

2020 Taxes for the Performing Artist FAQs

Below are frequently asked questions about 2020 tax preparedness, answered by Sandra Karas, Esq., attorney, actor and secretary-treasurer of Actors' Equity Association.

The information provided is given for informational purposes and is not a suitable substitute for the advice of a tax preparer/professional, legal or financial counsel. Please talk to your tax professional about your individual situation.

Q / I received money from the pandemic stimulus plan in 2020. Is that taxable income?

No, pandemic stimulus money is not taxable income, but your tax preparer will need to know about it and the payments will be reported on your returns. The federal government issued two rounds of payments in 2020: \$1,200 and \$600 for single taxpayers; \$2,400 and \$1,200 for married couples filing jointly; and \$500 and \$600 for dependents below age 17. There is a third set of payments expected in a 2021 bill working its way through Congress at this writing.

Q / If 2020 stimulus payments are not taxable, why do we have to report the information on our tax return?

The 2020 stimulus payments are actually an advanced tax credit and will be reported to recipients on **Notice 1444 Your Economic Impact Payment**. It will be reported on your tax return as part of your **Recovery Rebate Credit** on your return, but don't worry about that. You'll report it, but you won't pay tax on it. NOTE: If you didn't receive a payment(s) or enough of them based on your income, you'll get the payment as a recovery rebate credit on your 2020 return!

Q / I received Unemployment Insurance (UI) money in 2020. I heard that we don't have to pay tax on this because of COVID-19. Is this true?

Unemployment insurance, including the "Pandemic" benefits paid to unemployed individuals, business owners, and self-employed individuals, were slated to be fully taxable on the federal return and on most state returns as well. This year, however, there is an adjustment to unemployment that is contained in the American Rescue Plan. This bill includes an exclusion of the first \$10,200 in unemployment benefits for those taxpayers with income below \$150,000.

Q / I took money out of my retirement plan during the pandemic, but I'm not 59 ½ years old yet. I think I have to pay tax and a 10% early withdrawal penalty on that money. Right?

Yes and no. If you were affected by the pandemic, you were allowed to withdraw retirement funds (up to \$100,000) from your retirement plan, pay the tax due, but not be subject to the early withdrawal penalty. The SECURE Act provides some help to those who had to make withdrawals from retirement plans. Qualified individuals affected by COVID-19 must meet one of the following tests:

- 1) Has tested positive and been diagnosed with COVID-19
- 2) Has a dependent or spouse who has tested positive and been diagnosed with COVID-19
- 3) Experiences financial hardship due to them, their spouse or a member of their household:
 - Being quarantined, furloughed or laid off or having reduced work hours
 - Being unable to work due to lack of childcare
 - Closing or reducing hours of a business that they own or operate
 - Having pay or self-employment income reduced
 - Having a job offer rescinded or start date for a job delayed

Q / Any other income surprises for 2020 tax preparedness?

Not really, well, maybe a little one. In addition to reporting your 2020 stimulus payments, you'll have the usual income to include on your tax returns: wages, interest and dividends, pension and retirement, self-employment and independent contractor earnings, unemployment compensation, capital gains, and the other income that you have reported on your returns in the past. A small wrinkle for many this year will be that many received interest on their refund (because of the extended filing deadline) and that interest is included in taxable income. The interest payment was probably received separately from the refund and many did not know whence it came. If you received interest from the IRS that exceeded \$10, you'll also receive a 1099-INT showing those interest earnings, and now you'll know why. Include it on your tax return with your other income.

Q / Any new income forms in 2020 besides the Economic Impact/Stimulus payment form?

Yes and our industry will be seeing a lot of these. For entertainment professionals who have earnings from self-employment and independent contractor fees, the new 1099 form is called **1099-NEC** (which means Non-Employee Compensation). It takes the place of the **1099-Misc** that you used to get every year. If you're

someone who has mixed income – both W-2 employee wages and 1099 independent contractor earnings – look for the new **1099-NEC** that will report those independent contractor earnings if they were \$600 or more from any single payer. This applies to our members who record audiobooks, sing in a church or synagogue, do event performing, spokesperson gigs, direct, choreograph, write, compose, do workshops, and other kinds of non-employee gigs. Make sure the payer has your current address and, if you earned less than \$600 from a job, you probably won't get a **1099-NEC**, but you must still report the income on your tax returns.

Q / Except for the non-taxable stimulus payment, it sounds like we're not getting any breaks on 2020 taxes.

There is a small deduction that was added in the CARES Act. In an effort to encourage taxpayers to make charitable contributions during this very difficult year, Congress has included an above-the-line deduction of up to \$300 per tax return, which means that if you made donations to qualifying charitable organizations in 2020 and you don't itemize deductions (such as mortgage interest, real estate taxes, medical, and charitable expenses), you may deduct up to \$300 on your returns. The contribution must be in the form of cash, check or credit card, and you must have a receipt. Contributions of household goods and other non-cash items do not qualify, unless you itemize on your federal and/or state returns. The \$300 deduction is the maximum special deduction, regardless of whether you're single or married. That figure is set to double for married joint returns in the future, but for now, the maximum is \$300 per return.

