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refunds totaling more than \$510 million to taxpayers who paid taxes on unemployment compensation excluded from income for tax year 2020.

**Isaac M. O'Bannon** • Nov. 02, 2021



The Internal Revenue Service recently sent approximately 430,000 additional tax refunds totaling more than \$510 million to taxpayers who paid taxes on unemployment compensation excluded from income for tax year 2020.

The IRS efforts to correct unemployment compensation overpayments will help most of the affected taxpayers avoid filing an amended tax return. So far, the IRS has identified over 16 million taxpayers who may be eligible for the adjustment. Some will receive refunds, while others will have the overpayment applied to taxes due or other debts.

The American Rescue Plan Act (ARPA) of 2021, enacted in March, excluded the first

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about \$1,189.

The review of returns and processing corrections is nearly complete as the IRS already reviewed the simplest returns and is now concentrating on more complex returns. The IRS plans to issue another batch of corrections before the end of the year.

Impacted taxpayers will generally receive letters from the IRS within 30 days of the adjustment, informing them of what kind of adjustment was made (refund, payment of IRS debt payment or payment offset for other authorized debts) and the amount of the adjustment.

The IRS also is making corrections for Earned Income Tax Credit, Additional Child Tax Credit, American Opportunity Credit, Premium Tax Credit and Recovery Rebate Credit amounts affected by the exclusion. Most taxpayers need not take any action and there is no need to call the IRS.

The IRS will be sending notices in November and December to individuals who did not claim the Earned Income Tax Credit or the Additional Child Tax Credit but may now be eligible for them.

These notices are not confirmation that they are eligible for these credits and will require a response from the taxpayer if eligible rather than filing an amended return. For taxpayers who become eligible for other credits and/or deductions after the exclusion is calculated but not claimed on their original return, they must file a Form 1040-X, Amended U.S. Individual Income Tax Return, to claim any new benefits.

See the [2020 Unemployment Compensation Exclusion FAQs](#) for more information, including details on filing an amended return.

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