

2020 Tax Updates for Entertainment Performers

Member questions answered by Sandra Karas, Esq.

The following questions were submitted by members following the President's Task Force on Education, Outreach & Engagement presentation *Tax Updates for Entertainment Performers* on March 9. 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.

For additional FAQs, tax worksheets and to view the presentation, visit sagaftra.org/taxprep.

DEDUCTIONS

- Q / Can we deduct our actor's expenses on the Federal return this year?**
As we have reviewed in the information provided, your employee expenses are not deductible in most cases. Expenses related to self-employment, or jobs that pay fees are still deductible. The seminar information covers this.
- Q / I had a big business loss several years ago due to fraud. 2/3 had been deducted from my return but in 2019 the balance of the loss was not allowed to be deducted because of new tax law. Can I deduct it this year?**
The CARES Act has relaxed some of the losses for 2018, 2019, and 2020. More details about the business loss would be necessary to determine how much, if anything, you will be able to deduct. You should check with your own tax expert for advice on this.
- Q / Are there any additional deductions due to COVID 19? Or the industry shut down?**
There are no new deductions per se, except the charitable deduction that we covered in the seminar. There are, as discussed, many incentives, loans, tax credits, and stimulus payments that are part of last year's bills and the new American Rescue Plan that President Biden just signed into law.

Q / Do we have to itemize deductions or can we take standard deductions (which is easier), in this case what form do we fill out (there's no more 1040EZ)?

If you are under 65 and not self-employed, your deduction will be the standard deduction on the new 1040. If you are over 65, the form is called 1040SR and has a slightly different layout. The standard deduction for married filing jointly rises to \$24,800 for tax year 2020, up \$400 from the prior year. For single taxpayers and married individuals filing separately, the standard deduction rises to \$12,400 for 2020, up \$200, and for heads of households, the standard deduction will be \$18,650 for tax year 2020, up \$300.

Q / Should I use a schedule C or E to deduct business expenses from the \$5K I made as Royalties or NEC that were reported on a 1099? Is there a clever way to max out the deduction in doing that, given that there's some balancing act between that deduction and the self-employment tax break in the new law?

Technically speaking, royalties are payments for services performed, not the kinds of payments for the creation or production of a product. As such, they should properly be reported on the Schedule C. In practical terms, they are often them as reported on the Schedule E, but this is not technically correct. As for the SE "tax break," there is the deduction of one-half of the SE tax above the line, but that is not a new provision.

Q / I'm a single male 73. I want to know if now that I received stimulus EDD benefits of \$600/wk for 3 mos + my regular unemployment of \$169/wk should I declare deductions, or use the standard deduction? Do I have to pay all this money back? Please address the stimulus, pandemic, EDD/stimulus ADDED to regular EDD (the two separate that are combined in the EDD payment; stimulus + regular in one check weekly; Calif.)

For general purposes, here is what CA is telling us. According to the IRS, Disability Insurance (DI) benefits that are considered a substitute for Unemployment Insurance (UI) benefits are taxable. If you do not work because of a disability and receive DI benefits, those benefits are not reportable for tax purposes. However, if you are first receiving UI benefits, become ill or injured and begin receiving DI benefits, the DI benefits are considered to be a substitute for UI benefits. As a result, the DI benefits are reported to the IRS for tax purposes up to your UI maximum benefit amount. Federal Tax Regulation Section 1.85-1 states that DI benefits are considered to be in the nature of UI benefits when paid to an unemployed taxpayer who is ineligible for UI benefits solely because of a disability. Finally, the Federal bill just signed by President Biden excludes the first \$10,200 from taxation for qualifying taxpayers.

Q / How can we get the residual departments to honor our EXEMPT STATUS? I'm a senior with an exempt status & the paymasters for FOX, Disney paymasters continue to take out deductions on my residuals.

The SAG-AFTRA residuals department isn't able to change your withholding status with your employers. You may submit a new W-4 form to the individual paymasters with the specific instructions to cease tax withholding.

Q / Questions regarding business deductions: Are items like new instruments or juggling kits in order to expand special skills and castability deductible? If you have a home office used exclusively for business to what extent is furniture deductible (ie., office chair, diploma frame, art)?

