Recap of Orientation

• Register at VolunteerforVITA.org

• Linklearncertification.com
  • Create a Username and Password to use when submitting test answers and printing Volunteer Agreement.
  • Practice Lab – Create another Username and Password to access TaxSlayer Practice Lab. (TRAINPROWEB)
    • Prepare practice and test problems

• Remember- We teach Process and NOT Memorization
  • Use 4012, Pub 17 and other IRS material to apply tax law
  • Tables and Interview Tips in 4012 are the basis of this process
  • Ask site coordinator or experienced volunteer

BOLDED ITEMS BELOW ARE ON TEST

Use only information on irs.gov, Pub 17, Pub 4012 or other IRS publications as resources. Do NOT use “Google”.

We do not expect you to memorize all tax law. The process we are going to teach is based on the 4012. Use your resource materials to apply the tax law fairly and accurately.

The Tables and Interview Tips in the 4012 give volunteer tax preparer a tremendous amount of a authority when applying tax law to the return. This prevents taxpayers from arguing about certain topics. By going through this step by step process with the taxpayer you can come to the correct answer together.
Recap of Orientation

Steps to becoming a VITA Volunteer

- **ALL** volunteers must complete Volunteer Standards of Conduct Test/Volunteer Agreement
- Volunteers preparing tax returns must complete the following tests on Link and Learn:
  - Intake/Interview and Quality Review
  - Basic or Advanced Certification
- Optional Certifications:
  - HSA, Foreign Student, Military, & International
- Contact Site Coordinator – Must give a signed Volunteer Agreement to your Site Coordinator before you can prepare returns.
- Start preparing tax returns within the scope of your certification level and within the scope of the VITA program.

**BOLDED ITEMS BELOW ARE ON TEST**

* Anyone involved in any capacity with VITA must take the Volunteer Standards of Conduct Test, sign Volunteer Standard of Conduct Agreement and give a copy to your site coordinator. This includes not only preparers, but screeners, receptionists and anyone else helping taxpayers at the sites.

* Volunteer can be removed for violating VSC and site can be closed if violations are severe enough.

* Volunteers should not accept payment of any kind or have a tip jar at the site.

* Refunds should only be direct deposited into TP’s account, not another persons or volunteer’s

* Volunteer should not use TP’s personal information for his/her own interest.
  - Example: Insurance salesman should not solicit business from a TP without insurance.

* Report any misconduct to site coordinator. He/she is the one responsible for handling situations and reporting them through the proper process.

More Important Notes on Second Page.
Two certification levels: Basic and Advanced. They are not dependent on each other. If you are an Advanced preparer you can take only the Advanced test.

We encourage volunteers to certify at Advanced. There are only a few additional topics at the Advanced Level and it allows sites to help more taxpayers. If you feel more comfortable, you can start with Basic and as the season progresses you can certify at Advanced.

HSA, Foreign Student, Military & International certification available online.

Scope Chart for Certification Levels – 4012, pages 5-15.
Screening and Interviewing

- Photo ID for Taxpayer and Spouse if filing Married Filing Jointly
  - Driver's License
  - Passport
  - Permanent Resident Card

*BOLDED ITEMS BELOW ARE ON TEST*

*Must see a valid photo ID for TP (and spouse if MFJ). This helps prevent identity theft*

During the screening and interview process please remember to be cordial and respectful. We have a lot of sensitive information about the taxpayer and should protect this information.
Screening and Interviewing

- Must see **Actual** Social Security Card or Social Security Statement for **EVERYONE** on the return. **(NO photocopies!!)**
- Must see ITIN letter for taxpayers unable to get a Social Security number.

**BOLDED ITEMS BELOW ARE ON TEST**

- Must see actual Social Security cards or ITIN letter/card for each person on return. Form SSA-1099 is acceptable for anyone receiving Social Security or disability.

For taxpayers who have lost their SS card, they can apply for a new one by completing Form SS-5 either online at SSA.gov or going to the Social Security office to complete the form. A new card will be mailed to taxpayer within 14 days.

**ITIN** – An Individual Taxpayer Identification Number (ITIN) is a tax processing number issued by the IN IRS to a person required to file a tax return, but not eligible to receive a SSN. This number is applied for with Form W7 when the person files their tax return.
BOLDED ITEMS BELOW ARE ON TEST

* All VITA sites are required to use the IRS Intake/Interview and Quality Review Sheet. Form 13614-C

* Taxpayers must participate in the completion of their tax return by:
  1. Completing the Intake Sheet before meeting with volunteer tax preparer.
  2. Answering any questions volunteer tax preparer has while reviewing the Intake Sheet and interviewing the TP.
  3. Participating in the quality review of the return.

NEW – If taxpayer came to your site last tax season and had an IPIN, TaxSlayer will alert you of this so you can ask them for their new number. We will still have ask new clients.

4012 Tabs B-13 and B-14 Determining Last Name of Taxpayer. Newer Social Security cards have the last name on the second line.

More Important Notes on Second Page

Married couple – May not have yet changed names with Social Security Administration.
Must use maiden name that is on SS card until they notify SS and get a new SS card with married name on it. Tax return will reject if name and SS number do not match SS database.

**Line 10** – Pay attention to this line for college and high school students. If they are dependents on their parents’ return, then they cannot take their exemption on their personal return.

**Line 11** – Need Identity Protection Pin in order to e-file. Sometimes dependents also have Identity Protection Pins.

When entering into software try and keep the same person as the TP and the other as spouse from year to year. This helps eliminate any confusion with the IRS. Many times the wife completes this form and puts her name, etc. first, but in reality the husband’s name has been entered first on the tax return in prior years. It doesn’t matter whose name is first, as long as you stay consistent from year to year.

4012 Tab B-2 and B-3 Intake Sheet (Form 13614-C)

4012 Tab B-1 Form 1040 - Shows which tab in 4012 addresses each section of Form 1040.
## Intake Sheet

### PART II – Marital Status and Household Information

#### Part II – Marital Status and Household Information

1. As of December 31, 2019, what was your marital status?  
   - [ ] Never Married  
   - [ ] Married  
   - [ ] Divorced  
   - [ ] Legally Separated  
   - [ ] Widowed  
   (This includes registered domestic partnerships, civil unions, or other formal relationships under state law)  
   a. If Yes, Did you get married in 2019?  
   - [ ] Yes  
   - [ ] No  
   b. Did you live with your spouse during any part of the last six months of 2019?  
   - [ ] Yes  
   - [ ] No  
   c. Date of final decree  
   d. Date of separate maintenance decree  
   e. Year of spouse’s death

2. List the names of **everyone** who lived with you last year (other than your spouse) who you supported but did not live with you last year. If additional space is needed check here [ ] and list on page 3.

   | Name (First, last) | Relationship to you (son, daughter, parent, spouse, etc.) | Date of Birth (DOB) | Number of months in your home last year | US Citizen? (yes/no) | Resident of U.S., Canada, or Mexico last year (yes/no) | Single or Married as of 12/31/19 (yes/no) | Full-time Student last year (yes/no) | Totally and Permanently Disabled (yes/no) | Is this person a qualifying child/wise of any other person? (yes/no) | Did this person provide more than 50% of the income? (yes/no) | Did this person provide more than 50% of the support? (yes/no) | Did this person pay more than half the cost of maintaining a home for this person? (yes/no) |
|-------------------|-----------------------------------------------------------|---------------------|----------------------------------------|----------------------|-------------------------------------------------|----------------------------------------|-------------------------------|----------------------------------|-----------------------------------------------|-----------------------------------------------|-------------------------------------------------|-------------------------------------------------|--------------------------------------------------|
| (a)               | (b)                                                       | (c)                 | (d)                                    | (e)                  | (f)                                             | (g)                                    | (h)                           | (i)                              | (j)                                            | (k)                                            | (l)                                             | (m)                                             | (n)                                              |
|                   |                                                           |                     |                                        |                      |                                                 |                                        |                               |                                  |                                  |                                               |                                                 |                                                  |                                                  |

**BOLDED ITEMS BELOW ARE ON TEST**

- **All shaded areas should be completed by volunteer tax preparer before starting the tax return.**

**Line 1 – NOT filing status, merely marital status to help preparer determine proper filing status.**

**Line 2 – NOT necessarily dependents on return.**
**Intake Sheet**

**PART III – Income**

Check appropriate box for each question in each section

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>Unsure</th>
<th>Part III – Income – Last Year, Did You (or Your Spouse) Receive</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>1. (B) Wages or Salary? (Form W-2) If yes, how many jobs did you have last year?</td>
</tr>
<tr>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>2. (A) Tip Income?</td>
</tr>
<tr>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>3. (B) Scholarships? (Forms W-2, 1099-T)</td>
</tr>
<tr>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>4. (B) Interest/Dividends from checking/savings accounts, bonds, CDs, brokerage? (Forms 1099-INT, 1099-DIV)</td>
</tr>
<tr>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>5. (B) Refund of state/local income taxes? (Form 1099-G)</td>
</tr>
<tr>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>6. (B) Alimony income or separate maintenance payments?</td>
</tr>
<tr>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>7. (A) Self-Employment income? (Form 1099-MISC, cash, virtual currency, or other property or services)</td>
</tr>
<tr>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>8. (A) Cash/check/virtual currency payments, or other property or services for any work performed not reported on Forms W-2 or 1099?</td>
</tr>
<tr>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>9. (A) Income (or loss) from the sale or exchange of Stocks, Bonds, Virtual Currency or Real Estate? (Forms 1099-S, 1099-B)</td>
</tr>
<tr>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>10. (B) Disability income? (such as payments from insurance, or workers' compensation) (Forms 1099-R, W-2)</td>
</tr>
<tr>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>11. (A) Retirement income or payments from Pensions, Annuities, and/or IRA? (Form 1098-R)</td>
</tr>
<tr>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>12. (B) Unemployment Compensation? (Form 1099G)</td>
</tr>
<tr>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>13. (B) Social Security or Railroad Retirement Beneficiaries? (Forms SSA-1099, RRB-1099)</td>
</tr>
<tr>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>14. (M) Income (or loss) from Rental Property?</td>
</tr>
<tr>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>15. (B) Other income? (gambling, lottery, prizes, awards, jury duty, virtual currency, Sch K-1, royalties, foreign income, other property or services, etc.) Specify</td>
</tr>
</tbody>
</table>

**BOLDED ITEMS BELOW ARE ON TEST**

* In all sections, discuss anything marked UNSURE with the taxpayer and then mark either YES or NO.

* Site should use this information to determine needed certification level of volunteer preparing return and gives information needed to complete an accurate return. Also helps determine if return is within scope for the VITA program.

  - (B) Basic
  - (A) Advanced
  - (M) Military
  - (HSA) Health Savings Account

* Even if only one line is marked “A” the return requires an Advanced Certified preparer.

* Ask additional questions: If they mark they have interest and dividends and give you an interest/dividend form, ask if they have any more interest or dividends.
**Intake Sheet**

**PART IV – Expenses**

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>Unsure</th>
<th>Part IV – Expenses – Last Year, Did You (or Your Spouse) Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>1. (B) Alimony or separate maintenance payments? If yes, do you have the recipient’s SSN?</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2. Contributions to a retirement account?</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3. (B) College or post secondary educational expenses for yourself, spouse or dependents? (Form 1098-T)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4. (A) Any of the following?</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5. (B) Child or dependent care expenses such as daycare?</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>6. (B) For supplies used as an eligible educator such as a teacher, teacher’s aide, counselor, etc.?</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>7. (A) Expenses related to self-employment income or any other income you received?</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>8. (B) Student loan interest? (Form 1088-E)</td>
</tr>
</tbody>
</table>

**BOLDED ITEMS BELOW ARE ON TEST**

* Discuss anything marked UNSURE with the taxpayer and then mark either YES or NO.

* Site should use this information to determine needed certification level of volunteer preparing return and gives information needed to complete an accurate return. Also helps determine if return is within scope for the VITA program.

- (B) Basic
- (A) Advanced
- (M) Military
- (HSA) Health Savings Account

• Even if only one line is marked “A” the return requires an Advanced Certified preparer.
PART V – Life Events

BOLDED ITEMS BELOW ARE ON TEST

* Discuss anything marked UNSURE with the taxpayer and then mark either YES or NO.

* Site should use this information to determine needed certification level of volunteer preparing return and gives information needed to complete an accurate return. Also helps determine if return is within scope for the VITA program.

