

## IRS to Recalculate Taxes on Unemployment Benefits Refunds to start in May

According to [IR-2021-71](#), taxpayers who filed a 2020 tax return prior to the unemployment compensation exclusion resulting from the *American Rescue Plan Act* will receive refunds starting in May.

For taxpayers who already have filed and figured their tax based on the full amount of unemployment compensation, the IRS will determine the correct taxable amount of unemployment compensation and tax. Any resulting overpayment of tax will be either refunded or applied to other outstanding taxes owed.

The IRS will do these recalculations in two phases, starting with taxpayers eligible for the up to \$10,200 exclusion. The IRS will then adjust returns for those married filing jointly taxpayers who are eligible for the up to \$20,400 exclusion and others with more complex returns.

There is no need for taxpayers to file an amended return unless the calculations make the taxpayer newly eligible for additional federal credits and deductions not already included on the original tax return.

For example, the IRS can adjust returns for taxpayers who claimed the earned income credit (EIC) and, because the exclusion changed the income level, may now be eligible for an increase in the EIC amount, which may result in a larger refund. However, taxpayers would have to file an amended return if they did not originally claim the EIC or other credits but now are eligible because the exclusion changed their income.

You may want to review these taxpayers' [state tax returns](#) as well.

As for the [advance premium tax credit](#) (APTC), the IRS has not provided any [updated guidance](#) for taxpayers who already filed a 2020 tax return and reported an excess APTC repayment on Form 8962, *Premium Tax Credit*, Line 29. Other than that, they should not file an amended tax return only to get a refund of this amount.

We will continue to monitor the IRS's informational releases.