



TaxSlayer PRO

Support Connection

The Only Constant in Life is Change

In a traditional tax season, for many tax professionals and certainly at TaxSlayer, the off-season starts a week or so after the filing deadline and runs through the end of July. During this late April through July period, we all look forward to vacations, spending time with family, and taking care of the dreaded honey-do list at home.

This year was a little different. For most of us, our vacations were postponed or cancelled, family were the only ones we spent time with, and for me, my honey-do list only kept growing as I kept finding more items to add to the list as I wandered endlessly around my home.

So now what? Well, we push on, we move forward, and we adapt. At the end of the day, the next tax season is still coming, and we must be ready. Many of you (according to the survey you completed in our last newsletter about how COVID-19 has impacted your practice) have indicated that you will be making changes to your operations. Actually, 65% of TaxSlayer customers who responded to the survey will be making some changes or significant changes to their tax practice for next year. *You can see the full results of the survey on page 6.

As you think about the changes you will be making, remember that TaxSlayer has created many tools and products that will help you and your practice in these uncertain times. Our Taxes-To-Go mobile app is integrated in to the ProWeb and Desktop programs allowing your clients to upload documents and sign documents. Our Customer Portal is another tool available to you that al-

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Special points of interest

- TaxSlayer Annual Seminar May Go Virtual
- 2021 PTIN Fee Update
- *Support Connection* Reader Poll—Virtual Tax Learning Opportunities
- Upcoming Important Dates

The Only Constant in Life is Change (continued)

lows your customers to sign their tax return without having to come into the office.

As you are preparing your tax practice for next season, we want to help. If you have questions about the products mentioned above, contact your sales representative, or reach out to us in Support. We can advise you on what's best for you and your office. We may be a little tired of the saying "we are all in this together", but in our case it's true. TaxSlayer is here for you, just let us know what you need.—**Chad Wallace, Director of TaxSlayer Pro Customer Support**

Why Your Clients Should Save Notice 1444

The White House directed the IRS to mail out Notice 1444 as a receipt for the Economic Impact Payment. Notice 1444 is a letter signed by President Trump confirming that a stimulus payment was sent to the taxpayer via direct deposit or mailed check. Your clients who received an EIP in 2020 should have also received this letter to their last known address within 15 days of receiving their payments. Taxpayers should save Notice 1444 with their important tax documents for 2020.

The EIP is an advance payment of a refundable tax credit that will be calculated on the taxpayer's 2020 tax return. Economic Impact Payments were calculated to get money to taxpayers quickly using AGI from the 2019 or 2018 return, depending on whether the taxpayer had filed a tax return for 2019 at the time of payment. Notice 1444 documents the amount of Economic Impact Payment the taxpayer received and will be used on the 2020 return to calculate any remaining entitlement.

Filing status, income, and dependents can differ from year to year, and the advance payment already issued based on 2018/2019 information could have been less than the taxpayer's entitlement in 2020. Notice 1444 will be used to calibrate the difference between what was paid and the taxpayer's entitlement in 2020, possibly qualifying your clients for an additional refundable credit amount.

For example, a married couple with an AGI less than \$150,000 who filed jointly in 2019 should have received an EIP of \$2400 (\$1200 for each adult). If they had a dependent born in 2020, the credit on their 2020 return would be \$2900 (\$2400 + \$500 for their dependent). They would be entitled to an additional \$500 refundable credit for their dependent on the 2020 return.

EIP calculations were made before the 2019 tax filing deadline, which was extended to July 15, 2020. If your client had yet to file their 2019 return or extension, the IRS used their 2018 income and filing status information to generate the EIP amount. If the taxpayer did not receive the full amount of their entitlement due to status and income changes, they will be able to claim the additional amount of refundable credit when filing their 2020 tax return.

COVID-19— Possible Impact on Education Credits Claimed in 2019

This past March, many college students went on spring break but didn't return to campus due to COVID-19 shelter in place orders. As a result of the closing of college campuses, many schools issued refunds to their students as certain services which had been paid for were no longer available. The bulk of these refunds were for the remaining portion of meal plans and/or campus housing that went unused when the colleges closed their campuses to in-person classes.

Refunds were also issued for **fees** and/or **tuition** for classes that could not be completed due to the transition to online or remote learning. The types of fees and/or tuition reimbursements that typically occurred were for classes that involved laboratories, art studios, or performance music, all of which require facilities that were not readily available to students through remote learning.