(B) Basic
(A) Advanced
(M) Military
(HSA) Health Savings Certification

* Even if only one line is marked “A” the return requires an Advanced Certified preparer.
PART VII – Additional Information and Questions

Intake Sheet

Additional Information and Questions Related to the Preparation of Your Return

1. Presidential Election Campaign Fund [ ]

2. Direct Deposit/Purchase Savings Bonds/Split Refund [ ]

Check here if you, or your spouse if filing jointly, want $3 to go to this fund

3. If you are due a refund, would you like:
   [ ] Yes
   [ ] No

4. If you have a balance due, would you like to make a payment directly from your bank account?
   [ ] Yes
   [ ] No

5. If you live in an area that was declared a Federal disaster area?
   [ ] Yes
   [ ] No

6. Did you, or your spouse if filing jointly, receive a letter from the IRS?
   [ ] Yes
   [ ] No

Many free tax preparation sites operate by receiving grant money or other federal financial assistance. The data from the following questions may be used by these sites to apply for these grants or to support continued receipt of financial funding. Your answer will be used only for statistical purposes. These questions are optional.

7. Would you say you can read a newspaper or book in English, both understanding & speaking?
   [ ] Very well
   [ ] Well
   [ ] Not well
   [ ] Not at all

8. Do you or any member of your household have a disability?
   [ ] Yes
   [ ] No

9. Are you or your spouse a Vietnam veteran?
   [ ] Yes
   [ ] No

10. Your race?
    [ ] American Indian or Alaska Native
    [ ] Asian
    [ ] Black or African American
    [ ] Native Hawaiian or Other Pacific Islander
    [ ] White

11. Your spouse’s race?
    [ ] American Indian or Alaska Native
    [ ] Asian
    [ ] Black or African American
    [ ] Native Hawaiian or Other Pacific Islander
    [ ] White

12. Your ethnicity?
    [ ] Hispanic or Latino
    [ ] Not Hispanic or Latino

13. Your spouse’s ethnicity?
    [ ] Hispanic or Latino
    [ ] Not Hispanic or Latino

Additional comments

Privacy Act and Paperwork Reduction Act Notice

The Privacy Act of 1974 requires that when we ask for information we tell you why we are asking for it, and how it will be used. We must also tell you what would happen if we did not receive it, and whether your responses are voluntary. The information is used by the IRS to conduct its business, and may only be disclosed to the extent permitted by law. The internal Revenue Service may transfer this information to other agencies of the federal government, state, or local governments, under provisions of law. If you believe that we have not followed the privacy or disclosure rules, you should write us at the IRS Office of the Commissioner for OIC, 1111 Constitution Ave NW, Room 4524, Washington, D.C. 20224. If you have a question on making this inquiry, please call the Internal Revenue Service, Taxpayer Service Center, 1-800-829-3676, IL/TTY 1-800-829-4059. This form is not approved for use by the IRS before the date of issue. Use of this form is voluntary. Your completed form will be used to process your return. For more information about filing your return, please visit IRS.gov or call 1-800-829-1040.

CallBack Number: 985759
Form 1040
Page 114
# Consents

**Form 15000 (EN-SP)**  
**July 2012**

## Consent to Disclose Tax Return Information to VITA/TCA Tax Preparation Sites

**Federal Disclose:** Federal law requires the consent from tax preparers if tax returns are filed via the Internet. The Internal Revenue Service (IRS) will disclose all tax return information to third parties for purposes other than the preparation and filing of your tax return without your consent. If you consent to the disclosure of your tax return information, Federal law may prohibit your tax return information from further use or disclosure.

**You agree to consent to disclose your tax return information, your consent is valid for the amount of time that you specify. If you do not specify the duration of your consent, your consent will be valid for three years after the close of your tax year.**

**Terms:**
- Global Cares Forward Inc. is the provider of the VITA/TCA tax software, to make your tax return information available to ABT volunteers participating in the IRS-VITA/TCA program that uses secure web-based tax return preparation software, with your consent, the software automatically transfers all required Tax Return Information through a secure web-based system. The software returns all your information securely to Global Cares Forward Inc. The information will only be used to prepare and file your tax return with the IRS and may be accessible by specific VITA/TCA volunteers for the purpose of preparing your tax return.

**This consent is valid through November 13, 2012.**

The tax return information that will be disclosed includes, but is not limited to, demographic, financial and other personal information/services. Your tax return and your signature of income, which will equal the information provided on your tax return, your name, social security number, and other data found in your tax return. Information includes items such as income, deductions and credits that were claimed on, or contained within, your tax return. The tax return information that will be disclosed also includes the name, date of birth, and relationship of any dependents that appear on your tax return.

You do not need to provide consent for the VITA/TCA computer filing your tax return this year. Global Cares Forward Inc. will complete your tax return if you do not submit a written rejection on or before November 13, 2012.

**Limitation on the Scope of Consent:** The taxpayer must consent to the disclosure of the tax return information to a third party that they presented above. If you elect to limit the disclosure of the tax return information further than presented above, we will deny consent.

**Consent:**
- The taxpayer have read the above information.

**I hereby consent to the disclosure of the tax return information described in the Global Cares Forward Inc. computer filing software to a third party that has provided the above-mentioned services.**

**Signature:**
- Primary taxpayer printed name and signature  
- Date  
- Secondary taxpayer printed name and signature  
- Date  

If you believe your tax return information has been disclosed or used improperly, in a manner uncharacteristic of the services to which you consent, you may contact the Treasury Inspector General for Tax Administration (TIGTA) by telephone at 1-800-366-4484, or by email at comptrolal@tigta.gov.
Preparing the Return

- Almost everyone coming to a VITA site should file a tax return.

- Unless the only income a taxpayer has is Social Security, enter information into TaxSlayer to ensure they receive all the credits they are entitled to receive, a refund of overpaid tax, and pay all other taxes such as Self-employment tax.

TEST - Example: A high school student who is a dependent on his parents’ return made only $3,000 at a part time job. He also has interest income of $450. Even though his earned income is low, he has a filing requirement because his unearned income is over $350. (Similar question on test.)

Example: A Taxpayer who is age 28 may show you W2s that have no income tax withheld and the total wages are below the filing requirement for this taxpayer. Since taxpayer is over 25, he/she will probably qualify for Earned Income Credit. If you do not file the return the taxpayer will not receive this money.

4012 – Tab A

Lightly cover Tab A-1 to A-3 – Who Must File and Who Should File. Explain that most people who come to VITA MUST file a return. If unsure just enter information and let software make the tax law determination. Need to file a return to get EIC and CTC and receive a refund of overpaid tax. Also must file to pay SE tax and 10% penalty for early withdrawal from an IRA. Any taxpayer who received Health Insurance from the Marketplace and receives Form 1095A must file a return whether they had income or not.
Your site coordinator should have the browser set to open the VITA TaxSlayer Login Page.

Your site coordinator will give you a User Name and initial Password. The first time you log in, you will be asked to change your password. TaxSlayer uses multifactor identification to help ensure that only certified volunteers have access to the tax software. Please bring your cell phone with you when you volunteer in order to receive an authentication code to continue logging into TaxSlayer. From time to time you will be asked to verify your identity by retrieving a code sent to you by text or email.

Returning volunteers will be able to establish a new password, by choosing “Forgot password” and following TaxSlayer directions.
Orange Down Arrow - Bar on the left side gives you access to helpful information.

Yellow Arrow – Start a return

4012 – Tab B-6 – Starting a New Return
**Preparing A Return**

Yellow Arrow - Enter main taxpayer’s SSN.

Try to keep the main taxpayer the same from year to year.
After entering SSN a second time, one of following will happen.

1. You will have the option to carry forward information for returning taxpayers. Always use the carry forward option. This carries forward names of taxpayer, spouse and dependents, along with birthdates and SSNs. It will also carryover employer information, etc. After carry over, you will just have to review information (address, phone, employers, etc.) to make sure it is still correct and add current tax year information or delete any dependents, employers, etc. that aren’t pertinent for the current year.

2. The following screen will show for new taxpayers.
Most of the time it will be simple to determine the filing status. If a married couple comes in together, they will probably file MFJ. If you have a single parent with children that live with him/her and the parent provides more than half the cost of keeping up the home, they will file HOH. Most single people without dependents will file Single.

If you are not sure, use the Filing Status Interview Tips in your Pub 4012, Tab B-9. Or you can use the Filing Status Wizard in TaxSlayer.
**Filing Status**

Filing status impacts

- Calculation of tax
- Standard deduction
- Determines allowance or limitations of certain credits and deductions

NOTE - Marital status on last day of tax year is starting point for determining filing status.

4012 – Tab B-9

Other Resources – Pub 17 and Form 1040 Instructions
Filing Status

Five filing statuses – Listed from most beneficial to least beneficial.

- Married Filing Jointly (MFJ)
- Qualifying Widow(er) with Dependent Child (QW)
- Head of Household (HH)
  - See 4012 – Tab B-10 for Qualifying Person Rules
- Single (S)
- Married Filing Separately (MFS)

NOTE - Taxpayer may qualify for more than one filing status. Use the one that is most beneficial to the taxpayer.

4012 Tab B-9

Review Filing Status Interview Tips in Publication 4012; Tab B-6 which are used to make the determination. Also discuss Qualifying Person for H of Household in 4012 Tab B-7.

Remember a qualifying person for Head of Household must be related to you in one of the ways listed on Tab B-10. (Generally a blood relative above a cousin.)

Other Resources - Pub 17 and 1040 Instructions
# Filing Status

- Before determining Filing Status, you must first determine marital status on the last day of the year.

- **Unmarried** for entire year if on the last day of the year they are:
  - Unmarried
  - Legally separated, under a separate maintenance decree or
  - Divorced under a final decree on or before Dec. 31 of the tax year

- **Married** for the entire year if:
  - Married on the last day of the tax year, or
  - Spouse died during the year and the surviving spouse has not remarried
Filing Status

**Single** – If on the last day of the tax year they were:

- Not married
- Legally separated or divorced, or
- Widowed before the beginning of the tax year and have not remarried

Note - Single taxpayer may qualify for Head of Household or Qualifying Widow(er) with Dependent Child if they meet certain requirements. This can mean a lower tax for the taxpayer.
Filing Status

Married Filing Jointly (MFJ)

- Taxpayers who were married on last day of tax year
  - Were married and lived together as husband and wife
  - Were married and lived apart, but were not legally separated or divorced
  - Did not remarry after their spouse died during the tax year

- MFJ taxpayers report their combined income and deductions on one return.

- Married taxpayers may file MFJ even if only one had income.

- Marriage of same-sex couples – Please see Publications 17 and 501 for specific instructions.
Filing Status

Married Filing Separately (MFS)

- Taxpayers who were married on the last day of the tax year
  - Choose to file separate returns or
  - Cannot agree to file a joint return
- Taxpayers each report their own income and deductions on separate returns
- Tax rate is higher
- Cannot take certain credits
  - Child and Dependent Care expenses
  - Earned Income Credit
  - Education Credits
  - Some credits are reduced
- If one spouse itemizes deductions, the other must itemize even if they have no deductions (Unless one spouse qualifies to file Head of Household)
**Filing Status**

**Reasons for filing MFS**

- They want to keep prior outstanding debts of taxpayer separate from spouse
  - **Form 8379 – Injured Spouse** – Can still file MFJ and receive all the benefits. Many people don't realize this.

- Can be more beneficial if one of the taxpayers has large itemized deductions

- Taxpayer dies during the year and surviving spouse remarries before the end of the year
  - Surviving spouse would file MFJ with new spouse
  - Deceased spouse would then have to file MFS
Filing Status

Head of Household

- Unmarried or considered unmarried and are not a qualifying widow(er) with dependent child on the last day of the tax year and
- Paid more than half the cost of keeping up a home during the tax year, and
- Had a qualifying person living in their home for more than half the year (except for temporary absences such as school)

Must meet all three of these rules to file Head of Household.

Remember, you can only have one person in a home claiming HOH. Only one person can pay more than half the cost of keeping up the home.

NEW – Please make sure you do your due diligence when selecting this filing status. IRS will be looking more closely at this filing status going forward. Example: A single Mom with two children makes $8,000. She really should not be Head of Household. Her filing status should be single. At this income level it would be hard for her to say she pays for more than half the cost of keeping up the home, and her refund should be the same no matter whether she is Single or Head of Household.