To your first question, equipment and education that will improve or maintain your current job skills is considered ordinary and necessary as a job expense — whether you are an employee or self-employed.

To your second question, if your home is the primary place of your business and you do not perform services elsewhere, you might qualify for the home office deduction. There are tests you must meet (it must be for the convenience of your employer, you have no other place to work, it is used regularly and exclusively for business). For most union members, the home office is not the place where they perform the work, so they generally do not qualify for this deduction. But for many who DO work from home (composer, writer, voice actors who have home studios, directors, etc.), the home office deduction can be claimed provided the other tests are met. Furniture for the office to allow you to do the work may also be claimed (if you need a desk, a chair, studio sound modifications, certain lighting, etc. Art work would be considered deductible if you conduct your work from home and you meet clients or other workers in the course of the work you perform.

Q / My accountant told me for acting work for which I get a W-2 (so, for this work I am essentially an employee, not a freelancer) if a taxpayer's income is above \$16,000, the expenses related to Performing Arts have not been tax deductible since they changed the law in 2017. Can you verify that this is the case?

Except for a few states, the allowance of deductions of employee business expenses have been lost to all taxpayers who incur them. This has been especially difficult for performing artists because we spend so much more than most employees on acquiring and maintaining our jobs. I'm afraid your accountant is correct. HOWEVER, we have legislation in the works that will alleviate this problem for qualified performers whose incomes are below \$100,000 (single) and \$200,000 (married joint). SAG-AFTRA and Actors' Equity with support from other industry unions have been lobbying to modernize the very provision that your accountant mentioned to you. We hope to have this bill move through the process in the coming year. Then, most of us will have the relief that we need!

Q / I heard a rumor that the IRS is allowing a \$300 tax deduction for charity without supporting documents. True?

As part of the American Rescue Plan, Congress included a \$300 charitable deduction by check, credit card, or cash for those who do not itemize their deductions on the federal return. BUT - you still need to have the receipt(s) from the organization(s) you donated to to prove your deduction.

Q / If you're taking the standard deduction, can you still deduct agent commissions? Can you only do that for 1099 jobs? I heard you can't deduct agent commissions for W2 work if you take the standard deduction but you can for 1099 work?

Since the TCJA bill that eliminated our itemized deductions in 2017, employee business expenses have not been deductible. Many members also do "1099" work and deduct the related expenses against that income. Whether or not your particular agent's commissions can be deducted against your 1099 work depends on whether you paid your agent for that work. Technically, employee -related expenses cannot be deducted on the self-employment form.

Q / I know that we do not have deductions on our Federal Tax forms, but is it still worth our time to make those deductions on our NY State forms? My understanding is that NY is one of the few states that still allows for performer deductions. Should we just take the standard deduction instead?

You should by all means track and list your show business expenses to see if you will benefit in your home state. There are a few states that allow employee business expenses, and NY is one of them. I have seen many members benefit from itemizing in New York and other states that still allow it.

Q / If we have 1099 income from another job (copyeditor), can we deduct our performing artist expenses against that 1099 income?

The general rule is that expenses may be deducted against the income to which it applies. If the work is essentially the same kind of work, then yes. If it isn't or if the expense doesn't really apply to the other work, then tread cautiously. You may find that telephone, computer, some transportation, and other expenses can go on either form.

Q / I don't understand the need for the 2020 Performing Arts Expense Worksheet that's available for download if we're not allowed to deduct employee expenses. Can you explain what the worksheet is for?

The worksheet is for those members who can file itemized deductions in their home state, even though the federal return no longer accommodates it. And it's also for those who receive 1099s and whose income is in the business and some or most of the expenses may be deducted as self-employed expenses. Many members are mixed earners and make use of this.

Q / I own a house upstate and rent a place in NYC - I sublet, so I pay to the people on the lease. Is that a deductible expense?

Generally no, because you are not required to rent the NYC place. In some circumstances a temporary rental might be a business expense, but not if it's for your own convenience.

Q / Can I deduct out-of-town expenses incurred while working as an employee or can I take the deduction only if I worked as an independent contractor out of town?

Both! If you work — or look for work — out of town requiring an overnight stay, your expenses are tax deductible whether you are an employee or you are self-employed.

