

IRS updates 2020 unemployment compensation exclusion FAQs

FS-2022-21, March 2022

This Fact Sheet updates the 2020 unemployment compensation exclusion frequently-asked-questions (FAQs). These updates are:

- Question 6, Topic A: Eligibility **(NEW)**
- Questions 1, 2, 4, Topic D: Amended Return (Form 1040-X)
- Question 2, Topic E: Impact to Income, Credits, and Deductions
- Question 1, 8, 9, Topic G: Receiving a Refund, Letter, or Notice
- Question 1, Topic I: Post Unemployment Compensation Exclusion Adjustment
- Question 1, Topic J: Economic Impact Payment

These FAQs are being issued to provide general information to taxpayers and tax professionals as expeditiously as possible. Accordingly, these FAQs may not address any particular taxpayer's specific facts and circumstances, and they may be updated or modified upon further review. Because these FAQs have not been published in the Internal Revenue Bulletin, they will not be relied on or used by the IRS to resolve a case. Similarly, if an FAQ turns out to be an inaccurate statement of the law as applied to a particular taxpayer's case, the law will control the taxpayer's tax liability. Nonetheless, a taxpayer who reasonably and in good faith relies on these FAQs will not be subject to a penalty that provides a reasonable cause standard for relief, including a negligence penalty or other accuracy-related penalty, to the extent that reliance results in an underpayment of tax. Any later updates or modifications to these FAQs will be dated to enable taxpayers to confirm the date on which any changes to the FAQs were made. Additionally, prior versions of these FAQs will be maintained on IRS.gov to ensure that taxpayers, who may have relied on a prior version, can locate that version if they later need to do so.

More information about [reliance is available](#). These FAQs were announced in [IR-2022-64](#).

2020 Unemployment Compensation Exclusion FAQs

Background

The American Rescue Plan Act of 2021 provides relief to individuals who received unemployment compensation in 2020. It excludes up to \$10,200 of their unemployment compensation from their gross income if their modified adjusted gross income (AGI) is less than \$150,000. In the case of married individuals filing a joint tax return, this exclusion of up to \$10,200 applies to each spouse.

For additional information about this exclusion, refer to the frequently asked questions on this page. Please do not call the IRS. IRS phone assistants don't have additional information beyond what's available on IRS.gov.

- [Topic A: Eligibility](#)
- [Topic B: Calculating the Exclusion](#)
- [Topic C: Claiming the Exclusion \(Before Filing\)](#)
- [Topic D: Amended Return \(Form 1040-X\)](#)
- [Topic E: Impact to Income, Credits, and Deductions](#)
- [Topic F: Victims of Unemployment Fraud and Identity Theft](#)
- [Topic G: Receiving a Refund, Letter, or Notice \(updated\)](#)

- [Topic H: Finding the Unemployment Compensation Amount](#)
- [Topic I: Post Unemployment Compensation Exclusion Adjustment](#)
- [Topic J: Economic Impact Payment](#)

2020 Unemployment Compensation Exclusion FAQs — Topic A: Eligibility

Q1. Am I eligible to exclude my unemployment compensation? (added April 29, 2021)

A1. It depends. You're eligible to exclude the unemployment compensation if it was received in 2020 and your modified adjusted gross income (AGI) is less than \$150,000. The modified AGI for purposes of qualifying for this exclusion is your adjusted gross income for 2020 minus the total unemployment compensation you received. This threshold stays the same for all filing statuses, regardless of whether you're married and file a joint tax return (it doesn't double to \$300,000).

To determine if you're under the \$150,000 threshold and qualify for the exclusion, subtract all of the unemployment compensation reported on Schedule 1, Line 7, from the amount of your AGI reported on Line 11 of Form 1040, 1040-SR, or 1040-NR.

If you're eligible, you should exclude up to \$10,200 of your unemployment compensation from income on your 2020 Form 1040, 1040-SR, or 1040-NR. This means up to \$10,200 of unemployment compensation is not taxable on your 2020 tax return. Unemployment compensation amounts over \$10,200 are still taxable.

If you're married, the exclusion can apply to you and a separate exclusion can apply to your spouse. If you and your spouse file a joint return and your joint modified AGI is less than \$150,000, you should exclude up to \$10,200 of your unemployment compensation and up to \$10,200 of your spouse's unemployment compensation.

If you file Form 1040-NR or file Form 1040 or 1040-SR separately from your spouse, you generally don't report your spouse's unemployment compensation on your tax return. You can't exclude any of your spouse's unemployment compensation that's not reported on your tax return, even if you claim your spouse as a dependent. You're eligible to exclude only up to \$10,200 of the unemployment compensation you received in 2020.

If your modified AGI is \$150,000 or more, you can't exclude any unemployment compensation from your income. This applies to all filing statuses.

Example: You are single and your AGI amount on Line 11 of your Form 1040 is \$170,000. The amount on Schedule 1, Line 7, is \$25,000. Subtract the \$25,000 amount from \$170,000, the result is \$145,000. Your modified AGI is \$145,000 for the purpose of determining if your modified AGI is less than \$150,000 to qualify for this exclusion.

