

Congress of the United States
Washington, DC 20510

January 28, 2021

The Honorable Charles Rettig
Commissioner
Internal Revenue Service
1111 Constitution Ave. NW
Washington, DC 20224

Dear Commissioner Rettig:

We write to express our concern about the potential confusion and possibility of surprise tax bills that Minnesotans may face during the upcoming tax filing season and to request information about the steps that the Internal Revenue Service (IRS) is taking to prepare for and mitigate this confusion.

In response to the ongoing coronavirus pandemic, Congress passed a variety of economic relief measures providing crucial support for small businesses, workers, and families to mitigate the economic impact of the pandemic. One of these measures provided two rounds of direct payments sent to individual tax filers with incomes below a certain threshold.

The direct payments sent out under these relief packages were determined using filers' 2018 and 2019 tax returns, which do not account for recent changes that may impact the size of the direct payment to which a person is entitled (such as whether the person's income declined in 2020 or whether the person had a new child). For this reason, many people may be eligible for a higher amount of direct payments, which they can only claim during the upcoming tax filing season if they are able to identify the exact amount they already received.¹

Additionally, millions of Americans relied on unemployment insurance (UI) this year due to the unprecedented economic impact of the pandemic. We worry that many Americans may not be aware that UI benefits are fully taxable or that opting into voluntary withholding for these benefits could have helped prevent a surprise tax bill during the upcoming filing season.

Similarly, a large percentage of Americans shifted to working remotely during 2020, with many of these people working in a different state than where their company is physically located.² Many of these workers are also unaware that they may be entitled to a refund for taxes withheld in the wrong jurisdiction or they may face new state tax liabilities in addition to the state taxes that were withheld from their paychecks in 2020. Remote workers also often fail to understand that the home-office tax deduction does not apply to full-time employers who receive a paycheck

¹Versprille, Allyson and O'Neal, Lydia. (2020, Dec 17). *Covid Relief Sets Up Nasty 'Reckoning' for Taxpayers Next Season*. Bloomberg Tax. <https://news.bloombergtax.com/daily-tax-report/covid-relief-sets-up-nasty-reckoning-for-taxpayers-next-season?context=article-related>

²Ioannou, Lori. (2020, Dec 15). *1 in 4 Americans will be working remotely in 2021, Upwork survey reveals*. <https://www.cnn.com/2020/12/15/one-in-four-americans-will-be-working-remotely-in-2021-survey.html>

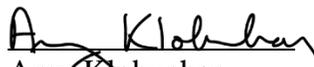
exclusively from an employer, which has the potential to create further confusion during the upcoming filing season.

We are concerned that these conditions, taken together, may result in significant confusion for Minnesotans who must file taxes for tax year 2020, especially when many filers may learn that they owe “surprise taxes” as a result of receiving unemployment insurance compensation. This is especially concerning as we continue to address the economic fallout of the pandemic and after millions of tax filers experienced serious delays in receiving their tax returns from the IRS during this past tax filing season.³ Therefore, we respectfully request your response to the following questions:

1. What steps is the IRS taking to reduce the likelihood that tax filers receive surprise tax bills and to ensure that tax filers are able to best anticipate their tax liabilities during this upcoming filing season?
2. Does the IRS anticipate that tax filers may face longer delays than usual in obtaining their tax refunds this year? If so, what steps is the IRS taking to prepare for and mitigate these delays?
3. What additional action is the IRS taking to proactively reach out to tax filers to educate them about the tax liability owed on unemployment benefits and the fact that this liability can be assessed against a filer’s receipt of the Earned Income Tax Credit?
4. Has the IRS engaged Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) volunteers, as well as community organizations and the Free File Alliance, to educate filers about the tax liability owed on unemployment insurance benefits?
5. Has the IRS already begun, or does the IRS plan to develop, an online portal to allow people to look up the exact amount they received in direct payments under the CARES Act and the Consolidated Appropriations Act?

Thank you for your time and attention to this important issue. We look forward to working with you to help mitigate confusion for all Americans during the upcoming tax filing season.

Sincerely,


Amy Klobuchar
United States Senator


Angie Craig
Member of Congress

³Backman, Maurie.(2020 Dec 6). *Waiting for your tax refund? The IRS sitting on 1 million unprocessed paper tax returns amid COVID-19.* <https://www.usatoday.com/story/money/taxes/2020/12/06/irs-unprocessed-tax-returns/115097926/>