

Financial Strategies to Get You Through the Pandemic Fact Sheet Number 3

Filing Taxes Could Get You a Cash Refund from Credits

Filing taxes could qualify you for credits that could give you a substantial refund, in addition to any money you still need to claim for the Economic Impact Payments. Even if you don't usually file your taxes, you should consider filing taxes for 2020 and 2021. Changes in the rules make many credits more valuable than ever. And if your income dropped, you may be eligible for credits that you couldn't claim before.

If you owe tax, tax credits will help pay your income taxes. If the credit is refundable and the credit is more than the tax you owe, you will get a refund for the difference. The Earned Income Tax Credit has always been refundable. For 2021, both the Child Tax Credit and the Child & Dependent Care Credit are also refundable. Filing your 2021 taxes next year could get you a very large refund.

You can claim more than one credit, as long as you are eligible for each one. For example, you might qualify for the Earned Income Tax Credit, the Child Tax Credit, and the Child & Dependent Care Credit. Read about those in the Income Taxes section at <https://karenchanfinancial.com/tools-for-managing-your-finances-during-the-covid-19-pandemic/#income>.

The deadline for filing your 2020 taxes is May 17, 2021. However, if you are getting a refund, there is no penalty for filing late.

If you could have received refunds in 2018 and 2019, you can still file to claim them. The deadline for filing and getting a refund for 2018 taxes is April 15, 2022 and April 15, 2023 for 2019 taxes. Fewer credits were refundable in 2018 and 2019, so you might not get a refund for those years even if you get one for 2020. On the other hand, there could be a lot of money at stake; it's worth checking into.