Cost of Keeping up Home – 4012, Tab B-11
Filing Status

• **Married taxpayer considered unmarried**
  • Can claim Head of Household
    • Have lived apart from spouse during **all of the last 6 months** of tax year
    • Taxpayer must have a child who is claimed as a dependent
      • Exception – If the only reason the taxpayer is not claiming an exemption for the child is because the noncustodial parent can claim the exemption, this requirement is met
  • Taxpayer must file return separate from spouse
  • Have paid more than half the cost of keeping up their home

• **Taxpayers that maintain a home for their parent(s)**
  • Home must be the principal place of abode for the parent(s)
    • Does not have to be the same home as that of the taxpayer
    • Parent(s) must qualify as the taxpayer’s dependent(s)
Filing Status

Qualifying person for Head of Household

- A qualifying child
- A dependent parent
- A qualifying relative
  - Must have lived with the taxpayer more than half the year.
  - Must be one listed in the Volunteer Resource Guide, Tab B-10 and Tab C-6, Interview Tips Table 2: Dependency Exemption for Qualifying Relative under Step 2 only.
- A married child who can be claimed as a dependent

Generally a qualifying person is a blood relative above cousin.

**Similar question on test - Example:** An unmarried couple lives together. (John and Susan) Susan does not work outside the home and has two children from a previous relationship who lived with them all year. John pays all the cost of keeping up the home for Susan and her children. John does not have a qualifying person to file Head of Household. He must file Single with three dependents.

**Example:** Same situation as above, except the children are John’s children from a previous relationship. John can now file Head of Household because the children are qualifying persons for Head of Household.

4012, Tab B-10
Filing Status

Qualifying Widow(er) with Dependent Child

- Taxpayer’s spouse died in one of the two prior tax years
- Has one or more dependent children
- Has not remarried
- Was entitled to file a joint return with spouse in the year of death
- Furnished over half the cost of keeping up a home for himself/herself and the qualifying child
- May file MFJ with taxpayer in year of death
- Standard deduction and tax tables are the same for QW as MFJ and therefore more favorable than Head of Household

TEST - Spouse died in 2017 or 2018, and taxpayer has a dependent child and paid more than half the cost of keeping up the home, filing status would be Qualifying Widow(er).

If spouse died prior to 2017, filing status would be HOH if taxpayer has a dependent child and paid more than half the cost of keeping up the home.
Make sure to check any boxes in this section that apply. TaxSlayer software uses this information apply tax law and make accurate calculations on the tax return.

**Example:** Increase of standard deduction for taxpayers who are blind.

**Example:** High school or college student who will be a dependent on their parents’ return.

**Yellow Arrow**
- Taxpayer can be claimed as a dependent on other return
- Taxpayer was over age 18 and a full-time student
- Taxpayer is blind
- Taxpayer is deceased
- Taxpayer wishes to contribute $3 to the Presidential Election Campaign Fund
- Taxpayer was a nonresident alien for any part of the year
- Taxpayer or Spouse was affected by a natural disaster during current tax year

4012, Tabs B-12 to B-15
Personal Information

Spouse information will be required only if you choose MFJ or MFS filing status.

Yellow Arrow
- Spouse can be claimed as a dependent on another return
- Spouse was over age 18 and a full-time student
- Spouse is blind
- Spouse is deceased
- Spouse wishes to contribute $3 to Presidential Campaign Fund
- Spouse was a nonresident alien for any part of the year
If taxpayer information was carried over, check address and phone number. Make any corrections necessary.

Always get a phone number from taxpayer. If return is rejected, this is the easiest way to contact taxpayer and get the problem resolved.
Dependents or Qualifying Person(s) Information

Dependents or Qualifying Person(s)

Individuals who rely on you for support and reside in your house generally qualify for dependent tax exemptions. However, there are situations when a child’s exemption status is more complicated. The IRS has special rules for these situations.

Do you have any dependents or qualifying person(s) to claim on your return?

YES  NO

4012, Tab B-18 and Tab C
Qualifying Child Dependent

- Cannot be claimed as a dependent on another return
- Residency Test
  - U.S. citizen, U.S. resident alien, U.S. national, or a resident of Canada or Mexico
- Relationship Test
  - Son, daughter, stepchild, eligible foster child, adopted child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them. (grandchild, niece, nephew)
- Age test
  - Under age 19
  - Under age 24 at the end of the year and a full-time student
  - Any age if permanently and totally disabled
- Member of Household
  - Lived with you for more than half the year, except for temporary absences (School, business, illness)
- Support
  - Person cannot provide more than half of their own support
- Qualifying child of anyone else — Tie Breaker Rule — Can only be on one return

TEST— Must have SSN to be a Qualifying Child Dependent for Child Tax Credit

Make a determination for each person listed as a dependent. Also ask about others living in the home. Perhaps taxpayer can claim others as dependents, or the taxpayer may be a dependent themselves.

These are the dependents who will qualify for EIC and Child/Additional Child Tax Credits.

Update Form 13614C (Intake Sheet) as appropriate. Cross out anyone who does not qualify as a dependent. Use the notes section on the back of Intake Sheet to make any notes.

Use Table 1 in 4012, Tab C-3
Other Qualifying Dependents

• Rules for other dependents related to you. Son, daughter, stepchild, foster child, adopted child, grandchild, brother, sister, half brother, half sister, niece, nephew, father, mother. See 4012 for full list.
  • Person’s income must be less than $4,200 for the year.
  • The taxpayer must have provided more than half of the person’s total support for the year.

• Rules for other dependents not related to you.
  • Person must have lived with you all year. (12 full months in calendar year)
  • Person’s income must be less than $4,200 for the year.
  • The taxpayer must have provided more than half of the person’s total support for the year.

TEST - These dependents qualify for the Other Dependent Credit. Also, dependents who have an ITIN rather than a SSN.

NOTE – The person still must be a U.S. Citizen, Permanent Resident, or a resident of Canada or Mexico. They also can still only be claimed on one tax return.

Use Table 2 in 4012, Tabs C-4 and C-5.
Qualifying Child of More than One Person

• **Tie Breaker Rules**
  - See 4012 Tab C-2

• **Children of Divorced or Separated Parents or Parents Who Live Apart**
  - Custodial parent is allowed the following:
    - Head of Household filing status
    - Earned Income Credit
    - Child and Dependent Care Credit
  - Noncustodial parent
    - Child Tax Credit and Additional Child Tax Credit
    - Or Other Dependent Credit if child does not have a SSN or is over 16 yrs. old
Dependent/Qualifying Child Information

<table>
<thead>
<tr>
<th>Box</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Check if person is disabled</td>
</tr>
<tr>
<td>2</td>
<td>Check if this qualifying child is NOT YOUR DEPENDENT</td>
</tr>
<tr>
<td>3</td>
<td>Check if you wish NOT to claim this dependent for Earned Income Credit</td>
</tr>
<tr>
<td>4</td>
<td>Check if this dependent is married</td>
</tr>
</tbody>
</table>

Remember to mark any boxes that are necessary to ensure accurate tax return preparation.

**Example:** Must mark “Person was over age 18 and a full-time student at an eligible educational institution” for Earned Income Credit to be calculated. This is extremely important for parents with students in college. Education credits will calculate without marking this box, but EIC will not.

**Example:** Custodial parent would mark “Child is Not Your Dependent”. Would still get HOH filing status, EIC and Child Care Credit.

**Example:** Non-Custodial parent would mark “Wish Not to Claim Dependent for Earned Income Credit Purposes”
Yellow Arrow - Continue adding dependents or qualifying children.

Red Arrow - Delete or edit dependent information if necessary.
Income

• **Nontaxable Income**
  • Not reported on Form 1040

• **Tax-exempt Income**
  • Reported on Form 1040
  • It is not taxable for federal purposes but is used in other calculations.
  • Example: To determine amount of Social Security Benefits that are taxable.
Red Arrow - Guide Me – TaxSlayer will walk you through income section, item by item. Takes much more time to complete return, because TaxSlayer walks you through each income item even if your taxpayer doesn’t have them.

Yellow Arrow - Enter Myself – You can choose which income items to enter depending on your taxpayer’s personal situation. This way is usually faster.

Example: If you taxpayer only has W2 income and interest, you can simply enter this income and ignore other income options.

Orange Arrow - Navigate through different sections of TaxSlayer using navigation panel, or if known, enter form number and you will jump to that section of TaxSlayer.

Basic Information – Filing status, taxpayer/spouse info, address, phone number and dependent information.


Health Insurance

State Section
Summary Print
E-file
Save & Exit Return

4012, Tab D-3
Income - Basic

Form W-2

- Issued by employer
  - Not required to mail
  - Employees may have to pick up W-2
  - Some employers make W-2s available online

- Should be postmarked by Jan. 31. Contact employer if not received by the first week of February.

- **Double check** Social Security number on W-2
  - If taxpayer has a social security number and the W-2 has the wrong number, the taxpayer must get a corrected W-2 from his/her employer before completing the return.
  - If taxpayer has an ITIN, the social security number on W-2 must be entered into tax program when inputting W-2 information.

ITIN – An Individual Taxpayer Identification Number (ITIN) is a tax processing number issued by the IRS to a person required to file a tax return, but not eligible to receive a SS#. This number is applied for with Form W7 when the person files their tax return.
## Income - Basic

<table>
<thead>
<tr>
<th></th>
<th>Employee's social security number</th>
<th>CNIB No. 1345-0206</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employee identification number (EIN)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Employee's name, address, and ZIP code</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Control number</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Employee's first name and initial</td>
<td>Last name</td>
</tr>
<tr>
<td></td>
<td>State</td>
<td>Employer's state ID number</td>
</tr>
<tr>
<td></td>
<td>State wages, tips, etc.</td>
<td>State income tax</td>
</tr>
<tr>
<td></td>
<td>Local wages, tips, etc.</td>
<td>Local income tax</td>
</tr>
<tr>
<td></td>
<td>Total wages, tips, etc.</td>
<td>Total income tax</td>
</tr>
</tbody>
</table>

**Form W-2 Wage and Tax Statement**

Department of the Treasury — Internal Revenue Service

Copy 1 — For State, City, or Local Tax Department

2019
Income section is where you will go to enter taxpayer’s income.

Any income not listed on this page can be found by choosing “Other Income”. You will be directed to another page showing additional income items.

4012, Tab D-3
If a joint return, select which taxpayer the W2 belongs to.

Make sure to put in address that is on the W2 if it is different from the taxpayer’s current address.

Enter information exactly as it is on W2. If Employer ID is already in system, name, address, etc. will automatically populate.

For the sake of space in the power point we have shortened some of the input screens. When working in an actual return, please read each TaxSlayer input screen all the way to the bottom to be sure to enter all information.

4012, Tabs D-4 through D-6
Enter information exactly as it is on the W2.

Use drop downs in boxes 12 and 14 to select Codes. For example the W2 has an entry with a D for retirement contribution and another entry with DD for health insurance.

4012, Tabs D-4 through D-6
Tennessee does not have state income tax, but we prepare returns for taxpayers who have moved here from other states or live in TN and work in other states. Always enter state information if there is any on the W2. This may require preparation of a state return.

4012, Tabs D-4 through D-6
**Left Arrow** - You can continue to add as many W2s as necessary. This is also true throughout the software for other types of income, credits, etc.

**Right Arrow** – Pencil lets you edit that W2. The trash can deletes any unneeded W2s. Again, the pencil and trash can do the same thing throughout the program.

