account Closure Now!

Dear Tax Pro,

We noticed you have not updated your eService and EFIN details for 2017 Tax season.

Please follow the link below to securely update your eServices account renewal details or else you will loose your account.

[update now](#)

We will suspend any Tax Preparer who fails to renew and follow this update within 24Hrs.

Sincerely,  
[IRS.gov](#) e-Services





# Account Takeover



## Login

**Username**

**Password**

[Forgot Your Password?](#)

LOGIN >

## Register

You must register to create an account.

REGISTER >

**THIS U.S. GOVERNMENT SYSTEM IS FOR AUTHORIZED USE ONLY!**

Use of this system constitutes consent to monitoring, interception, recording, reading, copying or capturing by authorized personnel of all activities. There is no right to privacy in this system. Unauthorized use of this system is prohibited and subject to criminal and civil penalties, including all penalties applicable to willful unauthorized access (UNAX) or inspection of taxpayer records (under 18 U.S.C. 1030 and 26 U.S.C. 7213A and 26 U.S.C. 7431).

**NOTICE:** The IRS reserves the right to deny access to any or all electronic services, products and/or applications, at both the individual or business entity level, in the event IRS becomes aware of any activity that constitutes or appears to constitute misuse or abuse of any electronic services, products or applications.





## **Publication 4557**

# Safeguarding Taxpayer Data

A GUIDE FOR YOUR BUSINESS

ONGOING	DONE	N/A
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## Employee Management and Training

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The success of your information security plan depends largely on the employees who implement it. Consider these steps:
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Check references or doing background checks before hiring employees who will have access to customer information.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Ask every new employee to sign an agreement to follow your company's confidentiality and security standards for handling customer information.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Limit access to customer information to employees who have a business reason to see it. For example, give employees who respond to customer inquiries access to customer files, but only to the extent they need it to do their jobs.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Control access to sensitive information by requiring employees to use "strong" passwords that must be changed on a regular basis. (Tough-to-crack passwords require the use of at least six characters, upper- and lower-case letters, and a combination of letters, numbers, and symbols.) (IRS suggestion: passwords should be a minimum of eight characters.)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Use password-activated screen savers to lock employee computers after a period of inactivity.
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Develop policies for appropriate use and protection of laptops, PDAs, cell phones, or other mobile devices. For example, make sure employees store these devices in a secure place when not in use. Also, consider that customer information in encrypted files will be better protected in case of theft of such a device.



## **Plan Ahead**

**Have Two Plans:**

**IT Security Plan**

**Data Compromise Plan**



## Tax Pro Data Theft Trends Continue

### Scams Targeting Tax Professionals and Taxpayers

[IR-2019-44](#)- IRS warns of new phone scam using Taxpayer Advocate Service numbers

[IR-2018-226](#)- IRS warns of “Tax Transcript” email scam; dangers to business networks

[IR-2018-188](#)- IRS warns of scams related to natural disasters

[IR-2018-103](#)- IRS, Security Summit Partners warn of new twist on phone scam; crooks direct taxpayers to IRS.gov to “verify” calls

[IR-2018-253](#)- IRS Security Summit Partners warn tax professionals of fake payroll direct deposit and wire transfer emails





## Contact Information

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