

# Today's Instructor

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## IRS Update on Calculating Unemployment Compensation to Exclude From Income



# IRS has Issued New Guidance...

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- ◆ March 24, 2021
- ◆ <https://www.irs.gov/forms-pubs/new-exclusion-of-up-to-10200-of-unemployment-compensation>
- ◆ Schedule 1 Line 8 has new instructions
- ◆ Determine MAGI WITHOUT the Unemployment



# Schedule 1 Instructions

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## ◆ Line 7

### ■ Unemployment Compensation

- ✧ You should receive a Form 1099-G showing in box 1 the total unemployment compensation paid to you in 2020. Report this amount on line 7.



# Schedule 1 Instructions

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## ◆ Line 8

1. If you are filing Form 1040 or 1040-SR, enter the total of lines 1 through 7 of Form 1040 or 1040-SR. If you are filing Form 1040-NR, enter the total of lines 1a, 1b, and lines 2 through 7.
2. Enter the amount from Schedule 1, lines 1 through 6. Don't include any amount of unemployment compensation from Schedule 1, line 7 on this line.
3. Use the line 8 instructions to determine the amount to include on Schedule 1, line 8, and enter here. Do not reduce this amount by the amount of unemployment compensation you may be able to exclude.



# Schedule 1 Instructions

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## ◆ Line 8

4. Add lines 1, 2, and 3.

5. If you are filing Form 1040 or 1040-SR, enter the amount from line 10c. If you are filing Form 1040-NR, enter the amount from line 10d.

6. Subtract line 5 from line 4. This is your modified adjusted gross income.

7. Is the amount on line 6 \$150,000 or more?

a.  Yes. Stop You can't exclude any of your employment compensation

b.  No. Go to line 8



# Schedule 1 Instructions

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## ◆ Line 8

8. Enter the amount of unemployment compensation paid to you in 2020. Don't enter more than \$10,200.
9. If married filing jointly, enter the amount of unemployment compensation paid to your spouse in 2020. Don't enter more than \$10,200. If you are filing Form 1040-NR, enter -0- .
10. Add lines 8 and 9 and enter the amount here. This is the amount of unemployment compensation excluded from your income.



# Schedule 1 Instructions

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## ◆ Line 8

11. Subtract line 10 from line 3 and enter the amount on Schedule 1, line 8. If the result is less than zero, enter it in parentheses. On the dotted line next to Schedule 1, line 8, enter "UCE" and show the amount of unemployment compensation exclusion in parentheses on the dotted line. Complete the rest of Schedule 1 and Form 1040, 1040-SR, or 1040-NR.



Attach Sch. B if required.	1	Wages, salaries, tips, etc. Attach Form(s) W-2		1	51,070
	2a	2a	Tax-exempt interest	b Taxable interest	2b 86
	3a	3a	1,035 Qualified dividends	b Ordinary dividends	3b 1,355
	4a	4a	IRA distributions	b Taxable amount	4b
	5a	5a	40,409 Pensions and annuities	b Taxable amount ROLLOVER	5b 0
Standard Deduction for -	6a	6a	Soc. sec. ben.	b Taxable amount	6b
	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>		7	1,927



**Part I Additional Income**

1	Taxable refunds, credits, or offsets of state and local income taxes	1	
2a	Alimony received	2a	
b	Date of original divorce or separation agreement (see instructions) ▶		
3	Business income or (loss). Attach Schedule C	3	
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	
6	Farm income or (loss). Attach Schedule F	6	



7	Unemployment compensation	7	27,107
8	Other income. List type and amount ▶ UCE	8	-10,200
9	Combine lines 1 through 8. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8	9	16,907



Attach Sch B if required.	1	Wages, salaries, tips, etc. Attach Form(s) W-2		1	51,070		
	2a	Tax-exempt interest	2a	b Taxable interest	2b	86	
	3a	Qualified dividends	3a	1,035	b Ordinary dividends	3b	1,355
	4a	IRA distributions	4a		b Taxable amount	4b	
	5a	Pensions and annuities	5a	40,409	b Taxable amount ROLLOVER	5b	0
Standard Deduction for - * Single or Married filing separately, \$12,400	6a	Soc. sec. ben.	6a		b Taxable amount	6b	
	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>		7	1,927		
	8	Other income from Schedule 1, line 9		8	16,907		
	9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income		9	71,345		
	10	Adjustments to income:					



Attach Sch. B if required.	1	Wages, salaries, tips, etc. Attach Form(s) W-2		1	151,546
	2a	2a	Tax-exempt interest	2b	
	3a	3a	Qualified dividends	3b	
	4a	4a	IRA distributions	4b	
	5a	5a	Pensions and annuities	5b	
Standard Deduction for -	6a	6a	Soc. sec. ben.	6b	
	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here		7	



**Part I Additional Income**

1	Taxable refunds, credits, or offsets of state and local income taxes .....	1	
2a	Alimony received .....	2a	
b	Date of original divorce or separation agreement (see instructions) ▶ .....		
3	Business income or (loss). Attach Schedule C .....	3	
4	Other gains or (losses). Attach Form 4797 .....	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E .....	5	
6	Farm income or (loss). Attach Schedule F .....	6	



<b>Part I Additional Income</b>			
1	Taxable refunds, credits, or offsets of state and local income taxes .....	1	
2a	Alimony received .....	2a	
b	Date of original divorce or separation agreement (see instructions) ▶ .....		
3	Business income or (loss). Attach Schedule C .....	3	
4	Other gains or (losses). Attach Form 4797 .....	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E .....	5	
6	Farm income or (loss). Attach Schedule F .....	6	
7	Unemployment compensation .....	7	5,520
8	Other income. List type and amount ▶ .....	8	
9	Combine lines 1 through 8. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8 .....	9	5,520



Attach Sch.B if required.	1	Wages, salaries, tips, etc. Attach Form(s) W-2		1	151,546
	2a	Tax-exempt interest	2a	b Taxable interest	2b
	3a	Qualified dividends	3a	b Ordinary dividends	3b
	4a	IRA distributions	4a	b Taxable amount	4b
	5a	Pensions and annuities	5a	b Taxable amount	5b
	6a	Soc. sec. ben.	6a	b Taxable amount	6b
Standard Deduction for— • Single or Married filing separately, \$12,400 • Married filing jointly or Qualifying widow(er), \$24,800 • Head of household, \$18,800	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>		7	
	8	Other income from Schedule 1, line 9		8	5,520
	9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income		9	157,066
	10	Adjustments to income:			
		a	From Schedule 1, line 22	10a	66
		b	Charitable contributions if you take the standard deduction. See instructions	10b	
	c	Add line 10a and 10b. These are your total adjustments to income	10c	66	
	11	Subtract line 10c from line 9. This is your adjusted gross income		11	157,000

