

# American Rescue Act: Unemployment Compensation Exclusion (UCE)

The American Rescue Plan Act of 2021 excludes from income the first \$10,200 in unemployment compensation received in 2020 per taxpayer on their 2020 tax return. The new provision applies to taxpayers with an AGI of less than \$150,000. The IRS has recently released a new unemployment compensation exclusion worksheet and updated instructions on how to file 2020 tax returns that contain unemployment income.

With the latest product update released on March 18<sup>th</sup>, TaxSlayer Pro Online automatically calculates the exclusion based on the AGI entered in the return and generates the Unemployment Compensation Exclusion Worksheet. The exclusion amount calculated on the worksheet flows back to Schedule 1 (Form 1040), line 8. UCE will print on the line next to line 8 identifying the amount as the unemployment compensation exclusion.

- Please note that this change can have significant impacts on your state return. Many states (the majority) have not made a determination if they will conform to the federal changes or not. We are in the process of working through the states and making any modifications needed to handle the new federal changes based on the state laws as we know them today. We STRONGLY recommend you pay close attention to the state portion of the return. If you find any issues or have any concerns please reach out to VITA/TCE support with a detailed explanation and an example return.
- Create a return tag if you choose to hold the state portion of the return to file once your state has made a decision on whether it will conform or not to the federal changes.

**Returns filed prior to the release of the Federal Update in TaxSlayer Pro will automatically re-calculate to exclude the non-taxable portion of unemployment income.** This is important – Please make sure you have a copy of the originally filed federal and state return before you open these returns. The original copy of the federal tax return and the state return will be needed to plug in the original column on the Amended federal and state forms once the IRS gives guidance on if or when an amended return needs to be filed. \*We currently have an active defect (Issue 5541) where the transmitted copy of the return on Client Status is generating the current 1040 instead. This is actively being worked by our development team.

**\*The IRS has not issued guidance on if and when these returns should be amended and emphasizes that taxpayers should not file amended returns at this time if they received unemployment benefits and have already filed their 2020 tax return.**

<https://www.irs.gov/newsroom/irs-statement-american-rescue-plan-act-of-2021>