Q / Would you please explain the Qualified Business Income Deduction?

This is a special provision for small business owners whose net incomes are reported on the personal income tax return, 1040. It generally allows a 20% deduction of the net profits on the tax return to reduce the taxable income of the business owner. There are other rules and qualifiers, but that's the general rule.

HOME OFFICE

Q / Has the "home office" deduction changed especially for the year 2020-how can we use the deductions when filing? Are we able to itemize this go around since we were not able to for the year 2019 but were given the itemize credit of \$1200.00? (Not sure if I am articulating this correctly)

Home office deduction has not changed during the last year in any appreciable way. You still must have a separate and exclusive space, you must perform your work in your home office, and if you are not self-employed, your home office must be for the convenience of your employer. I advise getting a letter from the employer requiring you to maintain a home office where you are working. Most members work on set or location or in a rehearsal studio. But if you're one of those who does your work strictly from home, you might qualify for this deduction. The \$1200 payment to you was a tax-free stimulus payment for the pandemic and doesn't have any effect on the home office deduction.

Q / I am writing on behalf of my minor daughter. She was very fortunate to have been very busy with voiceover and commercial work this past year. She is currently not incorporated. We built a home recording studio at home and maintain a monthly source connect subscription with no help from any of the networks. Are there any additional write offs for in home business expenses?

It sounds like your daughter's home studio is a deductible home office, as well as the connect subscription, and any other home studio needs you have. I would advise that you take the \$5/sq. ft. deduction for the space, so that you don't have to worry about complicated calculations when you later sell your house.

Q / For Home Studio Deduction, is there a minimum space needed for this claim? I have a home voiceover studio and wanted to make sure that I can use that space as deductible.

There is no minimum space you must maintain. It should be exclusive for the work and not used for anything else. Good luck!

Q / I have a dedicated spare bedroom in my rented apartment with a self-tape setup and desk where I edit auditions and handle acting-related emails, marketing, tax prep (!) as well as non-acting remote contractor work. It's largely open floor space for taping and there is no bed — the room's purpose is business/creative things. How can I best report this room to adhere to deduction guidelines and prepare for any further questions? Does the self-tape setup easily qualify as office or would I have to get into partial/percentage deductions?

Apart from the non-acting remote contractor work, your space does not appear to qualify as a home office. The office must be the principal place of your business. Preparing for work, submitting self-tapes, creating new work, etc. are part of the job search, but not the actual job. If you are working from home and using that space exclusively for that work (which it seems as though you are for the other work), then you probably qualify for home office.

AUTO EXPENSES

Q / Can we deduct mileage and parking for a covid test day?

If you are working, mileage and parking are not deductible, unless you are working out of town on an overnight assignment.

Q / Regarding the Auto Expense sheet, do motorbikes like a Vespa count? Or must it be only a 4 wheel automobile?

The IRS knows that 2-wheeled vehicles cost far less to operate than 4-wheeled ones, so it does not allow the standard mileage deduction for your Vespa or motorbike. However, if you're willing to track all of your mileage (and you can use the worksheet for that) as well as keep track of all of your operating expenses, including the purchase of a helmet!, you may apply the percentage of your business use to those actual expenses for your 2-wheeler.

TAXABLE INCOME

- Q / Are fees for COVID testing for work taxable?**
Most of us have our Covid tests paid for by the employer and these should not be taxable as they do not fall under the contract as wages.
- Q / Do I have to pay taxes on monies deposited into a Coogan account? What about interest earned on the account?**
Yes. They are earnings for work performed and taxable. Interest on the account is taxable as it is considered earnings, but not for work, for interest on savings.
- Q / Are we supposed to pay taxes on residual payments?**
Yes. These earnings are for the sales of your work in various venues, foreign, syndication, etc.
- Q / How about capital gains tax for those of us who own stocks, how can we lessen tax liability?**
People who earn money from investments and securities generally pay tax at lower rates than those who must work for the income. So you're at an advantage already.
- Q / I am a senior on SSI how does the \$25,000 deductible apply to SS payments, PUA payments and covid relief payments if I have NO theatrical earnings for 2020?**
The Covid relief/stimulus payment is not taxable, regardless of your income. Unemployment benefits are taxable income, as you know. How much of your SS benefits could be taxable depends on your total income plus one-half of your SS benefits less \$25,000 if you are single, and \$32,000 if you are married filing jointly. From there are a couple of calculations to see if you owe any tax on your SS benefits and if so, how much of your SS benefits will become taxable. For your particular tax liability, you should consult with a tax preparer who can do the calculations and figure any tax that may be owed, not only on your unemployment benefits, but a portion of your SS benefits, if that applies to you.