For further assistance in calculating your modified AGI, use the Unemployment Compensation Exclusion Worksheet in the Instructions for Schedule 1 in the 2020 Form 1040 and 1040-SR instructions.

Q2. If I have an IRS Individual Taxpayer Identification Number (ITIN) instead of a Social Security Number (SSN), am I eligible for the exclusion? (added April 29, 2021)

A2: Yes. Individuals with a valid ITIN are eligible for the exclusion, the same as those with a valid SSN. Their modified AGI must be less than \$150,000 regardless of their filing status.

Q3. I'm a non-resident alien who files Form 1040-NR. Am I eligible for the exclusion? (added April 29, 2021)

A3. Yes. You should exclude up to \$10,200 of your unemployment compensation in 2020 if your modified AGI is less than \$150,000. If you're married, your spouse generally reports their unemployment compensation on their Form 1040-NR and excludes up to \$10,200 of unemployment compensation paid to your spouse on that return if their modified AGI is less than \$150,000. You can't exclude any of your spouse's unemployment compensation that's not reported on your tax return, even if you claim your spouse as a dependent.

Q4. I'm married and live in a community property state. Am I eligible for the exclusion? (updated July 7, 2021)

A4. Yes. Because you live in a community property state, if you file a **Married Filing Separately** return, you report half of your unemployment compensation and half of your spouse's unemployment compensation on your tax return and your spouse reports the other half of your unemployment compensation and half of his or her unemployment compensation on his or her tax return. You should exclude up to \$10,200 on your tax return if your modified AGI is less than \$150,000. Your spouse should exclude up to another \$10,200 on his or her tax return if your spouse's modified AGI is less than \$150,000. Neither of you should exclude more than the amount of unemployment compensation you report on your Schedule 1, Line 7.

If you file a **Married Filing Jointly** return, when completing the Unemployment Compensation Exclusion Worksheet – Schedule 1, Line 8, you should report half of your unemployment compensation and half of your spouse's unemployment compensation on line 8 of the worksheet and your spouse reports the other half of your unemployment compensation and half of his or her unemployment compensation on line 9 of the worksheet. Do not enter more than \$10,200 on either line 8 or line 9 of the worksheet. If your joint modified AGI is less than \$150,000, you and your spouse can exclude up to \$10,200 each. Do not exclude more than the amount of unemployment compensation you report on your Schedule 1, Line 7.

If you already filed your return and entered a smaller exclusion amount on Schedule 1, line 8 than you are entitled to, see [Do I need to file an amended return if I live in a community property state and did not enter the correct exclusion amount on Schedule 1, line 8?](#)

Q5. Am I eligible for the exclusion if I live in American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, Puerto Rico, or the U.S. Virgin Islands? (added June 25, 2021)

A5. Residents of U.S. territories (American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands) who receive unemployment compensation payments that are otherwise subject to U.S. income tax, may be eligible to exclude up to \$10,200 per person of unemployment compensation from U.S. income tax for 2020.

Eligible residents must have modified adjusted income of less than \$150,000 to exclude up to \$10,200 of unemployment compensation from their 2020 federal income tax return. In the case of taxpayers that are married filing jointly, the maximum exclusion would be \$10,200 for each spouse for a maximum of \$20,400. You may not exclude more than the amount of unemployment compensation you (and your spouse if filing jointly) actually received.

U.S. territory residents with questions relating to the taxation of COVID-related unemployment compensation by the territory should contact their territory tax department. More information is also available in News Release IR-2021-81, [IRS reminds U.S. territory residents about U.S. income tax rules relating to pandemic unemployment compensation](#).

Q6. I was unemployed in 2020, but payment of my unemployment compensation was delayed until 2021. Do I qualify for the unemployment compensation exclusion? (added March 23, 2022)

A6. No, the American Rescue Plan provides unemployment compensation exclusion relief only for unemployment compensation received in 2020. The exclusion does not apply to unemployment compensation that was received in 2021.

2020 Unemployment Compensation Exclusion FAQs — Topic B: Calculating the Exclusion

Q1. How much unemployment compensation do I exclude from my gross income? (added April 29, 2021)

A1. If eligible, exclude up to \$10,200 of unemployment compensation paid to you in 2020 (and up to another \$10,200 of unemployment compensation paid to your spouse if you're married and file a joint tax return). You don't have to pay tax on unemployment compensation that is excluded from your gross income.

Example 1: You're single and your modified AGI is less than \$150,000. If you received a total of \$3,500 in unemployment compensation in 2020, exclude \$3,500 in unemployment compensation from your gross income so that none of your unemployment compensation is taxable. If you received \$15,000 in unemployment compensation, exclude \$10,200 from your gross income so that only \$4,800 (that is, \$15,000 minus \$10,200) is taxable.

Example 2: You're married and file a joint return with your spouse. Your joint modified AGI is less than \$150,000. If you received \$15,000 in unemployment compensation and your spouse received \$10,000 in unemployment compensation, exclude \$10,200 of your unemployment compensation and all \$10,000 of your spouse's unemployment compensation so that only \$4,800 of your unemployment compensation is taxable.