If you carried over taxpayer's information from the prior year, delete any Employers that they don’t have for current year.
Income - Basic

- **Interest Income**
  - Form 1099-INT
  - Tax Exempt Interest
  - Early Withdrawal Penalty
  - Federal Tax Withheld

**TEST** – If taxpayer marks Intake Sheet that he/she has interest income and gives you a 1099-INT, always taxpayer if he/she has any additional interest income.
### Income

#### 2019

<table>
<thead>
<tr>
<th>Income Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and Salaries Form W-2</td>
<td>$10000</td>
</tr>
<tr>
<td>Standard &amp; Local Welfare Form 1099-MISC</td>
<td>$2000</td>
</tr>
<tr>
<td>Interest and Dividends Form 1099-INT / 1099-DIV</td>
<td>$1500</td>
</tr>
<tr>
<td>IRA Pension Distributions Form 1099-R / 1099-SS</td>
<td>$500</td>
</tr>
<tr>
<td>Unemployment Compensation Form 1099-G Box 1</td>
<td>$1000</td>
</tr>
<tr>
<td>Form 1099-B</td>
<td>$3000</td>
</tr>
<tr>
<td>Profit or Loss Form 4 Business Schedule C</td>
<td>$2000</td>
</tr>
<tr>
<td>Payment Card and Third Party Network Transactions Form 1099-K</td>
<td>$500</td>
</tr>
<tr>
<td>Rents and Royalties Schedule E</td>
<td>$1500</td>
</tr>
<tr>
<td>Capital Gains and Losses Schedule D</td>
<td>$1000</td>
</tr>
<tr>
<td>Profit or Loss From Farming Schedule F</td>
<td>$500</td>
</tr>
<tr>
<td>Attorney Reimbursements</td>
<td>$0</td>
</tr>
<tr>
<td>Other Income</td>
<td>$0</td>
</tr>
</tbody>
</table>

**Total Income: $49,450**
Interest and Dividend Income

Did you have interest in a foreign bank account?

Exclusion of Interest from Series EE & I US Savings Bonds
Mark appropriate box for interest or dividends.
Enter information from 1099-INT.
If you scroll down the page in the software, there are other boxes to make entries from Form 1099 INT. At VITA sites these other boxes rarely have anything in them.
Continue to add additional interest or dividend income.
Income - Basic

- Dividend Income
  - Form 1099-DIV
  - Ordinary Dividends, Qualified Dividends, Capital Gains Distributions
  - Federal Tax Withheld
Enter information from 1099-DIV or consolidated statement some brokerage firms issue.

There are more boxes than this in the software. Please remember to scroll down and enter all information from Form 1099DIV.

4012, Tab D-11
**Income - Basic**

- IRA/PENSION Distributions
  - Pension Income – Advanced if Simplified Method Used
    - Form 1099R
    - Information in Box 7 determines if it is an IRA or Pension
    - Box 7 Codes
      - Ask for help if Code is anything other than a 7

**TEST** – Code 1 in Box 7 means taxpayer is under 59 ½ and will have to pay a 10% early distribution penalty unless there is an exception they qualify for. Higher Education, medical expenses, etc.

**REMEMBER** – If taxpayer is under retirement age and Box 7 has a code 3, they will be eligible count this income as Earned Income in order to claim the Earned Income Credit. You will need to mark this as disability income in the software.

Box 7 Codes in 4012, Tabs D-37 and D-38.
<table>
<thead>
<tr>
<th>Income</th>
<th>2019</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and Salaries Form W-2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State and Local Refunds Form 1099-G Box 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and Dividends Form 1099-BT / 1099-B</td>
<td>Print</td>
<td></td>
</tr>
<tr>
<td>IRA/Pension Distributions Form 1099-R / RB12SA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment Compensation Form 1099-G Box 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Form 1099-Misc</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit or Loss From A Business Schedule C</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment Card and Third Party Network Transactions Form 1099-K</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rents and Royalties Schedule E</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Gain and Losses Schedule D</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit or Loss From Farming Schedule F</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alimony Received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Income</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1st selection if for 1099Rs.

2nd selection for RRB 1099R. This is for Railroad Retirement benefits. We don’t see this much. Refer to 4012, Tab D-40 if your taxpayer has this form. Railroad Retirement 1099R consists of two parts. Form RRB 1099R Tier 2 is Green and is entered on the RRB 1099R section. (Blue section is discussed below.)

3rd Section is for entering Social Security Benefit information (SSA-1099) and RRB 1099R Tier 1 (Blue section.)

4012, Tabs D-30 through D-42
Enter 1099R information.

4012, Tabs D-31 through D-33
Box 7 – If there is anything besides a Code 7 in this box, please ask your site coordinator or experienced volunteer how this might impact the return.

Yellow Arrow

Rollovers – 4012, Tab D-35 If there is a Code G in Box 7 and this is a rollover, remember to mark this box as such.

Disability Income – 4012, Tab D-35 If the taxpayer is under full retirement age and Box 7 of Form 1099R has a Code “3”, remember to mark this box. The income will be reported as wages and will be eligible to use when calculating the Earned Income Credit.

Box 7 Distribution Codes – 4012, Tab D-37

Remember to enter any State/Local information.
Income - Advanced

IRA/Pension Income
- Simplified Method
  - The Simplified Method is used to calculate the tax-free portion of each pension or annuity payment. The Simplified Method Worksheet calculates the taxpayer's cost basis for each monthly payment. The number of monthly payments is based on the taxpayer's age (and the spouse's age if a joint/survivor annuity is selected by the taxpayer) on the annuity start date.

Note: When determining taxpayer (or spouse) age, please pay attention as to whether the birthday is before or after annuity start date.

TEST – Example: Jim and Mary are filing a joint return. Jim contributed after tax dollars to his retirement while working. Therefore, he does not want to pay taxes on this money again. Jim chose a joint annuity. He retired April 1, of the current tax year. Jim’s date of birth is 2/12/1951. Mary’s date of birth is 11/15/1953. On April 1 when Jim took his first pension check he would have been 68 and Mary would have been 65. The combined age to use in TaxSlayer would be 133. Caution: Be careful when it is a joint annuity and one person’s birthday is after the annuity start date.

4012 – Tabs D-33 through D-43

4012 – Tab D-36– Simplified Method

4012 – Tab D-38 - Need the following to use the Simplified Method
  - Employee’s contributions
  - Check Box indicating retiree’s age or age of taxpayer and spouse if it is a joint annuity
  - Number of months received in current tax year
  - Amount that could have been recovered tax free in prior years even if not claimed
<table>
<thead>
<tr>
<th>2016</th>
</tr>
</thead>
</table>

**Form 1099-R**

- [ ] Check here if this is a standard 1099-R.
- [ ] Check here if this is a substitute 1094-A.

<table>
<thead>
<tr>
<th>Income</th>
<th>$4012</th>
</tr>
</thead>
</table>

**Who is 1099-R for?**

- [ ] John Doe
- [ ] Jane Smith

**Payment Information**

- [ ] John Doe
- [ ] Jane Smith

**Other Information**

- [ ] Enter details to disburse

---

<table>
<thead>
<tr>
<th>1099-R Information</th>
</tr>
</thead>
</table>

- [ ] Federal Income Tax
- [ ] State Income Tax
- [ ] Local Income Tax

---

4012 - Tab D
4012 - Tab D
Income - Advanced

- IRA/Pension Income continued….

  - **1099R – Rollover or Disability**
    - Rollover amounts must be entered in the Rollover section of TaxSlayer even if Code G is listed in Box 7. TaxSlayer does not automatically handle codes in Box 7.
    - **Box 7, Code 3** - Remember if taxpayer is disabled and under minimum retirement age, this can be considered earned income and possibly allow taxpayer to get EIC.

  - **1099R – Roth IRA**

  - **1099R – Nontaxable Income**
    - Qualified Charitable Distributions, Qualified Health Savings Account Funding, Certain Premiums paid by eligible retired public safety officer.

  - **Form 5329 – Exceptions for reducing additional tax on premature distributions**
    - 4012 – Tab H-4

- 4012 – Tab D-37 – Rollovers and Disability under minimum retirement age.

- 4012 – Tab D-36 – Roth IRA

- 4012 – Tab D-43 – Nontaxable Income

- 4012 – Tabs D-42 and D-43 – Box 7 Distribution Codes

- 4012 – Tabs H-2 and H-3 – Form 5329 – Exceptions for reducing additional tax on premature distributions.
Income - Advanced

- IRA/Pension Income continued…
  - Railroad Retirement – Blue & Green Forms
    - Blue is equivalent to Social Security and Green is equivalent to 1099R
    - 4012 – Tab D42 & 43
  - Social Security Lump Sum Distributions – Form SSA 1099
    - Need information from prior year(s) tax return.
    - 4012 – Tab D-44

4012 – Tab D-42 & 43 – Railroad Retirement Benefits 1099R Distributions

We don’t see this much. Refer to 4012, Tab D if your taxpayer has this form. Railroad Retirement 1099R consists of two parts. Form RRB 1099R Tier 2 is Green and is entered on the RRB 1099R section.

RRB 1099R Tier 1 (Blue section.) is entered in the Social Security Section of TaxSlayer.

4012 – Tabs D-44 – Social Security Lump Sum Distributions
**Income - Basic**

**Social Security Benefits**

- SSA-1099
- Use Box 5 amount (pink box)
- Medicare premiums paid
- Federal tax withheld
- Lump Sum Benefit payments

**TEST** – Depending on taxpayer’s other income, some social security may be included in gross income. No more than 85% of SS can be taxed. Enter information from SSA-1099 into software and TaxSlayer will make the proper calculation.

Lump Sum Benefit Payments – If there are amounts in the lower left paid for prior years, we may be able to decrease the amount of taxable Social Security Benefits. Please ask your site coordinator to help you.

4012, Tabs D-43
Use “Begin Worksheet” to use the Lump Sum Election if payments for any year other than current year are listed on SSA-1099. 4012, Tab D-44
Income - Basic

- Unemployment Income
  - 1099-G
  - Federal Tax Withheld

Note – If state tax is withheld taxpayer may need to file a tax return for that state.
## Income

### 2019

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and Salaries Form W-2</td>
<td>$87,720</td>
</tr>
<tr>
<td>Earned and Local Refunds Form 1099-G Box 2</td>
<td>$655</td>
</tr>
<tr>
<td>Interest and Dividends Form 1099-D / 1099-INT</td>
<td>$15</td>
</tr>
<tr>
<td>IRA/ Pension Contributions Form 1099-R / 1099-SSA</td>
<td>$7</td>
</tr>
<tr>
<td>Unemployment Compensation Form 1099-G Box 1</td>
<td>$10</td>
</tr>
<tr>
<td>Form 1099-Misc</td>
<td>$105</td>
</tr>
<tr>
<td>Profit or Loss Form A Business Schedule C</td>
<td>$100</td>
</tr>
<tr>
<td>Payment Card and Third Party Network Transactions Form 1099-K</td>
<td>$100</td>
</tr>
<tr>
<td>Rents and Royalties Schedule E</td>
<td>$100</td>
</tr>
<tr>
<td>Capital Gain and Losses Schedule D</td>
<td>$100</td>
</tr>
<tr>
<td>Profit or Loss from Farming Schedule F</td>
<td>$100</td>
</tr>
<tr>
<td>Attorney Reimbursement</td>
<td>$100</td>
</tr>
<tr>
<td>Other Income</td>
<td>$100</td>
</tr>
</tbody>
</table>
Enter information from 1099G for unemployment.
Choose whether the unemployment income is for taxpayer or spouse when preparing a joint return.
Income - Advanced

Due Diligence when preparing Schedule C Returns

- Ask sufficient questions of taxpayers claiming self-employment income to be satisfied that:
  - The taxpayer actually conducts a business
  - The taxpayer has records to support income and expenses, or can reasonably reconstruct income and expenses records
  - All income and related expenses have been included on the taxpayer’s Schedule C

- Emphasize to taxpayers that in the event of an IRS audit, they would need to provide receipts to support their figures.
Income - Advanced

What Schedule C situations raise a “red flag”? 

- As a volunteer preparing a tax return with Schedule C, watch for examples of incorrect, incomplete, or inconsistent information, such as:
  - Schedule C income in round numbers
  - Schedule C cash businesses as the only income on a return claiming EIC
  - Schedule C with little or no expenses when expenses would be expected
  - Schedule C taxpayers with little or no records for income and expenses
  - Any Schedule C income that brings the taxpayer to the maximum EIC
  - Schedule C without a Form 1099 Misc.

Taken from Page 10-6 of Publication 4491
**Income - Advanced**

- **Business Income**
  - **Schedule C, Profit or Loss From Business**
    - Expenses must be less than $25,000
    - Must use cash method of accounting
    - Cannot have inventory
    - Cannot not have a loss
    - Business has no employees, depreciation, or business use of home
    - Not required to issue 1099 Misc.
    - Do not have prior year disallowed passive activity losses from this business
    - Can have more than one Schedule C if taxpayer has more than one type of business

4012- Tabs D-14 through D-20

If taxpayer works for both Uber and Lyft, this income/expenses would be added together and entered on one Schedule C. If the taxpayer has a different type of business then another Schedule C would be needed for that income/expenses.