STIMULUS PAYMENTS

- Q / What if you never received your stimulus check? Can we request it on the tax form? How?**
You report how much you received on the Recovery Rebate Credit section and any payments you might have been eligible for, but did not receive, will be included as a tax credit on your return.
- Q / Will any new stimulus checks come to us directly?**
If you are eligible based on your income, you will receive those payments either by check or by direct deposit if you had previously provided a bank account into which your tax refunds were paid.
- Q / I don't remember the amount of my stimulus checks. Where can I find this information?**
You should check your bank statements to see when a payment was deposited and how much you received. If you received checks, check to see when you deposited them and how much you got. Remember, they are not taxable, but you will be reporting them on your 2020 tax return to see if you got enough.

Q / Should I wait till after I receive my stimulus checks from the Feds and California to file my taxes for 2020, since I made more in 2020 than 2019, due to a commercial? Is it more beneficial to file after I receive the stimulus package based on my 2019 taxes instead of filing now?

I can't answer that for you, but if you want to see how much you'd get before you file for 2020, that's OK.

Q / They cancelled my SSI, but not my Social Security checks this March. Will this affect my stimulus checks?

It should not affect your stimulus payment.

Q / As a family of four, we made too much in 2019 to qualify for the Stimulus Payments. We didn't make as much in 2020. Can we claim the \$1400 Stimulus Amounts as a Tax Deduction on 2021 Tax Returns?

No. The stimulus payments are not deductions. They are paid to qualifying citizens based on their income. If 2021 taxes are anything like 2020 returns, your stimulus, or lack thereof, will be reported and, if you are owed additional money, you'll get it with your federal refund (or reduce your balance due).

Q / On the Information Checklist form did you say on the left hand side under "New Form Notice 1444" is where I put the stimulus check amounts? I did not receive the "1099-NEC" form in the mail.

The stimulus payments were supposed to be reported on the Form 1444, but many people did not receive that form. So, don't worry about it. Just write down how much you got in each of the stimulus payments you received last year.

UNEMPLOYMENT

Q / Unemployment — how do I enter it if I use a program such as Turbo Tax act?

I don't know about using TurboTax, so you 'll have to contact them for that answer.

Q / I've already submitted my taxes for 2020. I also received EDD. Now that the latest bill passed with the \$10,200 no tax on unemployment, do I have to file an amendment to get that benefit?

No, the IRS has said that it will be issuing refunds and does not want anyone to file amended returns. We still await guidance from individual states, however, so check with your home state website for updates as to whether or not your state wants an amended return filed.

Q / I've been repaying an unemployment overpayment during this time. UE deposited half directly to me and half to overpayment, however, the 1099G states the full amount for both what was deposited AND what was sent do overpayment. My questions are: Aren't I being taxed twice? I have already paid and reported taxes on the money I was overpaid some years ago, and I literally never received half of my unemployment in 2020. How do I remedy this and report it accurately on my taxes?

For tax reporting, however, you can exclude the amounts you repaid, so that you are not taxed twice.

Q / If you already paid taxes on unemployment, will there be a credit this year only?
The IRS will issue you a refund. Check your state website to see how it will treat the exclusion.

Q / I received an extra \$600 from unemployment. I had taken out taxes from my checks but it seems it only took out for the unemployment amount and not the \$600. How is that going to impact/affect us?
Except for the \$10,200 exclusion that most of us will qualify for, all of the rest of your unemployment is taxable income. If you don't have enough withholding from other sources, you might owe taxes this year on some of your unemployment.

Q / I checked the box that had them take taxes out of my unemployment from the beginning, meaning before I received each check. They automatically took a percentage with my consent. Will that now be refunded?
The adjustment in your tax return with the new exclusion will be automatically calculated by the IRS and you will receive the difference in a refund.