Use the Unemployment Compensation Exclusion Worksheet in the Instructions for Schedule 1 in the 2020 Form 1040 and 1040-SR instructions to figure the amount to exclude.

If you're married and file Form 1040-NR or file Form 1040 or 1040-SR separately from your spouse, you generally don't report your spouse's unemployment compensation on your tax return. You can't exclude any of your spouse's unemployment compensation that's not reported on your tax return, even if you claim your spouse as a dependent. You're eligible only for an exclusion up to \$10,200.

Q2. What do you mean by "modified adjusted gross income (MAGI)"? (added June 25, 2021)

A2. For purposes of this exclusion, the MAGI is your adjusted gross income reported on Line 11 of Form 1040, 1040-SR or 1040-NR **minus** the full amount of unemployment compensation reported on Schedule 1, Line 7.

You can also use the Unemployment Compensation Exclusion Worksheet in the Form 1040/1040-SR instructions for Schedule 1 to figure your MAGI.

Q3. What if my unemployment compensation is more than \$10,200? (added April 29, 2021)

A3. If eligible, you should exclude only the lesser of your unemployment compensation amount reported on Schedule 1, Line 7, or \$10,200 from your gross income. Amounts over \$10,200 are still taxable. If your spouse is eligible and you file a joint return with your spouse, you should also exclude the lesser of your spouse's unemployment compensation amount reported on Schedule 1, line 7, or \$10,200 from your gross income. The \$10,200 limitation applies to each spouse individually, not jointly.

2020 Unemployment Compensation Exclusion FAQs — Topic C: Claiming the Exclusion (Before Filing)

Q1. How do I report the exclusion if I haven't filed my 2020 tax return? (added April 29, 2021)

A1. If you haven't filed your 2020 tax return and are eligible for an exclusion, report the exclusion separately (on Schedule 1, Line 8) from the full amount of your unemployment compensation that you report on Schedule 1, Line 7.

- The full amount of your unemployment compensation (and your spouse's unemployment compensation if filing a joint return with your spouse) continues to be reported on Schedule 1, Line 7.
- The amount of the unemployment compensation exclusion is reported as a negative amount (in parentheses) on Schedule 1, Line 8.
- Enter "UCE" on the dotted line to the left of your Schedule 1, Line 8, entry and show the amount of unemployment compensation exclusion in parentheses on the dotted line.

Use caution when calculating certain credits and deductions that use your AGI in the calculation. Your unemployment compensation exclusion amount should not be excluded from your AGI when doing many of those calculations.

See the updated instructions and the Unemployment Compensation Exclusion Worksheet in the Instructions for Schedule 1 in the 2020 Form 1040 and 1040-SR instructions to figure your exclusion and the amount to enter on Schedule 1, Line 8.

Alternatively, filing electronically is the easiest way to figure the correct amount as tax return preparation software and tax professionals will ask you to provide the needed information.

2020 Unemployment Compensation Exclusion FAQs — Topic D: Amended Return (Form 1040-X)

Q1. What if I already filed my 2020 tax return? Do I need to file a Form 1040-X to amend my tax return to report the exclusion? (updated March 23, 2022)

A1. Unless you're entitled to a credit or deduction you didn't claim on the 2020 tax return you already filed as described in Topic E, there's generally no need to file an amended return (Form 1040-X) to report the amount of unemployment compensation received in tax year 2020 to exclude on your 2020 tax return. The IRS began performing the corrections starting in May 2021 and continues to review tax year 2020 returns and process corrections to issue any applicable refund that is due.

If you already filed your 2020 tax return, we'll determine the correct taxable amount of unemployment compensation and tax. We'll also adjust any non-refundable or refundable credits you reported on your return that are impacted by the exclusion and issue any refund due. In addition, if you did not claim the Recovery Rebate Credit or the Earned Income Tax Credit with no qualifying children on your tax return, but you are now eligible when the special unemployment exclusion is applied for tax year 2020, you do not need to file an amended 2020 tax return. If you are now eligible, the IRS will calculate these credits for you and include them in any overpayment and any refund due.

Exception: You should not file an amended return to claim the Additional Child Tax Credit (ACTC) or Earned Income Tax Credit (EITC) if you reply to a CP08 or CP09 notice stating you may be eligible for one of these credits and you are not requesting any other changes be made to your 2020 tax return. If you received one of these notices, see FAQ [Why did I](#)

[receive an IRS CP08 notice saying I may be eligible for the Additional Child Tax Credit?](#) and FAQ [Why did I receive an IRS CP09 notice saying I may be eligible for the Earned Income Credit?](#)

Any resulting overpayment of tax will be either refunded by direct deposit or by paper check or will be applied to your other outstanding tax liabilities.

A notice confirming the change will be sent to you when your return is corrected. Keep that notice for your records in case your tax return preparer or state department of taxation requests a copy.