COVID-19— Possible Impact on Education Credits Claimed in 2019

The refunds for tuition and fees become a 2020 tax issue as many college invoices for the 2020 spring semester were due (and were paid) by December 31, 2019. The tuition and fees paid in 2019 for the spring semester were reported to the student on their 2019 Form 1098-T. As a result, the taxpayer (either parent or dependent) properly used those expenses when they calculated their education credits on their 2019 tax return. Specifically, qualified education expenses **paid in 2019** for an academic period that begins in the first three months of 2020 were to be used in determining any education credit for 2019. Form 1098-T (Box 7) is used by colleges to indicate that it is reporting expenses for periods starting in January through March.

2019 returns that included the American Opportunity Credit, Lifetime Learning Credit or Tuition and Fees Deduction **and** the student received a refund of qualified expenses due to COVID-19 may be affected. The student will be notified by the college if the refund they received contained qualified education expenses when they receive Form 1098-T in early 2021. A refund of qualified education expenses is reported in Box 4 of the Form 1098-T as a prior year adjustment. This prior year adjustment amount is then used by the taxpayer to reduce any education credit that was claimed for the prior year (2019), and it will result in an increase in tax liability in the tax year of the refund or 2020.

The prior year return **is not amended**. Instead, the additional tax is included in the tax year they received the refund. This additional tax is known as a **Recapture of Education Credit**, and it requires the taxpayer who previously claimed the education credit to recalculate their 2019 taxes using the lower fees and tuition amount after the COVID-19 refund is applied. The additional tax is included on the 2020 return on Form 1040, Line 12. The amount of the additional tax from the recapture of the education credit prints on the Other Tax section of the 1040 with the notation 'ECR.' If the student received a refund only for housing and meal expenses, the education credits will not be affected. For more information on reporting this additional tax see *Recapture of Education Credits* in the TaxSlayer Pro Knowledgebase.

Tax Planning for College with 529 Plans

Tax professionals can service their clients year-round by helping with the three basic tenets of tax planning: reduce overall income, increase deductions, and take advantage of credits. Preparing for a child or multiple children to attend college or vocational training, when done correctly, utilizes all three of those principles to keep the family budget in line and set the youngest family members up for a successful transition to adulthood. Like a healthy investment portfolio, the best college preparation plan is a careful mix of scholarships, grants, and savings plans that combine to reduce the need for student loans.

529 plans are tax-advantaged education savings plans offered by individual states. Withdrawals can pay for qualified education expenses from elementary school to college, even vocational and apprenticeship programs. While scholarships usually only pay for tuition and books, 529 withdrawals can be used to cover the gap for room and board, transportation, and study equipment (computers, cameras, etc.) for full-time students at accredited institutions. Up to \$10,000 can even be used to pay for qualified student loans.

Any U.S. resident 18 years or older with a U.S. legal mailing address, SSN or Tax ID can open a 529 account. Taxpayers at all income levels, such as grandparents, parents, family friends, and even beneficiaries themselves are eligible to open, maintain, or simply gift to an account.

The actual 529 plans are state-sponsored savings accounts. Many of these plans allow the owner of the 529 plan to choose a wide array of investments. The account owner, also known as the participant, controls the account, makes investment decisions, and decides how assets will be distributed. The account owner is typically a parent or grandparent, and they get the tax benefits and maintain ownership of account until all money is withdrawn.

Donors to 529 accounts in 34 states can also benefit from tax deductions for their gifts. In most states the contributions made to the resident state's 529 plan will become a tax deduction on their state tax return.

Tax Planning for College with 529 Plans (continued)

Reduce the size of your clients' taxable estate by suggesting contributions to a 529 plan. In 2020, as in 2019 and 2018, gifts totaling up to \$15,000 per individual qualify for the annual gift tax exclusion. This means, for example, that a taxpayer and their spouse with two grandchildren (or children) can jointly give \$60,000 without gift-tax consequences, since each child can receive \$15,000 in gifts from the taxpayer and \$15,000 in gifts from the spouse. Another advantage of the 529 account is that the taxpayer can front-load 5 years of annual exclusions into a single gift. A couple, for example, could give \$150,000 to each of their children/grandchildren without touching their lifetime federal gift tax exclusion for couples filing jointly, which is currently \$22.8 million.