Q / I'm going to try to file my 2020 taxes early this year because I think I'm getting a refund and I need it right away.

That's a good idea, but be prepared for delays in receiving refunds this year, regardless of when you file. This will depend on your individual return, its complexity, whether or not you have claimed the Earned Income Credit, Additional Child Tax Credit, and other items that may require closer review and processing. We continue to encourage direct deposit of refunds as this is the fastest and most secure way to claim and receive them.

Q / How long will it take to get a tax refund? And how will I know if my refund has been processed?

We cannot predict the processing time for 2020 refunds. If it is anything like last year's, it will take much longer to process and arrive in your bank account. This is because IRS staff, already reduced by budget cuts, is still mostly operating remotely. You may track the status of your refund by using the Where's My Refund tool at irs.gov. Our anecdotal experience was that some 2019 refunds were taking up to four months to process from electronically-filed returns with direct-deposit requests. We just cannot predict what will happen this year, but suggest that there might be similar delays.

Q / Many offices are still closed in 2021. Will we at least get more time to file our taxes as we did last year?

The IRS has announced that the April 15, 2021 filing deadline is still in place for 2020 tax filing. If there are any changes to this deadline, you'll hear about it in all media, and check irs.gov for any updates. For now, you

should plan on filing your tax returns or your extensions by April 15. Extensions expire on October 15. Be sure to pay any tax you think you might owe no later than April 15. The extension is granted to file your returns, not to pay your taxes!

The New York VITA and Los Angeles VITA offices remain closed until further notice. Visit sagaftra.org, actorsequity.org and actorsfund.org for any updates.

Q / I've heard there are free online tax filing options from the IRS. How do I use those?

If you usually have your returns done at VITA or another site that is temporarily closed due to the pandemic, and you need to file right away, you may use the IRS's FREE FILE option. Go to irs.gov and type FREE FILE in the search box. It is a free service (unlike some companies that offer "free" tax prep only to charge you later). Be sure you have everything organized before you use this site so that you can complete everything, include all of your income and deductions, and file as accurate a return as you can. It will also allow you to file multiple state tax returns. This is a Do-It-Yourself option for those who want to try to file on their own, and/or cannot pay to engage a professional tax service.

If you subsequently find out that you've made an error or forgotten something important, you can file amended returns later on, but that's more cumbersome. Better to have everything ready beforehand and file the most accurate returns you can the first time.

For those who pay a private accounting service, you probably have the option to electronically submit your information to the preparer using a remote system to upload your tax information.

CARES ACT OVERVIEW

Coronavirus Aid, Relief and Economic Security

1) Paycheck Protection Program (PPP)

The Small Business Administration (SBA) provides loans for up to 8 weeks of qualifying business expenses. This is for large and small businesses, even sole proprietorships to support employee or self-employed income, rent, utilities and other business expenses. If all qualifications are met, the loan does not have to be repaid.

2) Economic Injury Disaster Loans (EIDL)

Also from the Small Business Administration, but specifically for small businesses, these funds of up to \$10,000 are to support businesses that have suffered loss of income. These "loans" do not have to be repaid.

3) Student Loans Suspended

The Act put on hold the payments of principal and interest on certain federal student loans, including for those students who, because of COVID-19, have withdrawn from school or had to relocate. Also, tax-free employer-provided student loan repayments of up to \$5,250 annually.

4) Economic Impact Payments/Stimulus Checks

Direct, non-taxable funds sent to all eligible taxpayers (\$1,200 single, \$2,400 married joint, \$500 or \$600 dependents). Income limitations are: up to \$75,000 if single or you filed taxes married filing separately, up to \$112,500 if you filed as head of household, up to \$150,000 if married and you filed a joint tax return.

5) Federal Pandemic Unemployment

Initially up to \$600/wk, and later up to \$300/wk in addition to your state unemployment benefits. The pandemic Unemployment Insurance (UI) benefits have been extended and the cut-off dates vary state by state. Check with your own Dept. of Labor to see when yours are scheduled to end.

SECURE ACT OVERVIEW

Setting Every Community Up for Retirement Enhancement

- 1) Retirement plan withdrawals — Age raised from 70 1/2 to 72 for Required Minimum Distributions (RMDs)
- 2) Early withdrawals without penalty — COVID-related withdrawals before age 59 1/2 without tax penalty
- 3) Penalty-free withdrawals of up to \$10,000 from 529 Plans — Using these education plans to repay student loans without penalty
- 4) Penalty-free withdrawals of up to \$5,000 for adoption or birth of child

HEALS ACT

Health, Economic Assistance, Liability Protection and Schools

- 1) Additional Unemployment Benefits
- 2) Additional Stimulus Payments

HEROES ACT

Health and Economic Recovery Omnibus Emergency Solutions

- 1) Includes new stimulus, child care, unemployment, and other provisions

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