Q2. What if I know I'll be entitled to a credit or deduction that wasn't claimed on my tax return? Should I file an amended return? (updated March 23, 2022)

A2. It depends. If you are eligible to exclude up to \$10,200 in unemployment compensation and the exclusion makes you eligible for a credit or deduction not claimed on your original return, you should file an amended return to claim the credit or deduction. You can file this amended return electronically if the original return was filed electronically. See [Form 1040-X, Amended U.S. Individual Income Tax Return](#) for additional information.

Exceptions:

- If you are eligible to exclude up to \$10,200 in unemployment compensation, you do not need to file an amended return to claim the Recovery Rebate Credit or the Earned Income Tax Credit with no qualifying children, even if it wasn't claimed on your return. If you are now eligible for these credits when the unemployment exclusion is applied, the IRS will calculate the credit for you and include them in any applicable overpayment.
- You should not file an amended return to claim the Additional Child Tax Credit (ACTC) or Earned Income Tax Credit (EITC) if you reply to a CP08 or CP09 notice stating you may be eligible for one of these credits and you are not requesting any other changes be made to your 2020 tax return. If you received one of these notices, see FAQ [Why did I receive an IRS CP08 notice saying I may be eligible for the Additional Child Tax Credit?](#) and FAQ [Why did I receive an IRS CP09 notice saying I may be eligible for the Earned Income Credit?](#)

The IRS will adjust the credits already claimed on your return that are impacted by the exclusion.

Example: You didn't claim the EITC or ACTC for your qualifying children on your 2020 tax return because your AGI was too high. Because the unemployment compensation exclusion reduced your AGI, you're now eligible for an EITC or ACTC, but did not receive the credit after your unemployment compensation exclusion was applied. In this case, you need to either (1) reply to a CP08 or a CP09 notice if you received it or (2) file an amended return including a Schedule EIC to claim the EITC, Schedule 8812 to claim ACTC, and any other credits (other than the Recovery Rebate Credit or the Earned Income Tax Credit with no qualifying children) not claimed on your original return. If, instead, you claimed \$50 in EITC on your 2020 tax return, don't file a Form 1040-X solely to change the EITC amount. The amount of this and other credits that you claimed on the original return will automatically be adjusted by the IRS when we apply the exclusion.

Q3. I already filed an amended return (Form 1040-X) to claim the unemployment compensation exclusion, will this cause any issues or delay my refund? (added April 29, 2021)

A3. No. The IRS can identify a duplicate claim or mixed adjustment scenarios. If the Form 1040-X has changes other than unemployment compensation exclusion, only the part of the claim that was not adjusted when we applied the exclusion will be considered after we apply the exclusion. Filing a Form 1040-X won't increase the time it takes the IRS to make the automatic correction or reduce the time it takes to process your automatic correction.

Q4. Do I need to file an amended return if I live in a community property state and did not enter the correct exclusion amount on Schedule 1, line 8? (updated March 23, 2022)

A4. If you entered an exclusion amount less than what it should have been based on [FAQ I'm married and live in a community property state. Am I eligible for the exclusion?](#), you do not need to file an amended return. The IRS will recalculate your exclusion amount following this guidance and adjust your return for the difference. We will mail a notice regarding the correction within 30 days of your account being adjusted.

2020 Unemployment Compensation Exclusion FAQs — Topic E: Impact to Income, Credits, and Deductions

Q1. Will this exclusion affect how I calculate certain income and/or credits on my 2020 tax return? (added April 29, 2021)

A1. Yes. When figuring modified adjusted gross income for any of the following deductions or exclusions, include the full amount of your unemployment compensation reported on Schedule 1, Line 7, unreduced by any exclusion amount:

- Taxable Social Security Benefits (Social Security Benefits Worksheet in the Instructions for Form 1040 and 1040-SR)
- IRA Deduction (IRA Deduction Worksheet in the Instructions for Schedule 1 in the Instructions for Form 1040 and 1040-SR)
- Student Loan Interest Deduction (Student Loan Interest Deduction Worksheet in the Instructions for Schedule 1 in the Instructions for Form 1040 and 1040-SR)
- The exclusion of Interest from Series EE and I U.S. Savings Bonds issued after 1989 (Form 8815)
- The exclusion of Employer-Provided Adoption Benefits (Form 8839)
- Tuition and Fees Deduction (Form 8917)
- The deduction of up to \$25,000 for active participation in a Passive Rental Real Estate Activity (Form 8582)

See the specific form or instructions for more information.

Q2. Will the IRS automatically adjust other impacted items on my return if I claimed them originally, such as credits and deductions? (updated March 23, 2022)

A2. Yes. The IRS will recalculate any other credit or deduction that was claimed on the original return that was impacted by this automatic correction.

Example: You claimed \$50 for the Earned Income Tax Credit (EITC) on your 2020 tax return. Because the unemployment compensation exclusion reduced your AGI, you're now eligible for a \$250 EITC. We'll recalculate the credit amount and make the adjustment.