After all information is entered, TaxSlayer will determine whether information should be reported on a Schedule C or C-EZ.
Income - Advanced

- Business Expenses
  - Amounts that are ordinary and necessary to carry on the business
  - Amount actually paid during the year
  - Use only the portion that is attributable to the business
    - Advertising
    - Commissions and fees
    - Insurance
    - Interest
    - Legal and professional services
    - Office expense
    - Rent or lease expenses
    - Allowable percentage of business meals and entertainment
    - Utilities
    - Car and truck expenses

TEST – Uber/Lyft drivers can deduct:
- Ride Share Fees
- Airport Fees
- Safe Driver Fees
- GPS Device Fees
- Bottled Water for Clients
- Auto Deodorizers

4012- Tabs D-13 through D-19

Calculate business expense based on percent of time used for business.

Example: Uber/Lyft drivers may need their phone for business, but they probably use it for personal also. Determine what percentage of the time they use for business and take that percentage of bill.

For earned income credit and self-employment tax purposes, the taxpayer must include all allowable deductions in computing net earnings.
Income - Advanced

• Business Expenses continued…
  • Car and truck expenses
    • Must use standard mileage rate at VITA sites. 58 cents per mile for 2019
    • Business miles do not include commuting miles between home and the business location or between the business location and the lunch place.
    • Business miles do include travel between home and a temporary workplace when the taxpayer has one or more regular places of work.
    • If taxpayer has no regular place of employment, only the travel from one temporary place to another is counted.
  
• Self-employment tax
  • Must pay on net earnings of $400 or more
  • Software calculates Self-employment tax and ½ Self-employment tax adjustment

Cannot use actual car expenses because they include depreciation and the calculation of depreciation is outside the scope of the VITA program.
## Income - Advanced

### Qualified Business Income Deduction

- 20% deduction of net income on Schedule C
  - Limited to lesser of 20% of Schedule C net income or taxable income before Capital Gains and Qualified Dividends

- Software calculates this deduction

- Taxpayer will still pay self-employment tax on net income before this deduction.

### Self-Employed Health Insurance Deduction

- Is an Adjustment to Income

- There are limits to how much you can deduct – Software will calculate after entry of insurance premiums in software.
Income - Advanced

Business Income – Schedule C
Must report amounts in Box 7 of 1099 Misc., All cash income, and income reported to taxpayer on Form 1099K.

4012- Tabs D-14 through D-20

Include all cash income, 1099 Misc., box 7 income and 1099K income on Schedule C.

1099 Misc. forms do not have to be entered individually into TaxSlayer. They do not go with an e-filed return like W-2s do. You can simply total them up for each business the taxpayer has and add to cash income and 1099K income, then enter directly on Schedule C as income.

If taxpayer made less than $600, they may not receive a 1099 Misc., but they must still report this income.

Explain that many employees are misclassified as self-employed and given a 1099-MISC instead of a W-2. This can cause them to owe at tax time due to the fact that they will have to pay not only income tax, but also self-employment tax on these earnings.

Amounts in Box 3 can usually be put on Line 21 Other Income. They are usually prizes or awards. Talk to the taxpayer to make sure this income is not self-employment income.

Schedule C instructions.
Income - Advanced

Business Income – Schedule C

- Form 1099K
You have the option of entering information from each 1099 Misc. and 1099K and linking it to the proper Schedule C where you will then add cash income. **OR** you can simply add all cash, 1099 Misc. and 1099 K together for each business and putting the total on Schedule C. Copies of Forms 1099 Misc. and 1099 K are not transmitted with e-filed returns like copies of W2s are. Therefore you can simply add all 1099 Misc., 1099 K and cash income for each business and enter directly on Schedule C.
Select whether Schedule C is for taxpayer or spouse, if MFJ.

You don’t need to complete top part unless taxpayer has a separate business name. (Do NOT put information from 1099 Misc. in this section.)

Use drop down to select IRS business code.
Schedule C

- Basic Information About Your Business
- Questions About the Operation of Your Business
- Income
- Cost of Goods Sold
- General Expenses
- Car and Truck Expenses
- Depreciation
- Other Expenses
- Qualified Business Income Deduction
- Expenses for Business Use of Your Home
- Restart Schedule C Guide

CONTINUE
**Yellow Arrow** - If you add cash, 1099 Misc. and 1099Ks together, put total in top box.

**Red Arrow** – You can choose to list each source of income separately. The total will be carried to Gross Receipts. A list of all income sources will print with the return.
## Income

### Schedule C

<table>
<thead>
<tr>
<th>Section</th>
<th>Next</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Information About Your Business</td>
<td>NEXT</td>
</tr>
<tr>
<td>Questions About the Operation of Your Business</td>
<td>NEXT</td>
</tr>
<tr>
<td>Income</td>
<td>NEXT</td>
</tr>
<tr>
<td>Cost of Goods Sold</td>
<td>NEXT</td>
</tr>
<tr>
<td>General Expenses</td>
<td>NEXT</td>
</tr>
<tr>
<td>Car And Truck Expenses</td>
<td>NEXT</td>
</tr>
<tr>
<td>Depreciation</td>
<td>NEXT</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>NEXT</td>
</tr>
<tr>
<td>Qualified Business Income Deduction</td>
<td>NEXT</td>
</tr>
<tr>
<td>Expenses for Business Use of Your Home</td>
<td>NEXT</td>
</tr>
<tr>
<td>Restart Schedule C-1:2</td>
<td>NEXT</td>
</tr>
</tbody>
</table>

CONTINUE
You can put total of each expense in the box or you can list separately (yellow arrow) and the total will carry to the appropriate expense line. Also, a summary of expenses will print with return for taxpayer’s records.
You can use the “Other Expenses” option for any expenses not listed here.
TEST - Remember: You cannot count commuting miles.

For Uber/Lyft - Miles from home to first ride are not deductible. Miles from last ride to home are not deductible.

Example: Taxpayer cleans houses. The miles from her home to first house cannot be counted as business mileage. The miles from her last house for the day to home cannot be counted as business mileage. Only the miles between homes on the same day are business miles.
It is a good idea to list Other expenses separately. This will give taxpayer a printed list of what was included in other expenses. Suggest using this for all the different Uber/Lyft fees.
A schedule C is needed for each **different** kind of business. If taxpayer drives for both Uber and Lyft the total income/expenses from Uber and Lyft would be put on the same Schedule C. If taxpayer had a different type of business this income/expenses would need to be put on another Schedule C.

**Example:** Taxpayer is an Uber driver and also installs floorcoverings. He will have two Schedule Cs. One for each business since they are different types of businesses.

**Example:** If taxpayer drives for both Uber and Lyft, he will only have one Schedule C since these are the same type of business.
Income

- Royalty Income
  - Reported on schedule E

- Rental Income
  - Out of Scope unless volunteer has military certification.
Choose Royalties from drop down box.

If taxpayer gets a 1099Misc. for oil Royalties and taxes are paid/withheld, you can enter the 1099 Misc. information and link to Schedule E. This will help with preparation of the non-resident state tax returns they will need to file.
Income - Advanced

• Capital Gains and Losses
  • Basis or Adjusted Basis
    • Basis is the original cost of the asset
    • Adjusted Basis includes the original cost plus any increases or decreases to that cost
      • Commissions, fees, deductible casualty losses, insurance reimbursements, major improvements
    • Property received as a gift – adjusted basis of the donor
    • Inherited Property – FMV of property on the date of the decedent’s death
      • Inherited Property is always long-term
    • 1099B will tell whether basis is reported to IRS. Mark appropriate box in software.

Capital gains distributions are reported on Form 1099-DIV. If there are no capital gains or losses from the sale of property, Schedule D is not needed.

A taxpayer cannot take net losses of more than $3,000 ($1,500 for MFS) in a single year. Unused losses can be carried over to later years until they are completely used up.

Mutual Funds Basis
  May use cost basis or average cost basis

Stock Basis
  Specific lots – Must tell broker before sale which lots to sell
  FIFO – First In First Out – If lots are not specified before sale, this method is used to determine basis in stock sold.

If Basis cannot be determined, IRS will deem it to be zero.

4012 – Tabs D-22 through D-31
### Income - Advanced

- **Capital Gains and Losses continued…**
  - Holding Period
    - Short Term
      - Held one year or less
    - Long Term
      - Held more than one year
      - Long-term gains are taxed at a lower rate than short-term gains
      - Inherited Property is always long term
4012, Tabs D-22 through D-31
You will need to choose from the drop down below “Sales Price” whether basis is reported to IRS, not reported to IRS, or taxpayer is calculating his own basis.
See 4012, Tabs D-26 and D-27 for explanation of adjustment codes.
Add additional capital gain/loss transactions if necessary.
Income - Advanced

Capital Gains and Losses - Sale of Personal Residence

- Who Must report the sale of a home?
  - Generally, if you made a profit on the sale of your home of $250,000 or less for single tax filers or $500,000 or less for married filing joint filers, you do not have to report this sale if:
    - During the 5-year period ending on the date you sold your home, you owned it for 2 years or more and lived in it as your main home for 2 years or more.
    - You haven’t excluded gain on the sale of another main home during the 2-year period ending on the date of the sale of your home.
  - If Form 1099-S is received
    - Loss on personal residence is never allowed – Report and make adjustment
    - Gain – Report and claim the above exclusion to reduce gain.

Required two years of ownership/use do not have to be continuous. Owned and lived in the property as their main home for two years during the five-year period ending on the date of the sale. Short, temporary absences are counted as periods of use even if the property is rented during those absences.

4012 – Tab D-28

Improvements that can increase the basis of the home:
  - Adding a room
  - Installing a fence
  - Putting on a new roof

Repairs that maintain the home in good condition are not considered improvements and should not be added to the basis of the property. (painting, new carpets)

1099-S - Gross proceeds from real estate transactions. If gain is less than $250,000 for a single tax filer or $500,000 for MFJ on your main home, you do not usually have to report the sale of your main home unless you receive for 1099-S. You can then exclude the gain from taxation. Even though a loss on your main home is never deductible, you must report
it if Form 1099-S is received and then give it the proper code so the loss is removed.

Proceeds from the sale of a main home that meets the ownership and use test must be reported only if the gain is greater than the taxpayer’s allowed exclusion; only the excess over this exclusion must be reported.

Gain from the sale of a home that is not the taxpayer’s main home will be reported as income.

4012 – Tabs D-26 and D-27 – Codes used to Adjust Basis, exclude capital gain, or disallow loss.
**Income - Basic**

**Taxable State Refunds** – Don’t see this much in TN.

Generally if the taxpayer received a state refund for the prior year **and** they itemized deductions in the prior year, then some of the state refund may be taxable in the current year.

If they took the standard deduction in the prior year, then none of the state refund is taxable.

**Alimony Received**

- Taxable – Divorce executed on or before Dec. 31, 2018
- Not Taxable – Divorce executed after Dec. 31, 2018

---

4012, Tab D-13 – State and Local Refund Worksheet

For divorces after December 31, 2018 alimony will not be taxed.
<table>
<thead>
<tr>
<th>Income</th>
<th>Help &amp; Support</th>
<th>View Training</th>
<th>Logo</th>
</tr>
</thead>
</table>

### Income

- **Wages and Salaries Form W-2**
- **State and Local Refunds Form 1099-G Box 2**
- **Interest and Dividends Form 1099-INT / 1099-DIV**
- **IRAs/Pensions Distributions Form 1099-R / PMT SSA**
- **Unemployment Compensation Form 1099-G Box 1**
- **Form 1099-Misc**
- **Profit or Loss from A Business Schedule C**
- **Payment Card and Third Party Network Transactions Form 1099-K**
- **Rents and Royalties Schedule E**
- **Capital Gain and Losses Schedule D**
- **Profit or Loss from Farming Schedule F**
- **Alimony Received**
- **Other Income**
If taxpayer has any of these types of income, select “Begin” associated with that income.
Income - Basic

- Other Income
  - Gambling Winnings
  - Form W-2G

Form W-2G
Certain Gambling Winnings

For Privacy Act and Paperwork Reduction Notice, see the 2019 General Instructions for Certain Information Returns.

Under penalties of perjury, I declare that to the best of my knowledge and belief, the name, address, and taxpayer identification number that I have furnished are correct and that I am not required to file an information return with respect to the income reported on this form.