If the beneficiary receives scholarships or attends a U.S. military academy, the scholarship amount or cost of attendance can be withdrawn from the 529 account and exempted from the 10% federal penalty, although federal income as well as state and local taxes will apply (for the beneficiary). Federal income tax is deferred for all savings and withdrawals used for Qualified Educational Expenses (QEE). Withdrawals not used for QEE are taxed at the recipient's tax rate with a 10% federal penalty and possible state and local taxes added.

Again, donors do not need to be related to beneficiaries to gift the 529 plan. Any taxpayer of legal age can donate to any 529 plan, using the donations to manage the taxable portion of their estate more effectively. The 529 plan is a versatile tax planning tool for most of your clients, whether they are raising school-aged children or attempting to manage their estate in the most tax-advantageous way possible.

Backing-up Your Tax Program

Your computer is the lifeblood of your tax practice and an essential component of your ability to generate income. When it's down, not only are you losing money, you may also face the possibility of losing your tax return data. A daily backup of your return data is essential so that you can recover if a computer disaster strikes.

If you use TaxSlayer ProWeb your returns are stored safely with us, and since your work is done in your web browser you can easily pick up where you left off. TaxSlayer Pro desktop users have two backup options built into the program. Under the Utilities menu look for Backup Returns and Program Backup. The latter backs up the entire TaxSlayer Pro folder, all data, all program files, all saved PDFs and other data, from all years. This backup can take some time to run, depending on how many years and how many returns there are, so it's one that is only occasionally used.

For everyday needs, use the Backup Returns utility to back up the current year's tax return data to a removable storage device attached to your computer, such as a thumb drive or portable hard drive. After backing up the returns you can remove the drive and take it with you so that the return data is safely stored with you, away from your office. Return data generally takes up little space, and a drive with at least 1 GB of free space is sufficient for most preparers, and only a few preparers would need more than 2 GB of free space.

You can also use your own backup software. One caveat regarding third-party backup software is that it should not back up in real time, as you may experience problems if you are attempting to work on a tax return at the same time as the backup software is attempting to back it up. Third-party backup solutions vary in how they back up and restore data, so be sure you understand the procedures for the software you use, both for how to specify what to back up and how to recover data.

What if you experience a hard drive failure and don't have a backup? TaxSlayer Pro technical support staff can help you recover returns that have been e-filed, but they won't be able to help you with returns that were paper filed or not yet e-filed, as these returns only exist on your computer, further highlighting the value of regular, daily backups.

Whether you have a backup or not, if you experience equipment failure and need assistance recovering, give our support staff a call so that we can assist you in the next steps.

2020 Filing Statistics—Impact of COVID-19

The weekly filing statistics for electronically filed tax returns by both Tax Professionals and individuals that self-prepare tracks the impact that COVID-19 has had on the country. Through the first two plus weeks of March, the tax filings for both Tax Professionals and self-filers were consistent with the 2019 pattern. Then the various states systematically began to shelter in place and return filing slowed. On March 18th, the IRS announced the filing deadline was extended to July 15 and the returns done by tax professionals slowed dramatically

These events clearly impacted the tax filings by tax professionals and electronically filed returns began to diverge sharply from the previous year. The filings by self-prepared individuals were not as dramatically affected since many of those returns are front loaded and done in the taxpayer's home.

Week Ending	Tax Professionals 2019	Tax Professionals 2020	Self-prepared 2019	Self-prepared 2020
2/01/19 & 1/31/20	5,440,000	5,236,000	9,782,000	9,887,000
2/08/19 & 2/07/20	5,561,000	5,356,000	6,819,000	7,795,000
2/15/19 & 2/14/20	5,582,000	5,432,000	5,828,000	5,430,000
2/22/19 & 2/21/20	5,286,000	5,237,000	4,223,000	4,407,000
3/01/19 & 2/28/20	5,148,000	5,149,000	3,480,000	3,575,000
3/08/19 & 3/06/20	4,925,000	5,020,000	2,880,000	3,050,000
3/15/19 & 3/13/20	4,926,000	4,906,000	2,590,000	2,597,000
3/22/19 & 3/20/20	5,043,000	4,667,000	2,378,000	2,712,000
3/29/19 & 3/27/20	5,519,000	3,498,000	2,533,000	2,373,000
4/05/19 & 4/03/20	6,409,000	3,171,000	3,147,000	2,718,000
4/12/19 & 4/10/20	9,409,000	2,839,000	5,115,000	2,511,000
4/19/19 & 4/17/20	7,228,000	3,140,000	7,668,000	6,053,000
Totals	70,476,000	53,651,000	55,788,000	52,340,000

Since the traditional tax deadline of April 15th, tax professionals have filed more returns than historically would be filed in the May–July time frame. The **large increase in self-prepared returns** since after the traditional April filing deadline is attributed to the returns that were filed by individuals that would not usually file an income tax return but did so this year **to obtain Economic Impact Payments**. By the July 15 extended deadline, returns filed by tax professionals are close to what was filed in 2019 by this same group.