In addition, if you did not claim the Recovery Rebate Credit or the Earned Income Credit with no qualifying children on your tax return, but are now eligible when the unemployment exclusion is applied, you do not need to file an amended return. The IRS will calculate the credit(s) for you and include it in any applicable overpayment.

2020 Unemployment Compensation Exclusion FAQs — Topic F: Victims of Unemployment Fraud and Identity Theft

Q1. I received an incorrect Form 1099-G for unemployment benefits I did not receive and didn't report the fraudulent unemployment compensation income on my tax return. Will the IRS attempt to add it back then apply the exclusion? (updated June 25, 2021)

A1. No, we won't make any adjustments to correct unemployment compensation if fraudulent unemployment compensation was paid under your name and you didn't report it as income on a tax return you already filed.

You should report fraud to the state workforce agency that issued the incorrect form. For more information, please see [Identity Theft and Unemployment Benefits](#).

Q2. I received unemployment compensation but didn't claim the exclusion for up to \$10,200 on the 2020 federal income tax return I filed. If I reported to the IRS that I was a victim of identity theft, when will the exclusion adjustment be completed if I'm eligible for it? (added June 25, 2021)

A2. Identity theft is when someone uses stolen personal information to file a tax return claiming a fraudulent refund. If you reported to the IRS that you're a victim of tax-related identity theft and your case remains open, the exclusion adjustment won't be made until your identity theft issue has been resolved.

Q3. I received unemployment compensation but didn't claim the exclusion for up to \$10,200 on the 2020 federal income tax return I filed. If I suspect that my exclusion adjustment is delayed because I'm a victim of tax-related identity theft but have not reported my identity theft issues to the IRS yet, what can I do to speed up the refund from the exclusion adjustment? (added June 25, 2021)

A3. Tax-related identity theft is when someone uses stolen personal information to file a tax return claiming a fraudulent refund. If you believe you're a victim of tax-related identity theft, and haven't reported the identity theft issue to the IRS, you should notify the IRS by filing a [Form 14039, Identity Theft Affidavit](#) [PDF](#) through www.identitytheft.gov or by filing the Form 14039 by paper. You won't receive your refund from the exclusion adjustment until the identity theft issue can be resolved. For more information about identity theft, please go to our [Taxpayer Guide to Identity Theft](#).

2020 Unemployment Compensation Exclusion FAQs — Topic G: Receiving a Refund, Letter, or Notice

Q1. Will I receive a \$10,200 refund? (updated March 23, 2022)

A1. No. The American Rescue Plan Act allows eligible taxpayers to exclude up to \$10,200 (up to \$10,200 for each spouse if married filing jointly) from their gross income, which will likely lower the tax liability on their 2020 tax return. The exclusion from gross income is not a refundable tax credit. However, the exclusion could result in an overpayment (refund) of the tax paid on the amount of excluded unemployment compensation.

Q2. If the exclusion adjustment results in an overpayment (refund), how will it be issued to me? (added April 29, 2021)

A2. Any refund resulting from the exclusion adjustment will be issued to you in one of the following ways:

- If we have bank account information for you on file, we'll issue your refund by direct deposit to that bank account.
Note: If your account is no longer valid or is closed, the bank will return your refund to the IRS and a check will be mailed to the address we have on file for you.
- If we don't have any bank account information for you, then we'll mail your refund to the address we have on file for you.

Q3. Will the IRS send a letter or notice if they make changes to my unemployment compensation? (updated June 8, 2021)

A3. Yes. We will send a notice when your account is corrected for the unemployment compensation exclusion. The notice will be mailed to the address we have on file for you. Usually, a notice of adjustment is received within 30 days of when the correction is made. Please keep this notice for your records.

Q4. If the exclusion adjustment results in a refund, will the IRS use the refund to pay (offset) any unpaid debts I may have? (added April 29, 2021)

A4. Yes. Unpaid debts include past-due federal tax, state income tax, state unemployment compensation debts, child support, spousal support, or certain federal nontax debts, such as student loans. If the refund is offset to pay unpaid debts, a notice will be sent to inform you of the offset.

Q5. I didn't claim the exclusion for up to \$10,200 when I filed my 2020 federal income tax return and I owed tax shown on my return and paid it in full, but the exclusion adjustment results in a refund. Will my payment also be refunded? (added June 25, 2021)

A5. If you owed on your original return and paid the amount in full, the refund from the exclusion adjustment will take into account the additional payment you made to your account. The additional payment will be processed and any overpayment resulting from the exclusion adjustment will be refunded when your account is corrected but can be applied to other federal or state debts you owe.

Q6. What if the exclusion adjustment reduces (or increases) the amount I still owe from my original return, but I can't pay in full? (added June 25, 2021)

A6. It's highly recommended that you pay the amount you owe in full to minimize any penalties and interest. If you can't pay in full, pay as much as you can now and then apply for a short-term or long-term payment plan if you haven't done so already. Refer to [Paying Your Taxes](#) for additional information, including about the available methods to pay.