Q / Is it already the case that I can pay tax on my unemployment insurance ONLY when the amount exceeds \$10,200?
No, the \$10,200 figure is the amount that is excluded from taxation if you qualify. The amount above that will be the taxable portion.

Q / Does the exclusion for paying unemployment taxes include both state and fed or just fed?
The new law affects the federal unemployment, but many states will be conforming to the federal law, so check with your home state to see if you may exclude this amount in the state, too. We are still awaiting guidance from the states on this matter.

Q / Are PUA payments taxable?
Only if they exceed \$10,200 and you qualify for this exclusion.

Q / To be a “qualified performing artist”, you can't make over \$16k in the year. Does that income include Unemployment benefits and whatever my wife (joint return) made? Or is it only what I make, and/or only from work as a performer?
Unfortunately, it includes all of your income, even unemployment. But our updated legislation of the QPA should bring relief when it becomes law. We hope to get that bill moving through Congress with greater speed now.

LOANS AND GRANTS

Q / Is income from SBA Loans and ERAS taxable?
Loans and grants are not income and do not need to be reported as such.

- Q / Can you please discuss how to claim, or whether to claim, an EIDL ADVANCE received by the SBA. I received an advance but did not qualify for a larger loan. No tax documents were received. You didn't receive any forms because the monies you got are loans and not taxable.**
- Q / Are grant funds received from the SAG-AFTRA Foundation or The Actors Fund taxable? How should they be listed on a tax return? Will grantee recipients be receiving a form from the grantor as reportable income?**
Gifts such as those from the Foundation or the Fund are not taxable.
- Q / I took out an EIDL loan. I get bills for \$0.00 every month from the SBA. I was under the impression that I have to start paying it back. As I have gotten no notice from SBA that the loan was forgiven, I am worried. Help, please?**
You should check with the SBA as to when, if at all, your loan must be repaid.

STATE RETURN

- Q / How do you file if you have earnings in more than one state?**
If the paymaster withheld taxes in two states or withheld in a state that is not your home state, you will have to file in both your home state and the other one as well. It is not likely that this will happen, but you should check with the paymaster to be sure that your home state is the state of withholding.
- Q / My husband worked out of state in 2019 twice in two different states. We filed taxes in both and received a refund from both. One state sent us a 1099G for 2020, but the other did not, should I be concerned?**
No. Many states do not send the 1099-G forms.
- Q / DUPLICATE EARNINGS LISTED: One payroll company sent me 3 separate W-2s: "CA Earnings", "GA Earnings", and "LA Earnings". The CA summary lists amounts from all the shows that have paid me this year - let's call them Shows 1 through 4. But Show 1's same amount is also repeated on the GA W2, and Show 2's same amount is repeated on LA's. 3 and 4 only reflect once on the big CA W2. How do I make sense of this?**
It can be confusing when you work in more than one state and then file in each of them to report income and try to claim refunds. The good news is that virtually all states have an agreement that you can get credit for the amount you paid the state that's not your home state. If you report your earnings as they are reported on the W-2 forms, you should get these credits. If you are confused by this, you should probably see a tax preparer who is familiar with this.
- Q / Like many others, when the pandemic hit I moved out of New York for the rest of the 2020 year. I've never done taxes in two separate states before. How does being in two separate states affect your taxes? What if you only made money in New York (both job-related and NYS unemployment).**
You're allowed to hunker down wherever you need to to ride out the pandemic. If your earnings were just from your home state, then you only file there.