Period Ending	Tax Professionals 2019	Tax Professionals 2020	Self-prepared 2019	Self-prepared 2020
4/17 to 5/15	1,608,000	5,704,000	501,000	6,119,000
5/16 to 6/12	1,133,000	3,755,000	215,000	2,415,000
6/13 to 7/17	989,000	10,696,000	172,000	8,699,000
4/17 to 7/17	3,730,000	20,155,000	888,000	17,233,000
Season Total	74,206,000	73,806,000	56,679,000	69,573,000

Support Connection Poll Results

A feature that was introduced in the April edition of *Support Connection* was a reader poll that would provide our readers an opportunity to participate in short poll on a topic that is affecting tax professionals. When the last *Support Connection* was published much of the country was under shelter in place orders and the impact that COVID-19 was having on our industry was clearly the topic of interest.

Almost 600 of our readers and clients participated in our “**Impact of COVID-19 on Your Tax Practice**” poll which was closed for responses on June 5th. As promised, the results are set forth below.

Did you have to move your tax practice to a remote or home office?

Yes - Closed my main office and did not move to a remote or home office	6.36%
Yes - Closed my main office and moved my practice to a remote or home office	21.02%
No - Continued working out of my regular office	16.25%
No - Continued working out of my regular office but significantly reduced hours of operation	22.08%
No - Did not need to move since I currently practice out of a home office	34.28%

Compared to last year, how did the COVID-19 outbreak affect the number of tax returns your office has prepared?

Much better - have seen a significant increase (greater than 20%)54%
Better - have seen an increase of greater than 5% (but not greater than 20%)	9.55%
About the same - have done about the same as last year	23.96%
Worse - have seen a decrease of greater than 5% (but not greater than 20%)	40.72%
Much worse - have seen a significant decrease (greater than 20%)	25.33%

What hours do you plan on keeping your tax practice open through July 15?

None - the tax practice has been closed since April 15 (or before)	3.02%
Fewer hours since the deadline has been extended	38.97%
Keeping the same basic schedule as before the deadline extension to July 15	38.79%
About the same total hours per week but had to significantly change when the office is open	14.77%
More hours - have increased office hours	4.45%

Has the COVID-19 outbreak affected your plans for your tax practice next year?

Significant change is anticipated	21.71%
Some change is anticipated	43.59%
No significant change is anticipated	34.70%

Our new Summer Poll will explore the interest in the possible upcoming **Virtual TaxSlayer Pro Annual Seminar** which is being planned for November. The ever changing COVID-19 restrictions on meetings and the re-scheduling of the 2020 Masters Tournament to the second week of November, has forced TaxSlayer to cancel the traditional Annual User Seminar and go virtual. We want your thoughts on this and other virtual learning opportunities. Let us know and we will share the results of this poll in the next issue of *Support Connection*. In the meantime, call **Sales** at **888-420-1040** for the latest information on the upcoming seminar.

Update on Form 1040-X Electronic Filing Options

In a news release issued on Thursday, May 28, 2020, the IRS announced that tax professionals and taxpayers will soon have the ability to file Form 1040-X electronically. The new electronic filing option will allow the IRS to receive amended returns faster while minimizing errors associated with manually filing the form.

Industry professionals have continuously recommended an electronic filing option for amended returns, and providing the ability to do so has been a goal of the IRS for several years. According to the IRS, more than 90 percent of individual taxpayers electronically file their U.S. Federal Income Tax Returns (Form 1040) each year. Approximately 3 million amended returns are filed annually.

The new electronic filing process marks a major milestone for the professional tax community but will be initially implemented with limitations. The option to electronically file Form 1040-X will only apply to Forms 1040 and 1040-SR for tax years 2019 forward. The option will not be available for amending Forms 1040-NR and 1040-NR EZ, although there are already plans in place for upgrades and enhancements to the new platform.