Q7. I received a notice CP 21 or 22 saying that my 2020 account was adjusted due to the exclusion adjustment. Do I need to respond or take any action? (added June 25, 2021)

A7. The notice is informing you that we changed your tax return to correct your unemployment compensation because of recent changes in tax laws, rulings, or regulations and as a result, you'll receive a refund, you'll have a reduced balance due, or neither (no refund due nor amount owed).

- **If you agree with the changes**, you don't need to respond but we recommend that you keep the notice with a copy of your tax return for your records.
- **If you disagree with the changes**, you may call the toll-free number listed on the top right corner of your notice.

If you are due a refund, allow the timeframe provided in the notice to receive it. If you owe, pay the amount you owe by the due date on the notice's payment coupon. Make payment arrangements if you can't pay the full amount you owe. Refer to [Paying Your Taxes](#) for additional information, including about the available methods to pay.

Q8. Why did I receive an IRS CP08 notice saying I may be eligible for the Additional Child Tax Credit? (updated March 23, 2022)

A8. Because we made changes to your 2020 tax account to exclude unemployment compensation, you may be eligible for the Additional Child Tax Credit. In December 2021, the IRS is sent the CP08 notice to individuals who did not claim the credit on their return but may now be eligible for it. This notice is not confirmation that you are eligible. You are not required to file an amended return to claim the Additional Child Tax Credit if you reply to the CP08 notice. See [Understanding Your CP08 Notice](#) for more information.

Q9. Why did I receive an IRS CP09 notice saying I may be eligible for the Earned Income Credit? (updated March 23, 2022)

A9. Because we made changes to your 2020 tax account to exclude up to \$10,200 of unemployment compensation, you may be eligible for the Earned Income Credit. In December 2021, the IRS sent the CP09 notice to individuals who did not claim the credit on their return but may now be eligible for it. This notice is not confirmation that you are eligible. You are not required file an amended return to claim the Earned Income Credit if you reply to the CP09 notice. See [Understanding Your CP09 Notice](#) for more information.

Q10. I'm married, do not live in a community property state and filed a joint 2020 tax return with my spouse. We received a notice stating the IRS corrected our return to allow the unemployment compensation exclusion, but we believe the exclusion amount is too much. Do we need to file an amended return or pay back all or some of the refund we received? (added January 7, 2022)

A10. The IRS moved quickly to implement the provisions of the American Recovery Plan Act (ARPA) of 2021. ARPA allows eligible taxpayers to exclude up to \$10,200 of unemployment compensation on their 2020 income tax return. For married taxpayers, separate exclusions can apply to the unemployment compensation paid to each spouse. In some cases, when Form 1099-G, Certain Government Payments, information was not available, the IRS automatically allowed an exclusion amount of up to \$20,400 for married individuals who live in a non-community property state and who filed a joint 2020 tax return when:

- The total unemployment compensation was \$10,201 or more;
- The modified adjusted gross income of the taxpayers was less than \$150,000; and
- Form 1099-G data was not available at the time when the IRS completed the correction.

If the IRS determined you qualified for the exclusion based on the criteria above and as a result you received a refund, then you are not required to pay back all or part of the refund.

There is no need to contact the IRS or to file an amended return.

If you're married and live-in community property state, refer to Q4 under Topic A: I'm married and live in a community property state. Am I eligible for the exclusion?

2020 Unemployment Compensation Exclusion FAQs — Topic H: Finding the Unemployment Compensation Amount

Q1. Where can I find the amount of my unemployment compensation? (added April 29, 2021)

A1. You should receive a Form 1099-G from your state unemployment agency showing in Box 1 the total unemployment compensation paid to you in 2020. Your state may issue separate Forms 1099-G for unemployment compensation received from the state and the additional weekly \$600 federal pandemic unemployment assistance (PUA). If you didn't receive a Form 1099-G, please visit your state's unemployment website as many states make them available online.

Include all unemployment compensation received on Schedule 1, Line 7. The exclusion amount will be reported on Schedule 1, Line 8.

Note: If the amount reported in Box 1 of your Form(s) 1099-G is incorrect, report on Line 7 only the actual amount of unemployment compensation paid to you in 2020.

Q2. Will Where's My Amended Return? track process for this or will the IRS otherwise provide information to taxpayers wishing to track their exclusion? (added April 29, 2021)

A2: No. Where's My Amended Return? and similar applications won't display information for the automatic corrections we are performing. Refer to [IRS to recalculate taxes on unemployment benefits; refunds to start in May](#) for information on when taxpayers should start receiving refunds, unless they owe other taxes. Do not call the IRS. IRS assistors don't have information beyond what's available on IRS.gov.

2020 Unemployment Compensation Exclusion FAQs — Topic I: Post Unemployment Compensation Exclusion Adjustment

Q1. If I file my 2021 tax return electronically in 2022, what amount do I enter as my prior year Adjusted Gross Income (AGI) to submit my return? Where do I find this information? (updated March 23, 2022)

A1. When you prepare your 2021 tax return and file it electronically in 2022, you must sign and validate your electronic tax return by entering your prior-year Adjusted Gross Income (AGI) or your prior-year Self-Select PIN. If using your AGI for this purpose, you'll use the AGI as originally reported on Line 11 of your 2020 Form 1040 or 1040-SR. When you file your 2021 return, **do not** use the corrected AGI even if it was adjusted because of the unemployment exclusion.

