

**2020 Economic Impact  
Payments & Unemployment  
Compensation**  
Important comments and tax planning suggestions

### Economic Impact Payments

- **Non-taxable:** The payments received are not taxable for federal or state purposes. They are considered an “advance” refund on a 2020 tax credit.
- **2020 tax return reconciliation:** The amount received was based on either your 2018 or 2019 adjusted gross income (AGI). However, the final calculation is based on your 2020 AGI. If you received LESS than you should have based on your 2020 AGI, you will receive an additional federal tax credit when filing your 2020 tax return. If you received MORE than you should have based on your 2020 AGI, you are **not** required to pay the excess back to the IRS.

*Tax Planning Tip*

*If you did not receive the full economic impact payment because your 2018/2019 AGI was too high, consider ways to reduce your 2020 AGI in order to increase the payment on your 2020 federal tax return.*

- **Erroneous payments:** The IRS has stated that taxpayers who received an economic impact payment erroneously must return the payment. However, the IRS has not released any official guidance on this subject. It is still unclear whether the IRS has the legal authority to demand repayment due to an error.
- **Notice with your economic impact payment:** The IRS should have sent a Notice 1444, Your Economic Impact Payment, to your last known address within 15 days of distributing the economic impact payment. *Please provide us a copy of this notice with your 2020 tax package. If you cannot find the notice, you will need to look up your payment amount received (if any). We cannot file your tax return without this information. If an estimate is used, please be advised that it is likely you will receive a notice with a possible requirement to pay the difference (plus potential interest).*

### Unemployment compensation

- **Taxable:** Unemployment compensation is taxable for federal purposes (not for some states, including California). You will receive form 1099-G, which needs to be provided with your 2020 tax package.
- **Maximum and underwithholding:** Some California taxpayers could have received up to \$31,200 of 2020 unemployment compensation. If federal tax withholding was requested, the rate was only 10%. This could mean you are under withheld and will owe additional tax on your 2020 federal tax return.