We have already seen IRS progress in implementing the new electronic filing option. Earlier this summer, the IRS put in place a new reject code. In a Quick Alert dated June 26, 2020, the IRS stated, "Effective immediately for Tax Year 2019 and subsequent years, BR R0000-932-02 will replace BR R0000-902-001 if a duplicate return is submitted. Note: BR R0000-932-02 references the "Amended Return" checkbox. However, filers will not be able to electronically file Form(s) 1040/1040SR until August 17, 2020 (tentatively)."

A TaxSlayer Pro currently plans on releasing an update to implement electronic filing of Form 1040-X in late August.

IRS Processing Delays

Due to COVID-19, many taxpayers experienced delays by the IRS in the processing of their tax returns and disbursement of their 2019 refunds. Between April 8 and May 31, the IRS was forced to close its production centers and telephone assistance lines due to the virus. Although the majority of operations have been reopened, it will take some time before they have been restored to full capacity.

Taxpayers who filed a 2019 paper return and were due a refund have had to wait much longer than usual to receive them. The IRS suspended the processing of paper tax returns and, as of May 16th, an estimated 4.7 million paper returns were backlogged waiting to be processed. The IRS has resumed processing paper returns, issuing refunds, and accepting payments in the order they were received.

Electronically filed returns that were flagged by IRS processing filters also had taxpayers experiencing lengthy delays. As of June 12, the IRS received 136.5 million individual income tax returns and had processed only 124.6 million of them. Tax returns that required additional verification or a manual IRS review were put on hold while the majority of IRS employees were sent home in March.

Several factors may trigger a tax return for taxpayer verification or a manual IRS review such as:

- High Discriminant Inventory Function System (DIF) score as described in IRS Publication 556

Due Dates for Returns on Extension

September 15, 2020

Form 1065—U.S. Return of Partnership Income

Form 1120-S— S Corporations

September 30, 2020

Form 1041—Estates & Trusts

October 15, 2020

Form 1040/1040NR— Individual Tax Returns

Form 1120—U.S. Corporate Tax Return

November 16, 2020

Form 990—Non-Profit Organizations

2021 PTIN Annual Fee

The IRS has announced that starting in 2021 the annual fee to obtain or renew a PTIN will be \$35.95.

The new PTIN fee consists of two parts, a \$21 fee for maintaining the integrity of the PTIN system and a third-party contractor fee of \$14.95 to cover the costs of processing applications and renewals, as well as operating a call center.

IRS Processing Delays

(Continued from page 7)

- W-2 or 1099 amounts reported don't match what was reported to the IRS by the payer
- Self-employment income and expenses
- Refundable Credits
- Annual random sampling of returns

When a taxpayer's return is selected for review or verification, the IRS mails a letter to the address on the tax return explaining why and/or requesting additional information. IRS systems prepared over 20 million notices during the pandemic that could not be mailed to taxpayers due to closure of notice production centers. The letters have since been mailed, but the IRS has not processed much of the correspondence they received back, delaying refunds disbursements even longer.

Taxpayers are encouraged to use the Where's My Refund tool at irs.gov to monitor the status of their tax returns and refunds. In addition, IRS toll-free phone lines supported by customer service representatives for both taxpayers and tax professionals are now available, however callers should expect long waits due to limited staffing.

Support Hours of Operation

All Eastern Time

July 16 to Dec 31, 2020

Monday - Friday

8:00 AM to 5:00 PM

Tax Season Hours

Support will be open extended hours which correspond to the extension deadline of **October 15, 2020**

Fall Holidays—Support is Closed

Labor Day

September 7

Thanksgiving

November 25 @ Noon

November 26

November 27

TaxSlayer Pro Contact Information

Sales	888-420-1040
Sales Fax	706-868-1955
Email	sales@taxslayer.com
Pro Support	706-868-0985
Pro Support Fax	706-868-0263
Email	prosupport@taxslayer.com

IRS Phone Numbers

E-file Help Desk	866-255-0654
PTIN Registration/Information	877-613-7846
Refund Status	800-829-1954
Tax Fraud	800-829-0433
FTC Identity Theft Hotline	877-438-4338
Identity Theft (Form 14039)	800-908-4490
Practitioner Assistance	866-860-4259
Business Assistance	800-829-4933
Social Security Administration	800-772-1213
Taxpayer Assistance	800-829-1040
Financial Mgmt. Services	800-304-3107
E-services Secure Access Registration Assistance	888-841-4648
Healthcare.gov	800-318-2596