To find your original 2020 AGI amount, you can view or create your [online account](#) or access [Get Transcript](#) online or by mail.

Q2. What are other ways to get my adjusted figures if I don't have the adjustment notice? (added June 25, 2021)

A2. You can request a Record of Account transcript in one of the following ways:

- Online or by mail using [Get Transcript](#);
- Call our automated phone transcript service at [800-908-9946](#) for it be sent by mail; or
- Submit [Form 4506-T](#).

A Record of Account will show the information on the return as originally filed and the exclusion adjustment. For more information about transcripts, see [Transcript Types and Ways to Order Them](#).

Q3. Where do I find my updated return information for my FAFSA form if my income was reduced for the unemployment compensation exclusion (UCE) after filing my 2020 tax return? (added November 12, 2021)

A3. Based on information received from the U.S. Department of Education, an announcement is posted on fafsa.gov asking users to complete the FAFSA questions as instructed (including using the IRS Data Retrieval Tool, if eligible), then submit the FAFSA form. Afterward, users should contact their school's financial aid office regarding any financial changes (including unemployment compensation exclusion) that may have impacted their financial aid.

If you need updated account information and you received a notice CP21 stating your account was changed because of the unemployment compensation exclusion, you can use a combination of your tax return and the information provided in your notice.

If there were changes made to your income tax, your notice will show a "Decrease in tax" and the amount in the Summary section of the notice. If there were any changes made to the American Opportunity Tax Credit or any other credits, the change would also be reflected in the Summary section of your notice.

If you no longer have your notice or a copy of your tax return, request a Record of Account transcript, which shows information from your tax return and any changes made to your account. If you prefer to have these items shown separately, you can request a Tax Return transcript (shows return information we have on file from your tax return) and a Tax Account transcript (shows adjustments made to your account). You can request this information in one of the following ways:

- For a Record of Account Transcript, use [Get Transcript](#) Online.
- For Tax Return and Tax Account Transcripts, use [Get Transcript](#) (Online or by Mail) or call our automated phone transcript service at [800-908-9946](tel:800-908-9946).
- Submit [Form 4506-T](#) for all transcripts.

2020 Unemployment Compensation Exclusion FAQs — Topic J: Economic Impact Payment

Q1. What if I already filed my 2020 tax return and didn't qualify for the third round of Economic Impact Payment (EIP) or received less of it because of my AGI, will the payment now be sent to me if the unemployment compensation exclusion reduced my AGI and makes me eligible for the payment or for more? (updated March 23, 2022)

A1. No. Your third EIP was evaluated based on your originally filed tax return. We will not reevaluate or send more money after applying the unemployment compensation exclusion. If you didn't qualify for the payment or received less than the full amount based on your 2020 tax return, you may be eligible to claim the 2021 Recovery Rebate Credit when you file your 2021 tax return.

For additional information about the third payment, see [Third economic impact payment](#).

IRS-FAQ

General Overview of Taxpayer Reliance on Guidance Published in the Internal Revenue Bulletin and FAQs

The purpose of this Reliance Page is to confirm/explain that FAQs generally cannot be relied upon and describe authority that can be relied upon.

Guidance Published in the Internal Revenue Bulletin

The Internal Revenue Bulletin (Bulletin) is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Rulings not published in the Bulletin will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and procedures must be considered, and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

FAQs

FAQs are a valuable alternative to guidance published in the Bulletin because they allow the IRS to more quickly communicate information to the public on topics of frequent inquiry and general applicability. FAQs typically provide responses to general inquiries rather than applying the law to taxpayer-specific facts and may not reflect

Q1. What if I already filed my 2020 tax return? Do I need to file a Form 1040-X to amend my tax return to report the exclusion? (updated March 23, 2022)

A1. Unless you're entitled to a credit or deductions you didn't claim on the 2020 tax return you already filed as described in Topic E, there's generally no need to file an amended return (Form 1040-X) to report the amount of unemployment compensation received in tax year 2020 to exclude on your 2020 tax return. The IRS began performing the corrections starting in May 2021 and continues to review tax year 2020 returns and process corrections to issue any applicable refund that is due.

If you already filed your 2020 tax return, we'll determine the correct taxable amount of unemployment compensation and tax. We'll also adjust any non-refundable or refundable credits you reported on your return that are impacted by the exclusion and issue any refund due. In addition, if you did not claim the Recovery Rebate Credit or the Earned Income Tax Credit with no qualifying children on your tax return, but you are now eligible when the special unemployment exclusion is applied for tax year 2020, you do not need to file an amended 2020 tax return. If you are now eligible, the IRS will calculate these credits for you and include them in any overpayment and any refund due.