Signature Date

Do Not Cut or Separate Forms on This Page - Do Not Cut or Separate Forms on This Page
Other Income

2019

Less Common Income

- Other Income Not Reported Elsewhere
- Gambling Winnings Form W-2G
- Other Compensation
- Payments from Qualified Education Programs Form 1099-Q
- Cancellation of Debt Form 982, Form 462
- Net Operating Loss (NOL) Carryover from Prior Year(s)
- Installment Sale Income Form 4797
- Sale of Business Property Form 4797
- K-1 Carnings
- Gains and Losses Section 1231 Form 6251
- Foreign Earned Income Exclusion Form 2555
- Farm Rental Income and Expenses Form 4835

CONTINUE
Other Income

W-2G Gambling Winning

Payee Information

☐ Check here if this is a standard W-2G.
This W-2G issued to: *
☐ John Smith
☐ Jane Smith
Payee's Address *
Address (Number and Street) *
123 Main Street
Zip Code *
55557
City, Town or Post Office *
Nashville
State *
Tennessee
# Other Income

## Payer Information

- **Payer's ID Number**: 
  - [ ]
- **Payer's Name**: 
  - [ ]
- **Payer's Address**: 
  - [ ]
  - Check here if foreign address
  - Address (Number and Street) *
  - [ ]
- **ZIP Code**: 
  - [ ]
- **City, Town, or Post Office**: 
  - [ ]
- **State**: 
  - [ ]
  - [ ]
- **Payer's Phone Number**: 
  - [ ]
  - [ ]
Other Income

Don’t forget to enter State information if there is any. You may need to complete a state return.

You **cannot** file a non-resident state return for Mississippi to get back in state withholding from gambling winnings.
Other Income - Advanced

• Scholarships and Fellowships
  • May be partially taxable!
  
  • Taxable amount
    • Portion that exceeds the qualified education costs
      • Any amount used for housing, transportation, etc. is taxable.

4012, Tab D-57

4012, Tab J-1 Taxable Scholarship Worksheet
### Other Income

#### 2019

<table>
<thead>
<tr>
<th>Less Common Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Income Not Reported (Downside)</td>
</tr>
<tr>
<td>Gambling Winnings Form W-2G</td>
</tr>
<tr>
<td>Other Compensation</td>
</tr>
<tr>
<td>Payments from Qualified Education Programs Form 1099-T</td>
</tr>
<tr>
<td>Cancellation of Debt Form 1099-C, Form 982</td>
</tr>
<tr>
<td>Net Operating Loss (NOL) (Carryover from Prior Year(s))</td>
</tr>
<tr>
<td>Installment Sale Income Form 4202</td>
</tr>
<tr>
<td>Sale of Business Property Form 4791</td>
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<tr>
<td>K-1 Earnings</td>
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<tr>
<td>Sales and Leases from Section 1234 Form 4791</td>
</tr>
<tr>
<td>Foreign Earned Income Exclusion Form 2555</td>
</tr>
<tr>
<td>Farm Rental Income and Expenses Form 8858</td>
</tr>
</tbody>
</table>

[CONTINUE]
Put in TaxSlayer slide showing Scholarship Income.
Other Income

2019

Scholarships and Grants

Taxpayer's scholarships and grants

Sponsor's scholarships and grants

CANCEL

CONTINUE
Income -

Cancellation of Debt

- Credit Card Debt
  - Form 1099C – Creditor does not have to issue if canceled debt is under $600. Even if Form 1099C is not received, canceled debt must still be reported on tax return as other income.
  - Must be personally liable for the forgiven or canceled debt.
  - If in bankruptcy or insolvent immediately before cancellation, this is out of scope for the VITA program.
  - Use Publication 4731 Screening Sheet on Tab, D-59 in 4012 to determine if canceled credit card debt is within the scope of the VITA program.

4012 – Tabs D-59 through D-61
Cancellation of Debt

- Form 1099-C

<table>
<thead>
<tr>
<th>CREDITOR’s name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.</th>
<th>Date of identifiable event</th>
<th>OMB No. 1545-1424</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>Form 1099-C</td>
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</table>

<table>
<thead>
<tr>
<th>AMOUNT OF DEBT DISCHARGED</th>
<th>INTEREST IF INCLUDED IN BOX 2</th>
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<tbody>
<tr>
<td>2</td>
<td>3</td>
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<table>
<thead>
<tr>
<th>DEBTOR’s name</th>
<th>DEBTO’S TIN</th>
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<tr>
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</tbody>
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<table>
<thead>
<tr>
<th>STREET ADDRESS (INCLUDING APT. NO.)</th>
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<tr>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>CITY OR TOWN, STATE OR PROVINCE, COUNTRY, AND ZIP OR FOREIGN POSTAL CODE</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ACCOUNT NUMBER (SEE INSTRUCTIONS)</th>
<th>IDENTIFIABLE EVENT CODE</th>
<th>FAIR MARKET VALUE OF PROPERTY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Copy B
For Debtor

This is important tax information and is being furnished to the IRS. If you are not required to file a return, this form may be disregarded. If you are required to file a return, this form should be included with your return. If you are not required to file a return, you may be penalized or other sanction may be imposed on you if taxable income results from this transaction and the IRS determines that it has not been reported.

Form 1099-C (keep for your records) www.irs.gov/Form1099C Department of the Treasury - Internal Revenue Service
## Other Income

### Less Common Income

<table>
<thead>
<tr>
<th>Description</th>
<th>Form Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Income Not Reported Elsewhere</td>
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</tr>
<tr>
<td>Gambling Winnings Form W-9</td>
<td></td>
</tr>
<tr>
<td>Other Compensation</td>
<td></td>
</tr>
<tr>
<td>Payments From Qualified Education Programs Form 1098</td>
<td></td>
</tr>
<tr>
<td>Consolidation of Debt Form 1094-C Form 162</td>
<td></td>
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<tr>
<td>Net Operating Loss (NOL; Carryover from Prior Years)</td>
<td></td>
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<tr>
<td>Installment Sale Income Form 472</td>
<td></td>
</tr>
<tr>
<td>Sale of Business Property Form 4797</td>
<td></td>
</tr>
<tr>
<td>K-1 Earnings</td>
<td></td>
</tr>
<tr>
<td>Gains and Losses From Section 1236 Form 6251</td>
<td></td>
</tr>
<tr>
<td>Foreign Earned Income/Education Form 210</td>
<td></td>
</tr>
<tr>
<td>Farm Rental Income and Expenses Form 4405</td>
<td></td>
</tr>
</tbody>
</table>

- **Total:** 120
Other Income

Cancellation of Debts

Cancellation of Debt (Form 1099-C)
Begin

Exclusions (Form 982)
Begin

Protective Section 108(c) Election
Begin

CONTINUE
Other Income - Advanced

Cancellation of Debt

- Discharge of Qualified Principal Residence Indebtedness

  - Please ask for assistance from your site coordinator if taxpayer has this type of cancellation of debt.
Other Income - Advanced

Schedule K-1

- Input information into appropriate K-1 Earnings section of TaxSlayer
- Info will transfer to appropriate form
  - Interest/Dividends – Schedule B
  - Other Income – Schedule E

4012 – Tabs D-47 through D-50 – Entering K-1 information in TaxSlayer

4012 – Tab D-49 – List of income from K-1s that is within the scope of the VITA program.
## Other Income

### Less Common Income

- Other Income Not Reported Elsewhere
- Gambling Winnings Form W-25
- Other Compensation
- Payments from Qualified Education Programs Form 1099-Q
- Cancellation of Debt Form 1099-C, Form 992
- Net Operating Loss (NOL) Carryover from Prior Year(s)
- Installed Base Income Form 4622
- Sale of Business Property Form 4797
- K-1 Earnings
- Gains and Losses from Section 1231 Form 856
- Foreign Earned Income Exclusion Form 2555
- Farm Mental Health and Expenses Part 8235

[CONTINUE]
Determine which type of K-1 the taxpayer has.
Enter information from K-1 on appropriate line.

4012 – Tabs D-43 through D-46 – Entering K-1 information in TaxSlayer

4012 – Tab D-49 – List of income from K-1s that is within the scope of the VITA program.
- **Other Income**
  - Jury Duty
  - Prizes and Winning
  - Other Types of Unearned Income
    - Box 3
<table>
<thead>
<tr>
<th>Income Type</th>
<th>Income Details</th>
</tr>
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<tbody>
<tr>
<td>Wage and Salaries Form 2</td>
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<tr>
<td>State and Local Retirement Form 1099-G Box 1</td>
<td></td>
</tr>
<tr>
<td>Interest and Dividends Form 1099-INT / 1095-DA</td>
<td>Print</td>
</tr>
<tr>
<td>IRA Pension Distributions Form 1099-R / 5306-IX</td>
<td></td>
</tr>
<tr>
<td>Unemployment Compensation Form 1099-g Box 1</td>
<td></td>
</tr>
<tr>
<td>Form 1040A Non-Itemizer</td>
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<tr>
<td>Profit or Loss Form D Business Schedule C</td>
<td>Print</td>
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<tr>
<td>Payment Card and Third Party Network Transactions Form 1099-IC</td>
<td></td>
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<tr>
<td>Rents and Royalties Schedule E</td>
<td></td>
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<tr>
<td>Capital Gain and Loss Schedule D</td>
<td>Print</td>
</tr>
<tr>
<td>Profit or Loss Form Filing Schedule F</td>
<td></td>
</tr>
<tr>
<td>Attorney Received</td>
<td></td>
</tr>
<tr>
<td>Other Income</td>
<td></td>
</tr>
</tbody>
</table>
Choose Recipient – Either Taxpayer or Spouse on a joint return.

Enter Payer Information
Enter Recipient Information

Recipient Information

Recipient's Name *

Recipient's Address *

☐ Check here if foreign address

Address (Number and Street) *

123 Main Street

ZIP Code *

City, Town, or Post Office *

State *

37217  -  Nashville  -  Tennessee

Account Number
**REMEMBER** - Amounts in Box 3 are usually just “Other Income”. Amounts in Box 7 should be linked to a Schedule C.
Other Income - Advanced

- **Unreported Tip Income**
  - Must report all tip income received that is not on a W-2 and pay SS/Medicare on this income.
  - Reported on form 4137.
  - Don’t see this often. Ask for assistance if you need to report this income.
Again, you have the option to choose “Guide Me” or “Enter Myself”. Usually the “Enter Myself” option is better. This allows you to enter only the deductions the taxpayer has. If they have no deductions, you can “Skip Deductions.”
This is where you will go to enter Adjustments, Itemized Deductions and Credit information.
Adjustments - Basic

- Adjustments at the Basic Certification Level
  - Penalty on Early Withdrawal of Savings
    - The penalty will be in Box 2 of Form 1099 INT
    - Software will put amount on proper line of Form 1040

4012, Tab E
Adjustments - Basic

Additional Adjustments to Income at Basic Level

- **Educator Expense**
  - Eligible educators can deduct up to $250 of qualified education expense

- **Alimony Paid**
  - Deductible - Divorce on or before Dec. 31, 2018
    - Need Name and Social Security Number of Payee
    - Not Deductible – Divorce after Dec. 31, 2018

- **Student Loan Interest Deduction**
  - Taxpayers who made student loan payments in 2018 may qualify for a deduction for interest paid – Form 1098E
  - Not deductible if taxpayer is filing Married Filing Separately

- **Jury Duty Pay You Gave to Your Employer**
  - If taxpayer turned their jury duty pay over to employer, they can receive and adjustment for this. Must report all jury duty pay on Line 21 and the amount paid to the employer as an adjustment.
4012, Tab E
Choose the adjustment taxpayer qualifies for and enter information.