FILING

- Q / Is there a master list of W-2 companies we can use to get in contact with if we need to change our address or check that a W-2 was delivered? Every year I dread that I'm missing one or two.**
A list of W-2 hotline contacts for tax year 2020 is available for download at sagaftra.org/taxprep.
- Q / Is there a 1040 form this year? In the download package was only new form 13614 C...and auto, travel, art expenses for itemization, which I'm trying to avoid doing by taking standard deduction.**
You may find a 1040 form online at www.irs.gov. What we provided were VITA worksheets for you to use to organize your tax information.
- Q / I have all of my W-2s and 1099's. Should I be expecting some kind of document from the state about unemployment income?**
Depending on the state you live in, you might receive a paper 1099-G in the mail, or you might have to go online to the State's Dept. of Labor website to download your 1099-G. Either way, you'll need it to do your taxes.
- Q / I've only ever hired an accountant to do my taxes. Will doing them myself or through a VITA volunteer increase the possibility that it could trigger an audit or flag the IRS in any way?**
No. Audits are triggered for any number of reasons, but self-prepared returns, or VITA assistance do not increase the chances of an examination. In fact, some professional preparers have their clients get audited as much as any other filers.
- Q / I have had VITA do my taxes for years, will it be open this year?**
The Los Angeles VITA Program at the Actors' Fund is closed this year. The New York VITA Program is temporarily closed and, because it's a year-round service, will reopen when Actors' Equity brings staff and members back into the building. The date is unknown at this time.
- Q / Where can I go to get my taxes done for free in New York like I did at AEA by someone who knows how to do the VITA Actors Taxes?**
There is no guarantee that free VITA sites will have expertise in entertainment professionals, but you may go to www.irs.gov to use the VITA Site locator tool to find a site near you. Most are not open in person, and many are operating remotely with online platforms to upload your tax information.
- Q / As a SAG-AFTRA member, where may I find the names of CPAs who are familiar with actors tax preparations and are accepting new clients?**
The union cannot refer you to a tax accountant, but we usually suggest that you ask your friends for referrals as they might now or use someone that is conversant with our industry.
- Q / Is there someone we can call with questions and how/ where to do it yourself, especially with English being a second language?**
If you go to www.irs.gov and type in VITA near me, you'll find a service and you can request a foreign language site, depending on the languages that are offered.

Q / I received a 1099-Misc for royalties for \$60 for 2020. When I use free file it has me using a schedule E for trade or business. Is there an easier way to report this? Also, what can we deduct from W2 money?

You can use Schedule E, or Schedule C, or simply report that \$60 as “other income” on your 1040. W-2 earners lost the miscellaneous itemized deductions in 2017, but we hope that our updated QPA bill will become law before too long and our deductions can be restored.

Q / I can't find my N1444 and i can't access my IRS account online (long story). It appears in my bank act. (direct deposit) as a Tax Refund! Will that be a problem?

No problem. Just report both of the stimulus payments (if you got them) on your return. They're not taxable, but you should know if you're entitled to anything more.

Q / I could use some guidance in filling out a W-4. The IRS's worksheet is of little help when we have a dozen sources of income of wildly differing amounts and pay frequencies.

My recommendation is, unless you have children or other dependents, just fill out the top part (your personal information) and sign and date the bottom of the form. Then you're done.

Q / It seems as if filing later this year is best due to ongoing changes with new rules, amendments and bills working their way through Congress. Should we wait until they finish negotiating before filing?

It's hard to second-guess what Congress is going to do, but for now, you have until May 17 to file your returns. Be sure your home state conforms to the federal extension.

RETIREMENT ACCOUNTS

Q / Should I make the max contribution that I can each year, despite the fact that it may not all be deductible? I'm 70 years old.

Since I don't know what fund you are thinking of contributing to, I'll say generally that contributions to retirement accounts is a good practice to continue to ensure that you are building a fund for later years. If you are still working and qualify to make retirement plan contributions, by all means do so, if you can afford to.

Q / I am above 60 years of age. I have had my Roth IRA for more than 5 years that has long stock positions. I also have a non IRA account with long stock positions that I have held for longer than a year. If I need to draw money from one, which would be the best for tax purposes?

The Roth IRA is tax-free and continues to grow tax-free. The other IRA is fully taxable as ordinary income. Depending on your other income and your tax bracket, you might want to deplete the taxable IRA first and allow the Roth to keep growing tax-free.

Q / I had to withdraw \$13,000 from an annuity (retirement account) because I lost a promised job to the pandemic, and we were running low on income. I am almost 70-1/2 years old now, but was not yet 70 when the withdrawals happened. Can I repay that money to the annuity within three years and thus avoid paying taxes on it?

