

Tax season for 2021 is underway; here are some IRS tax tips

The Oregon Department of Revenue began processing state income tax returns on Feb. 12. That same day, the IRS will begin processing federal returns.

Although some taxpayers have already submitted their returns, processing doesn't start until the tax season officially begins.

Returns will be processed in the order they are received. However, as in years past, the department won't be issuing personal income tax refunds until after Feb. 16. The fastest way for a taxpayer to get a refund is by e-filing. Taxpayers who e-file returns and request refunds via direct deposit receive their refund sooner, on average, than those who file paper returns and re-

quest refund checks.

A refund hold is part of the department's tax fraud prevention efforts and allows for confirmation that the amounts claimed on tax returns match what employers report on Forms W-2 and 1099.

Once we begin processing returns, filers can check Where's My Refund? to see the status of their refund.

As a result of COVID-19 stimulus payments, unemployment benefits and federal tax law changes, there may be impacts to what taxpayers file on their Oregon income tax returns.

Here are some important topics and information for Oregon personal income tax filers.

Stimulus Payments

Economic Impact Payments received during 2020 and early 2021 may impact the amount of federal tax subtraction that can be claimed on the 2020 Oregon personal income tax return.

The federal tax subtraction is based on the amount of federal tax you had to pay in the 2020 tax year.

Individuals should reduce the amount of federal tax paid in 2020 by the payments received to determine the amount of federal tax subtraction they are allowed.

The federal tax subtraction is limited to \$6,950 (or \$3,475 if married filing separately).

Unemployment Benefits

Unemployment benefits are taxable to Oregon. Funds received through the Pandemic Unemployment Assistance program are also taxable to Oregon. Unlike W-2 wages, unemployment benefits do not automatically have amounts withheld to pay taxes at the end of the year.

Individuals who did not elect to have withholding on their unemployment may see an increased tax bill.

For individuals still receiving unemployment benefits in 2021, the department urges recipients to submit Form 1040WH to the Oregon Employment Department to authorize withholding.

Oregon Withholding

The Department of Revenue has its own Form OR-W-4. Individuals should review their withholding to determine if changes are necessary for tax year 2021.

A calculator is available to help ensure withholding amounts are correct.

Business Use of Home

Oregon is automatically tied to changes made to taxable income under the Tax Cuts and Jobs Act (TCJA).

Employees who receive a paycheck or a W-2 exclusively from an employer are not eligible for the business use of home deduction, even if they are currently working from home.

Along with other chang-

es, the TCJA suspended the use of employee business expenses for employees through 2025.

Visit the IRS for more information on business use of home.

Disaster Relief (COVID-19, Wildfires, Straight-line Winds)

The Department of Revenue recognizes not all individuals will be prepared to pay their taxes in full this year. The department is offering penalty waiver relief for individuals impacted by COVID-19, wildfires, or straight-line winds. To learn more, visit Revenue's tax relief options webpage.

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