**Example:** Educators Expense
Adjustments

2019

Educator Expense

Taxpayer's Educator Expenses (Limited to $100)

0

Spouses' Educator Expenses (Limited to $200)

0

CANCEL

CONTINUE
## Adjustments

<table>
<thead>
<tr>
<th>Adjustment</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Savings Account Form 5807</td>
<td></td>
</tr>
<tr>
<td>Education Expenses</td>
<td></td>
</tr>
<tr>
<td>Expenses for Preschool, Performing Arts, and Qualifying Government Employees</td>
<td></td>
</tr>
<tr>
<td>Health Savings Account Form 5894</td>
<td></td>
</tr>
<tr>
<td>Moving Expenses Form 2903</td>
<td></td>
</tr>
<tr>
<td>Contributions to SEP SIMPLE and Qualified Plans</td>
<td></td>
</tr>
<tr>
<td>Self-Employed health insurance</td>
<td></td>
</tr>
<tr>
<td>Penalty on Early Withdrawal of Savings or CD</td>
<td></td>
</tr>
<tr>
<td>Alimony Paid</td>
<td></td>
</tr>
<tr>
<td>IRA Deduction</td>
<td></td>
</tr>
<tr>
<td>Nondeductible IRA Form 408</td>
<td></td>
</tr>
<tr>
<td>Student loan interest Deduction</td>
<td></td>
</tr>
<tr>
<td>Domestic Partnership Form 895</td>
<td></td>
</tr>
<tr>
<td>Other Adjustments</td>
<td></td>
</tr>
</tbody>
</table>

**CONTINUE**
Taxpayer may not receive for 1098E if the interest paid is below a certain amount. If taxpayer can log onto their student loan account and look up the interest paid in the tax year you can still deduct it.
<table>
<thead>
<tr>
<th>Adjustments</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Savings Account Form 851</td>
<td></td>
</tr>
<tr>
<td>Educator Expenses</td>
<td></td>
</tr>
<tr>
<td>Expenses for Reserve, Performing Artists, and Qualifying Government Employ</td>
<td></td>
</tr>
<tr>
<td>Health Savings Account Form 850</td>
<td></td>
</tr>
<tr>
<td>Mining Expenses Form 263</td>
<td></td>
</tr>
<tr>
<td>Contributions to Short-Term and Qualified Plans</td>
<td></td>
</tr>
<tr>
<td>Dental/Copay Health Insurance</td>
<td></td>
</tr>
<tr>
<td>Penalty or Early Withdrawal of Savings or CD</td>
<td></td>
</tr>
<tr>
<td>Alimony Paid</td>
<td></td>
</tr>
<tr>
<td>WA Deduction</td>
<td></td>
</tr>
<tr>
<td>Non-deductible WA Form 896</td>
<td></td>
</tr>
<tr>
<td>Student Loan Interest Deduction</td>
<td></td>
</tr>
<tr>
<td>(Taxable Production Form 885)</td>
<td></td>
</tr>
<tr>
<td>Other Adjustments</td>
<td></td>
</tr>
</tbody>
</table>
If they have more than one student loan interest statement, just add together and put total in the box.
Adjustments - Advanced

Adjustments at the Advanced Certification Level

- **Self-employment tax** – Automatic adjustment to taxpayers with self-employment earnings. Calculated by software.

- **IRA Deduction** – Taxpayers contributing to a Traditional IRA can take an IRA deduction if they qualify. Taxpayers making a contribution to a Roth IRA will not get this deduction, but contribution will qualify for Saver’s Credit if all other requirements of the credit are met.

- **HSA Account** – Special Certification
  - Do not see this adjustment much at VITA – Most VITA clients who contribute to an HSA do it as a pretax deduction through their employer and it is reconciled on Form 8889 when the tax return is filed.

**Other Adjustments are Out of Scope for VITA**

**TEST** – Taxpayer’s with net income over $400 on Schedule C, will pay self-employment tax in the “Other Taxes” section of Form 1040 and will deduct ½ of the SE tax as an Adjustment to Income.

4012 – Tab E
Standard Deductions

What are deductions?

- Deductions are subtractions from a taxpayer’s adjusted gross income (AGI). They reduce the amount of income that is taxed.

- Taxpayers can take the standard deduction, or they may itemize their deductions. To itemize, taxpayers must have deductions in excess of the standard deduction.

- The only exception is when a married couple each files Married Filing Separately. If one spouse itemizes, the other must itemize. This rule does not apply if one files MFS and itemizes and the other HOH. The one filing HOH is not required to itemize.

<table>
<thead>
<tr>
<th>Filing Status</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single or Married Filing Separately</td>
<td>$ 12,200</td>
</tr>
<tr>
<td>Head of Household</td>
<td>$ 18,350</td>
</tr>
<tr>
<td>Married Filing Jointly or</td>
<td>$ 24,400</td>
</tr>
<tr>
<td>Qualified Widow(er) with Dependent Child</td>
<td></td>
</tr>
</tbody>
</table>

4012 – Tab F-1

Other Resources – Pub 17 and Form 1040 Instructions
Standard Deductions

- **Additional Standard Deduction for People 65 or Older or who are Blind**
  - Single and Head of Household
    - Standard deduction increases by $1,650 for each box checked
  - Married – MFJ, MFS, QW
    - Standard deduction increases by $1,300 for each box checked

- **Standard Deduction for Individuals who can be claimed as dependents**
  - $1,100 or
  - The individuals earned income for the year, plus $350 (but not more than the regular standard deduction)

**Note** - If boxes are marked properly, software takes care of these calculations.

4012 – Tab F-2

**On test** – If dependent’s unearned income exceeds $350, he/she may have a filing requirement even if their total income is below the ordinary standard deduction amount of $12,200.

Other Resources – Pub 17 and Form 1040 Instructions

**65 and older**: if 65 on or before December 31, and if born on Jan 1, one is considered 65 for the previous calendar year.

**Blind**: Can’t see better than 20/200 in the better eye with glasses or contacts, field of vision is not more than 20 degrees
  - if only spouse is blind, can only be increased if filing a joint return or if taxpayer files separate return and claim exemption for spouse because spouse has no gross income and can not be claimed my another taxpayer

**Software will calculate the standard deduction for you**
Itemized Deductions - Advanced

If the taxpayer’s Itemized Deductions exceed the standard deduction for their filing status it may be beneficial to itemize deductions.

Note – The Tax Cuts and Jobs Act of 2017 substantially increased the standard deduction and eliminated personal exemptions. Because of this change, most VITA clients will be unable to itemize deductions. Please review Pub 4012 and Pub 17 for detailed information on itemized deductions.

4012 – Tabs F-3 through F-11

Other Resources – Pub 17 and Form 1040 Schedule A Instructions
Itemized Deductions

- **Medical Expenses**
  - Can deduct the amount over 10% of AGI

- **Taxes** – Limited to $10,000 ($5,000 if MFS)
  - State/Local Taxes or Sales Tax
  - Real Estate Taxes
  - Personal Property Taxes – If based on value of property

- **Interest**
  - Mortgage Interest
  - Points
  - Mortgage Insurance Premiums

- **Charitable Contributions**
  - Cash Contributions
  - Non-cash Contributions up to $500 (Limit for VITA program)

- **Gambling Losses** – Cannot deduct more than winnings
4012, Tabs F-3 through F-11
## Itemized Deductions

<table>
<thead>
<tr>
<th>Itemized Deductions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use Standard or Itemized Deduction</td>
</tr>
<tr>
<td>Medical and Dental Expenses</td>
</tr>
<tr>
<td>Mortgage Interest and Expenses</td>
</tr>
<tr>
<td>Taxes You Paid</td>
</tr>
<tr>
<td>Gifts to Charity</td>
</tr>
<tr>
<td>Unreimbursed Employee Business Expense</td>
</tr>
<tr>
<td>Job-Related Travel Expenses Form 2106</td>
</tr>
<tr>
<td>Miscellaneous Deductions</td>
</tr>
<tr>
<td>Less Common Deductions</td>
</tr>
</tbody>
</table>
Non-refundable vs. Refundable Credits

What is a non-refundable credit?
- A dollar for dollar reduction in the taxpayer’s tax liability
- Can not reduce tax liability below $0
- They are applied against federal tax in the order they are listed.

What is a refundable credit?
- The taxpayer receives the credit even if they have no filing requirement, owe no tax, or have no income tax withheld.
  - Earned Income Credit and Net Premium Tax Credit

Some credits have both a non-refundable portion and refundable portion.
- Child Tax Credit and Additional Child Tax Credit
- American Opportunity Credit

Non-refundable credits are used in a certain order. Once taxpayer’s tax liability is $0, they will not get the remaining credit amounts. However, if the credit has another refundable part, taxpayer may qualify for some or all of the remaining credit. (Child Tax Credit, Education Credit)

4012 – Tab G-1 – Nonrefundable Credits

Nonrefundable credits are used in the order they appear on page 2 of 1040.

Most refundable credits appear in the payment section of Form 1040.
Other credits are listed, but they are rarely used in the VITA program. These are the main credits we see at VITA.
Foreign Tax Credit

- Credit for taxes paid on foreign dividend income.
- Listed on 1099-DIV.
- International certification only if Form 1116 is required.
Credit for Child and Dependent Care Expenses

- May be claimed by taxpayers who, in order to work or look for work, pay someone to take care of a qualifying person.

- The percentage is based on the taxpayer’s earned income and adjusted gross income. Software makes the calculation.

- It is a “nonrefundable” credit and can not reduce tax liability below $0. Many of our clients already have no tax liability and would not be able to benefit from this credit. Enter the info anyway and let the software make the determination.

- Some taxpayers receive pre-tax dependent care benefits from their employers. These amounts appear in box 10 of Form W-2.

4012 – Tabs G-10 through G-13

Other Resources – Pub 17 and Form 1040 Instructions

Dependent Care Benefits from box 10 of W-2 - Show where it will show up on 2nd page of 1040 so they can get an idea of how it will decrease the tax liability.

Form 2441

Even if TP may not qualify for this credit, enter info into the software anyway. It only takes a few minutes to do this. That way if the taxpayer should come back at a later date to amend the return because a W2 was omitted from the original return, they may now qualify for this credit.
Credit for Child and Dependent Care Expenses

Eligibility requirements to claim Credit for Child and Dependent Care Expenses

- Qualifying person
  - Dependent under 13
  - Spouse or dependent (any age) who is unable to care for himself/herself
  - Only the custodial parent can take this credit. Custodial parent can take this credit even though the non-custodial parent takes the child as a dependent.

- When filing MFJ, taxpayer and spouse must each have earned income during the year.
  - If spouse is a full-time student or unable to care for themselves, earned income for this person is considered to be $250 for each month if there is one qualifying person in the home, or $500 each month if there are two or more qualifying people in the home.
Credit for Child and Dependent Care Expenses

- **Eligibility requirements continued**
  - Provider Information Required
    - Name
    - Address
    - EIN or Social Security Number
    - Amount paid

- **Child Care Expenses Limits**
  - One qualifying person $3,000
  - Two or more qualifying persons $6,000

- **Do NOT count amounts paid to**
  - A dependent who the taxpayer can claim an exemption for
  - Taxpayer’s child under 19 even if he/she is not the taxpayer’s dependent.
  - Taxpayer’s spouse
  - The other parent of the taxpayer’s qualifying child who is under 13.

4012 – Tabs G-10 through G-13

Claimed on form 2441

Remember to enter any amounts in box 10 of the W-2. This will decrease amount eligible for Child and Dependent Care Credit because this money was already exempt from federal income tax.
# Credit for Child and Dependent Care Expenses

## Credits

<table>
<thead>
<tr>
<th>Credit</th>
<th>Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Tax Credit</td>
<td>Form 1116</td>
</tr>
<tr>
<td>Child Care Credit</td>
<td>Form 2441</td>
</tr>
<tr>
<td>Education Credits</td>
<td>Form 1098-T</td>
</tr>
<tr>
<td>Retirement Savings Credit</td>
<td>Form 0880</td>
</tr>
<tr>
<td>Residential Energy Credit</td>
<td>Form 5695</td>
</tr>
<tr>
<td>Adoption Credit</td>
<td>Form 8839</td>
</tr>
<tr>
<td>DC First Time Homebuyer Credit</td>
<td>Form 8859</td>
</tr>
<tr>
<td>Mortgage Interest Credit</td>
<td>Form 8966</td>
</tr>
<tr>
<td>Claiming Refundable Credits after Disallowance</td>
<td>Form 0962</td>
</tr>
<tr>
<td>IRC Checklist</td>
<td></td>
</tr>
<tr>
<td>Credit for the Elderly or Disabled Schedule R</td>
<td></td>
</tr>
</tbody>
</table>
Step 1: Enter Child Care Provider Information
Step 2: Choose which dependent the expense is for and the dollar amount for each dependent.
Step 3: Add a qualifying person that is not a dependent. Example: Child is taken as a dependent on father’s tax return. Child lives with mother. Mother can take child care expenses even though child is not her dependent.