Check with your annuity company to see if those funds qualify for the Secure Act treatment. If so, and you repay within 3 years, you will owe no tax. If not, I'm afraid you must pay the tax on the withdrawal.

Q / I had to take \$13,000 out of an annuity that I have and that withdrawal was reported on a 1099R. I am 70 years old exactly. Can I still not have to pay tax on that big withdrawal if I repay it within three years? And can I also already not pay tax on the first \$10,200 of unemployment insurance?

Check with your annuity company to see if those funds qualify for the Secure Act treatment. If so, and you repay within 3 years, you will owe no tax. If not, I'm afraid you must pay the tax on the withdrawal. The first \$10,200 of unemployment is not taxable for qualifying individuals. Check with your home state to see if it conforms to the new federal law.

OTHER

Q / Do you think Congress will vote on, this year, the Tax change bill that includes restoring business expense deductions for people in the arts so they are not restricted to 1099 income?

That's the question we all want the answer to! We hope that the tax bill that SAG-AFTRA has been working so hard to move through Congress will be passed fairly soon. It is called the Performing Arts Tax Parity Act (PATPA) and is a modernization of the Qualified Performing Artist provision that was passed in 1986.

Q / I rent out a room and declare it through my LLC. Last year was just a few days and according to the Airbnb rules you don't have to declare a few days only. Basically my LLC was "sleeping" last year with no income then — how do I explain that on the form? That I have no business 2020 and then it's back 2021?

You don't have to explain it to anyone. If you rented out less than 14 days, you don't have to report it and you don't take any expense deductions either. If things start up again this year, good for you and you'll go back to reporting it as usual.

Q / I paid off some credit cards during covid. I have cancellation of debt notices. How will this affect my taxes this year?

Generally it's taxable income. However, if you have declared bankruptcy or can calculate that you are insolvent, you can avoid the taxation on this money.

Q / Is there anything you can help us with as far as doing our taxes when there are Canadian (or other countries) residuals or payments that come our way?

We always recommend seeing a Canadian tax preparer for reporting and paying tax on Canadian income and taking the proper credits on your U.S. return. You should use someone who can do the Canadian returns, but you may use your local tax preparer for your U.S. returns if she or he knows how to get the foreign tax credit on your U.S. return.

**Q / How long, officially, do we need to save previous tax returns/records, receipts, etc.?
I've heard 3 years, 7 years, 10 years?**

A good general rule is to keep a copy of your tax return and W-2 forms until you retire as you may need to prove your earnings for pension or retirement, social security and other income-driven benefits. If you want to risk not having them, then keep everything for 5 years and major capital items on returns for as long as you own the items (your house, stocks, bonds, and securities).

Q / Regarding the ACA tax provisions. I have the 1095A Fed form and the California 3895 form from my health provider. BUT how do I find out if I need to provide a 8962 Form that you talked about for Premium Tax Credit. I have never seen or heard of this form. And honestly don't know if I even need it or not.

If you are using a tax software program, or you have a preparer who does, the 8962 should automatically generate after you input the 1095A and 3895 information.

Q / I'm a SAG-AFTRA member and will not be able to pay my estimated \$6500 in tax this year. Is there any relief I can apply for to avoid being delinquent?

You can request from the IRS and your home state an installment plan to repair your taxes. If you believe you have reasonable cause not to pay your taxes, such as severe illness, indigence, or other cause, you may contact them and request a reconsideration of your liability for cause.

Q / I have a business that earned no revenue last year. It earned little in 2019 around \$600. What do you suggest ... if anything?

It sounds like you don't have to file any returns if that's all you made. If it was from self-employment, however, you will have to file and show some expenses, so that you won't have a tax bill.

SANDRA KARAS is a working actor, member of SAG-AFTRA and Actors' Equity Association, and an attorney in private practice in the areas of tax, estates, trusts, contracts and business law. She is also Secretary-Treasurer of AEA and serves as the site coordinator of the Volunteer Income Tax Assistance (VITA) Program in New York, where she has been affiliated with VITA as a pro bono preparer and instructor for more than 30 years. She holds licenses in the areas of tax accounting, securities, investments and law, and is admitted to practice in all New York State courts as well the Federal District Court, United State Tax Court and the United States Supreme Court.

Updated March 30, 2021