Exception: You should not file an amended return to claim the Additional Child Tax Credit (ACTC) or Earned Income Tax Credit (EITC) if you reply to a CP08 or CP09 notice stating you may be eligible for one of these credits and you are not requesting any other changes be made to your 2020 tax return. If you received one of these notices, see FAQ [Why did I receive an IRS CP08 notice saying I may be](#)

eligible for the Additional Child Tax Credit? and [FAQ Why did I receive an IRS CP09 notice saying I may be eligible for the Earned Income Credit?](#)

Any resulting overpayment of tax will be either refunded by direct deposit or by paper check or will be applied to your other outstanding tax liabilities.

A notice confirming the change will be sent to you when your return is corrected. Keep that notice for your records in case your tax return preparer or state department of taxation requests a copy.

Q2. What if I know I'll be entitled to a credit or deduction that wasn't claimed on my tax return? Should I file an amended return? (updated March 23, 2022)

A2. It depends. If you are eligible to exclude up to \$10,200 in unemployment compensation and the exclusion makes you eligible for a credit or deduction not claimed on your original return, you should file an amended return to claim the credit or deduction. You can file this amended return electronically if the original return was filed electronically. See [Form 1040-X, Amended U.S. Individual Income Tax Return](#) for additional information.

Exceptions:

- If you are eligible to exclude up to \$10,200 in unemployment compensation, you do not need to file an amended return to claim the Recovery Rebate Credit or the Earned Income Tax Credit with no qualifying children, even if it wasn't claimed on your return. If you are now eligible for these credits when the unemployment exclusion is applied, the IRS will calculate these credits for you and include them in any applicable overpayment.
- You should not file an amended return to claim the Additional Child Tax Credit (ACTC) or Earned Income Tax Credit (EITC) if you reply to a CP08 or CP09 notice stating you may be eligible for one of these credits and you are not requesting any other changes be made to your 2020 tax return. If you received one of these notices, see [FAQ Why did I receive an IRS CP08 notice saying I may be eligible for the Additional Child Tax Credit?](#) and [FAQ Why did I receive an IRS CP09 notice saying I may be eligible for the Earned Income Credit?](#)

The IRS will adjust the credits already claimed on your return that are impacted by the exclusion.

Example: You didn't claim the EITC or ACTC for your qualifying children on your 2020 tax return because your AGI was too high. Because the unemployment compensation exclusion reduced your AGI, you're now eligible for an EITC or ACTC, but did not receive the credit after your unemployment compensation exclusion was applied. In this case, you need to either (1) reply to a CP08 or a CP09 notice if you received it or (2) file an amended return including a Schedule EIC to claim the EITC, Schedule 8812 to claim ACTC, and any other credits (other than the Recovery Rebate Credit or the Earned Income Tax Credit with no qualifying children) not

claimed on your original return. If, instead, you claimed \$50 in EITC on your 2020 tax return, don't file a Form 1040-X solely to change the EITC amount. The amount of this and other credits that you claimed on the original return will automatically be adjusted by the IRS when we apply the exclusion.



Q3. I already filed an amended return (Form 1040-X) to claim the unemployment compensation exclusion, will this cause any issues or delay my refund? (added April 29, 2021)

A3. No. The IRS can identify a duplicate claim or mixed adjustment scenarios. If the Form 1040-X has changes other than unemployment compensation exclusion, only the part of the claim that was not adjusted when we applied the exclusion will be considered after we apply the exclusion. Filing a Form 1040-X won't increase the time it takes the IRS to make the automatic correction or reduce the time it takes to process your automatic correction.

Q4. Do I need to file an amended return if I live in a community property state and did not enter the correct exclusion amount on Schedule 1, line 8? (updated March 23, 2022)

A4. If you entered an exclusion amount less than what it should have been based on [FAQ I'm married and live in a community property state. Am I eligible for the exclusion?](#), you do not need to file an amended return. The IRS will recalculate your exclusion amount following this guidance and adjust your return for the difference. We will mail a notice regarding the correction within 30 days of your account being adjusted.

various special rules or exceptions that could apply in any particular case. FAQs that have not been published in the Bulletin will not be relied on, used, or cited as precedents by Service personnel in the disposition of cases. Similarly, if an FAQ turns out to be an inaccurate statement of the law as applied to a particular taxpayer's case, the law will control the taxpayer's tax liability. Only guidance that is published in the Bulletin has precedential value.

Notwithstanding the non-precedential nature of FAQs, a taxpayer's reasonable reliance on an FAQ (even one that is subsequently updated or modified) is relevant and will be considered in determining whether certain penalties apply. Taxpayers who show that they relied in good faith on an FAQ and that their reliance was reasonable based on all the facts and circumstances will not be subject to a penalty that provides a reasonable cause standard for relief, including a negligence penalty or other accuracy-related penalty, to the extent that reliance results in an underpayment of tax. See [Treas. Reg. § 1.6664-4\(b\)](#)  for more information. In addition, FAQs that are published in a Fact Sheet that is linked to an IRS news release are considered authority for purposes of the exception to accuracy-related penalties that applies when there is substantial authority for the treatment of an item on a return. See [Treas. Reg. § 1.6662-4\(d\)](#)  for more information.

Keyword: IRS-FAQ