March 12, 2021

The Honorable Janet L. Yellen  
The Honorable Charles P. Rettig  
U.S. Department of the Treasury  
Internal Revenue Service  
1500 Pennsylvania Ave NW  
1111 Constitution Ave, NW  
Washington, DC 20220  
Washington, DC 20224

Dear Secretary Yellen and Commissioner Rettig:

We write today to urge the Department of Treasury (Treasury) and the Internal Revenue Service (IRS) to take every effort to ensure that individuals who received unemployment compensation in 2020 are able to utilize the tax exclusion that was included in the American Rescue Plan Act of 2021. Too many Americans and their families have been financially devastated by the coronavirus pandemic, especially those who have lost their jobs through no fault of their own.

The American Rescue Plan provides a federal income tax exclusion on the first $10,200 of unemployment benefits received in 2020 for households earning less than $150,000. Unemployed Americans are now facing surprise tax bills on their benefits as they struggle to keep a roof over their heads and food on the table. This exclusion could reduce the tax bills for unemployed workers by over $1,000, ensuring that these Americans can focus their unemployment benefits on caring for themselves and their families.

We recognize the challenges of implementing this change in tax law during filing season, particularly as millions of Americans have already filed their tax returns for 2020. This underscores the need for Treasury and the IRS to take every action to ensure that all eligible individuals, including those who have already filed their 2020 tax return, are aware of and able to receive this critical relief. We encourage you to determine whether it would be feasible for the IRS to automatically adjust taxable income and deliver refunds without requiring an amended tax return from eligible taxpayers who have already filed. If this is not possible, we urge you to provide clear, accessible information to ensure eligible taxpayers who have already filed for 2020 can file an amended return as quickly and easily as possible.

Treasury and the IRS should conduct a robust public awareness campaign to ensure that individuals who received unemployment benefits in 2020 are aware of this tax exclusion and understand the actions that need to be taken to receive it. This may be especially important for those who could be eligible for a larger Earned Income Tax Credit or Child Tax Credit with this exclusion, or are newly eligible for these credits.
We appreciate the efforts of Treasury and the IRS to ensure that Americans in need have been able to access federal assistance throughout the pandemic, including the quick delivery of Economic Impact Payments to our constituents. We believe it is critically important that you build on these efforts to ensure unemployment claimants are able to receive the temporary tax relief included in the American Rescue Plan. Thank you for your attention to this important matter.

Sincerely,

Richard J. Durbin
United States Senator

Cynthia Axne
United States Representative

Bernard Sanders
United States Senator

Bill Foster
United States Representative

Ron Wyden
United States Senator

Chris Pappas
United States Representative

Elizabeth Warren
United States Senator

Eleanor Holmes Norton
United States Representative
Elaine G. Luria  
United States Representative

David Trone  
United States Representative

William R. Keating  
United States Representative