

# Legal advocates warn of tax issues related to COVID-19

Navigating the world of taxes is more complex this year for low-income Ohioans. Community Legal Aid is sharing information about the issues that can impact filers.

“There are a number of new things to consider when filing your tax returns this year,” explained Legal Aid attorney Dana Goldstein, adding that COVID-19 relief packages have tax implications.

As a result of pandemic related tax concerns, Goldstein stressed the value of having returns completed by a qualified tax professional.

“You can be fined for filing an inaccurate tax return,” she warned. “A certified preparer knows what to look for and can make sure you get the maximum refund you are entitled to receive.”

Legal Aid encourages low to moderate income Ohioans to use Volunteer Income Tax Assistance (VITA) programs. These services provide free tax preparation by certified preparers. Ohioans can find a VITA site in their area by visiting <https://irs.treasury.gov/freetaxprep/> or calling 2-1-1.

**Taxes and 2020 Economic Impact Payments**

Ohioans who did not receive the full amount of the CARES Act stimulus money, or economic impact payment, can claim the recovery rebate credit when filing their tax returns.

Goldstein added that filers may choose to claim the credit if they believe someone else, such as a former spouse, received impact payments that should've been sent to them instead. You should discuss this situation with the preparer to make sure that credits and stimulus payments are properly claimed.

### **Unemployment benefits, fraud, and taxes**

Close to two million Ohioans have filed claims for unemployment assistance since the start of the pandemic. Any benefits received through unemployment are taxable. This includes supplemental payments, such as the extra \$600 payments provided through July under the CARES Act.

“If you did not have taxes taken out of those benefits, or if the amount taken for taxes was too low, you may end up owing taxes,” shared Goldstein.

Many Ohioans received notice that they were overpaid in unemployment benefits and may need to repay those benefits.

“The problem here is two-fold,” said Goldstein. “The IRS still considers this taxable income, so you will owe taxes on any portion not repaid. But you may also qualify for tax credits as those benefits are repaid.”

Advocates are also concerned about the tax implications of a [wide-spread fraud event in unemployment claims](#), where over 760,000 Ohioans had their identities

stolen in the unemployment system.

“Since benefits are taxable, it is vital that victims of fraudulent claims report it immediately,” Goldstein said.

If you received a 1099G form from the Ohio Department of Job and Family Services for unemployment benefits you did not receive, report the error immediately by using their online portal at [www.unemploymenthelp.ohio.gov](http://www.unemploymenthelp.ohio.gov) or by calling (833) 658-0394.

These earnings should not be reported on tax returns, since they were not actually received. However, advocates are encouraging victims of the fraud to keep all documents related to the false claim, including confirmation that the fraud was reported.

### **New options for claiming the earned income tax credit (EITC)**

The earned income tax credit can boost the amount of money low-income families get back from filing their taxes each year. The amount of this credit is based on the amount of earned income for the person filing.

Congress identified the potential impact that widespread unemployment might have on EITC. Filers have the option this year to use their 2019 earned income when filing taxes this year.

### **Sidebar:**

People with modest to low incomes often qualify to have their taxes prepared for free through the Volunteer Income Tax Assistance (VITA) program. Anyone can check to see if they may qualify for this program by visiting [www.benefits.gov](http://www.benefits.gov).

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Our Employee Spotlight today is Jeff Lilly, Staff Attorney at Community Legal Aid for 15 years! Some of Jeff's hobbies include gaming, reading, cooking, and listening to music. Thank you, Jeff, for all you do for Community Legal Aid.

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