



Tax Tips



It's Tax time! This year, the USMA Legal Assistance Office will not be running a tax center (but we do recommend you visit <https://www.militaryonesource.mil/financial-legal/tax-resource-center/miltax-military-tax-services/> or use software that helps you prepare both state and federal tax returns). Although we will not be providing tax services this year, we do have a few tips and updates for Cadets and the larger West Point community.

Tips for Cadets:

- **Fourth-Class Cadets – Make sure that your parents are not claiming you on their tax return as a dependent.** Although you are a full-time student, your parents must be able to show that they provided more than half of your support for the tax year. The Army provides you with \$40,000+ dollars in support per year while you are a Cadet and it is unlikely your parents have exceeded that amount this tax year. If your parents claim you as a dependent and your tax return does not reflect this, your tax return will be rejected by the Internal Revenue Service (IRS) if you try to electronically file your tax returns. *Note: If your parents did provide over \$40,000 of support to you, like paying your private high school tuition, they may claim you as their dependent.*
- **You must report your interest income on your CIS account.** You can find your interest income on your 1099-INT located in the portal for your CIS account.
- **Check for accounts, such as custodial accounts established under the Uniform Gift to Minors Act, that may be generating additional income you must report.** If family members established savings or investment accounts for you while you were young, these accounts generate taxable income that you must report on your tax return. These types of accounts will generate a tax statement that you may be able to access online, or request by mail. If you are unsure whether this type of account was established for you, check with your parents.
- **Report *income* earned from qualified education programs under Sections 529 and 530 (and Coverdell Education Savings Accounts).** If a college fund was established for you, and there were any distributions from the plan this tax year, you will receive a Form 1099Q. You will need to determine the earnings of the plan (different from the principal invested in the plan) and report this income on your tax return. Because this income is not being used for education purposes, it will not be subject to a 10% penalty.
- **Do not claim educational credits if the only education institution you have attended this tax-year is USMA.** USMA falls under the Department of Defense

and not the Department of Education. Therefore, Cadets cannot claim the American Opportunity Credit or Lifetime Learning Credit, for books and other education-related expenses. If you attended an eligible education institution under the Department of Education this tax-year, you will receive an IRS Form 1098-T from this institution and will may claim educational credits.

- **You are eligible for the Earned Income Credit if:** you are at least 19 years old as of December 31, 2021; you made less than \$21,430 last year (earned income and adjusted gross income); your investment income was less than \$10,000; you were a U.S. citizen or resident alien all year; you have not been claimed as a dependent or be a qualifying child of another taxpayer; and you have lived in the United States more than half of the year.
- **Ensure you are filing both state and federal taxes.** Make sure to check your state's rules, and be careful in calculation of income since some states do not tax active duty military income.

Tips for all members of the West Point Community:

- **The earned income credit has been expanded this year.** You qualify if:
 - your adjusted gross income (AGI) is less than \$51,464 (\$57,414 for married filing jointly) and you have 3 a qualifying children;
 - your AGI is less than \$47,915 (\$53,865 for married filing jointly) and you have two qualifying children;
 - your AGI is less than \$42,158 (\$48,108 for married filing jointly) and you have one qualifying child; or
 - your AGI is less than \$21,430 (\$27,380) if you do not have a qualifying child.
 - See <https://apps.irs.gov/app/eitc> to use an IRS application to determine if you meet additional requirements and to maximize your credit.
- **The Child Tax Credit was expanded for 2021.** The credit was increased to \$3,000 per child for dependents ages 6-17 and \$3,600 for dependents age 5 and under. Note that taxpayers received advance payments of this credit in the latter half of 2021. You are still eligible to claim the remaining credit on your 2021 tax return but be aware that if you received too much money as an advance you may have to refund part or all of that amount. You should reconcile payments received with IRS Letter 6419 that you should have already received in the mail. *Note:* No repayment is required if your modified AGI is at or below the following: \$60,000 if married filing jointly or qualified widow or widower; \$50,000 if head of household; and \$40,000 for everyone else.

- **If you did not receive all your economic impact payments in 2021, you may be able to claim the missing payment on your 2021 tax return.** See <https://www.irs.gov/payments/your-online-account> or check IRS Letter 6475 (you should have received this in the mail) to check on amounts received for Economic Impact payments and for advanced Child Tax Credit payments.
- **The Child and Dependent Care credit increased in 2021.** At most, you could receive credit for up to 50% of qualifying expenses up to \$8,000 for one qualifying dependent and \$16,000 for two or more qualifying dependents (resulting in a maximum credit of \$4000 to \$8000, respectively). Be aware that the more you earn, the lower credit percentage you will receive for qualifying expenses.
- **The American Opportunity and Lifetime Learning credits are still available; however, the tuition fees deduction is no longer available.**
- **The Charity Deduction is available for those taking the standard deduction.** For 2021, you are allowed to take a deduction for up to \$600 in cash contributions.
- **The Earned Income Credit, Child Tax Credit, and Child and Dependent Care Credits are all refundable credits.** If the total of these credits exceed your tax, the amount will be refunded to you.

If you are counting on a swift tax refund to cover your holiday or spring break expenses, be aware that the IRS still has \$24 million in unprocessed tax returns from tax years 2020 and earlier but is *hoping* to issue tax refunds within 21 days for those who file electronic tax returns.