Just continue through the second page unless taxpayer has pretax deduction for dependent care in Box 10 of his/her W2.
<table>
<thead>
<tr>
<th>Education Credits</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Opportunity Credit</td>
</tr>
<tr>
<td>Lifetime Learning Credit</td>
</tr>
<tr>
<td>Maximizing Education Credits</td>
</tr>
<tr>
<td>Kiddie Tax</td>
</tr>
</tbody>
</table>
Education Credits

- **American Opportunity Credit**
  - Available 1st 4 years of post secondary education
  - Can only be claimed for 4 years per student
  - Student must be pursuing undergraduate degree
  - Student must be enrolled at least half time
  - Student must have no felony drug convictions
  - Tuition and books, along with fees and supplies “required by school for attendance” are qualifying expenses – Can use a maximum $4,000 of qualified education expenses.
  - Is both a nonrefundable and refundable credit
  - Maximum $2,500 credit – Up to $1,500 nonrefundable and $1,000 refundable.
  - Credit is claimed on the return that claims the dependency exemption for the student.

**TEST** – Education Credits are claimed on the return of the person who claims the dependent. Example: A college student who is a dependent on his/her parents’ return. The parents would claim the education credit on their return.

**Education Credits cannot be claimed if taxpayer files Married Filing Separately**

4012 – Tab J

Qualified Expenses – Tuition, books, and any expenses required by the school in order to attend. A computers is not a qualified expense unless it is a requirement of the school for attendance.

Qualified expenses are those in excess of scholarships and grants. Expenses can be paid out of pocket, with a credit card or student loans.

Taxpayers who claim the American Opportunity Credit even though they are not eligible can be banned from claiming the credit for up to 10 years.

Other Resources – Pub 17, Form 8863 Instructions and Pub 970
Education Credits

Lifetime Learning Credit

- Available all years of post secondary education
- This is a nonrefundable credit
- Tuition only
- Maximum Qualified Education Expenses - $10,000
- Maximum Credit Amount - $2,000
- Credit is claimed on the return that claims the dependency exemption for the student.

4012 – Tab J

Other Resources – Pub 17, Form 8863 Instructions and Pub 970

Qualified expenses are those in excess of scholarships and grants. Expenses can be paid out of pocket, with a credit card or student loans.
# Education Credits

## Comparison of Education Credits

<table>
<thead>
<tr>
<th></th>
<th>American Opportunity Credit</th>
<th>Lifetime Learning Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Maximum credit</strong></td>
<td>Up to $2,500 credit per eligible student</td>
<td>Up to $2,000 credit per return</td>
</tr>
<tr>
<td><strong>Limit on modified adjusted gross income (MAGI)</strong></td>
<td>$160,000 if married filing jointly; $80,000 if single, head of household, or qualifying widower</td>
<td>$134,000 if married filing jointly; $67,000 if single, head of household, or qualifying widower</td>
</tr>
<tr>
<td><strong>Refundable or nonrefundable</strong></td>
<td>40% of credit may be refundable; the rest is nonrefundable</td>
<td>Nonrefundable—credit limited to the amount of tax you must pay on your taxable income</td>
</tr>
<tr>
<td><strong>Number of years of postsecondary education</strong></td>
<td>Available ONLY if the student had not completed the first 4 years of postsecondary education before 2018</td>
<td>Available for all years of postsecondary education and for courses to acquire or improve job skills</td>
</tr>
<tr>
<td><strong>Number of tax years credit available</strong></td>
<td>Available ONLY for 4 tax years per eligible student (including any years a Hope credit was claimed)</td>
<td>Available for an unlimited number of tax years</td>
</tr>
<tr>
<td><strong>Type of program required</strong></td>
<td>Student must be pursuing a program leading to a degree or other recognized education credential</td>
<td>Student does not need to be pursuing a program leading to a degree or other recognized education credential</td>
</tr>
<tr>
<td><strong>Number of courses</strong></td>
<td>Student must be enrolled at least half-time for at least one academic period beginning during 2018 (or the first 3 months of 2019 if the qualified expenses were paid in 2018)</td>
<td>Available for one or more courses</td>
</tr>
<tr>
<td><strong>Felony drug conviction</strong></td>
<td>As of the end of 2018, the student had not been convicted of a felony for possessing or distributing a controlled substance</td>
<td>Felony drug convictions do not make the student ineligible</td>
</tr>
<tr>
<td><strong>Qualified expenses</strong></td>
<td>Tuition, required enrollment fees, and course materials that the student needs for a course of study whether or not the materials are bought at the educational institution as a condition of enrollment or attendance</td>
<td>Tuition and required enrollment fees (including amounts required to be paid to the institution for course-related books, supplies, and equipment)</td>
</tr>
<tr>
<td><strong>Payments for academic periods</strong></td>
<td>Payments made in 2018 for academic periods beginning in 2018 or beginning in the first 3 months of 2019</td>
<td></td>
</tr>
<tr>
<td><strong>TIN needed by filing due date</strong></td>
<td>Filers and students must have a TIN by the due date of their 2018 return (including extensions)</td>
<td></td>
</tr>
<tr>
<td><strong>Educational institution’s EIN</strong></td>
<td>You must provide the educational institution’s employer identification number (EIN) on your Form 8885, Education Credits.</td>
<td></td>
</tr>
</tbody>
</table>
Education Credits

Form 1098T – Must receive in order to claim American Opportunity Credit.

4012 – Tab J-6

Box 1 – Payments received for qualified tuition and related expenses
Box 5 – Scholarships or grants – Only gives amount. Does not tell you what type of scholarships/grants they are, or for what year they can be used.
Box 8 – At least half-time student – A requirement for American Opportunity Credit
Box 9 – Graduate student – Eligible for Lifetime Learning Credit only – Usually means they have completed the first 4 years of college.

Scholarships/Grants in excess of qualified education expenses are taxable to the student.

Other Resources – Pub 17, Form 8863 Instructions and Pub 970
Education Credits

Calculation of Education Credits – Form 8863

- Qualified Education Expenses Paid from Form 1098T
- Other Qualified Education Expenses Paid

TOTAL Qualified Education Expenses

- Scholarships and Grants Used for Education Expenses

TOTAL Qualified Expenses Eligible for Education Credit

4012 – Tab J-6 – Determining Qualified Education Expenses

Qualified expenses vary depending on which credit you are using and whether the expense is a requirement of the school for attendance.

American Opportunity Credit – Tuition, books and other supplies required by school for attendance.

Lifetime Learning Credit – Tuition ONLY

Out of pocket expenses can be paid with cash, check, credit card or loans.

Scholarships and Grants – Those reported on 1098T and those not reported.

Scholarships in excess of qualified education expenses are taxable to the student.

This is a simplified example of how to calculate amount eligible for Education Credits. Please see Pub 970 for detailed information.
Education Credits

• **Option 1** – Is more beneficial to taxpayer claiming the credit if Qualified Expenses less Scholarships/Grants already **meets or exceeds** expense limit for the education credit taxpayer is claiming.
  - American Opportunity Credit - $4,000
  - Lifetime Learning Credit - $10,000

Example:
  - Total Qualified Education Expenses Paid - $6,000
  - Total Grants/Scholarships Received - $2,000

  Amount Eligible for American Opportunity Credit - **$4,000** ($6,000 - $2,000).
Education Credits

- **Option 2** – Qualified Education Expenses less scholarships **does not** meet the expense limit for the education credit the taxpayer is claiming.

Example:

- Total Qualified Education Expense Paid - $4,000
- Total Grants/Scholarships Received - $3,000

Amount Eligible for American Opportunity Credit is only **$1,000** ($4,000 - $3,000). This is less than the $4,000 maximum for AOC.
Education Credits

- **Option 2** - May be more beneficial to taxpayer if Qualified Expenses less Scholarships/Grants is **below the expense limit** for the education credit the taxpayer is claiming.
  
  - Some students may choose to pay non-qualifying expenses, such as room and board, with "non restricted" Scholarships and Pell Grants.
    
    - This would make the Scholarship/Pell Grant taxable to the student.
    
    - Students can choose to do this even if the Scholarship/Pell Grant was paid directly to the school.
    
    - Since the scholarship/Pell Grant is now taxable to the student, this may increase the amount of qualifying expenses that can be used in calculating the education credit.

Pub 970

Pages 16 – Examples of reporting Pell grants as taxable income on student’s return to increase amount eligible for American Opportunity Credit.

Pages 28 – Examples of reporting Pell grants as taxable income on student’s return to increase amount eligible for Lifetime Learning Credit.

Form 8863 Instructions
Education Credit

• **Simplified Example – Only considering refundable portion of AOC.**

  Student is a dependent on parents’ return and student has income of $3,000 from a part time job. Total Qualified Education Expenses are $4,000 ($3,000 paid by Pell Grant and $1,000 paid with a student loan.)

  **Using Option 1** - If we only use difference of $1,000 to calculate AOC, parents will only receive $400 refundable AOC.

<table>
<thead>
<tr>
<th>Qualified Education Expenses</th>
<th>$4,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less Scholarships</td>
<td>- 3,000</td>
</tr>
<tr>
<td>Amount Used for AOC</td>
<td>$1,000</td>
</tr>
</tbody>
</table>

Example: Student is a dependent on parents’ return and student only has income of $3,000 from a part time job.

  Total education expenses paid - $4,000. $3,000 paid by Pell Grant and $1,000 paid with student loan.

  **Option 1 – Use $1,000 expenses to calculate American Opportunity Credit on parents’ return.**

  Parents would receive only $400 of the refundable portion of American Opportunity Credit. Amount of nonrefundable AOC would depend on parents’ tax liability on the return.
**Education Credits**

- **Simplified Example Continued**

  **Using Option 2** – If we report $3,000 Pell Grant as income on student’s return and claim maximum $4,000 expenses for American Opportunity Credit on parents’ return, parents will receive full $1,000 refundable portion of AOC.

  **Step 1**
  
  | Qualified Education Expenses | $4,000 |
  | Minus Other Scholarships     | 0      |
  | Remaining Qualified Expenses | $4,000 |
  | Minus Pell Grants            | - 3,000|
  | Remaining Qualified Expenses | $1,000 |

  **Step 2**
  
  | Lesser of QE or $4,000 Use to Calculate AOC | $4,000 |
  | Minus Remaining Qualified Expenses above    | - 1,000|
  | Amount of Taxable Pell Grant to Student      | $3,000 |

Option 2 - Report $3,000 Pell Grant as taxable scholarship on student’s return. Student will still have no taxable income. ($3,000 + $3,000 = $6,000 income. Less standard deduction of $6,350.)

  Parent is eligible to claim full $4,000 expenses for American Opportunity credit. They will receive the full $1,000 refundable portion. Amount of nonrefundable AOC on parents’ return depends on their tax liability.
Education Credits

- Simplified Example Continued

  - Option 2 results in $600 more refundable AOC on parents’ return. ($1,000 - $400 = $600)

- Impact on student’s return:

  - Option 1 – We did not make any of the scholarship taxable, so this has no impact on the student’s return.

  - Option 2 – In this example, making $3,000 of scholarship taxable on the student’s return will not cost the student anything. ($3,000 wages + $3,000 taxable scholarship = $6,000.)

    Student’s standard deduction would be $6,350 therefore the student would not have any taxable income on his/her return.

Remember: Taxable scholarship is EARNED income when determining if the student has a filing requirement.

    Taxable scholarship is UNEARNED when determining if Kiddie Tax should be paid.


Education Credits

• **Simplified Example Continued**

  • **Nonrefundable portion of AOC** - When using either option the amount of parents’ nonrefundable AOC depends on their tax liability on the return.

  • **Kiddie Tax** – As we will see later there will be no Kiddie Tax in this example because the requirements for Kiddie Tax were not met.

    Unearned income (taxable scholarship) exceeds $2,100
    
    **AND**
    
    Dependent student has a filing requirement

**Remember:** Taxable scholarship is **EARNED** income when determining if the student has a filing requirement.

    Taxable scholarship is **UNEARNED** when determining if Kiddie Tax should be paid.
Education Credits

- **Option 2 – More Information**

  - Only grants and scholarships that are “not restricted” to being used for education expenses can be moved to income.
    
    - This is true even if the scholarship/grant is paid directly to the school.
    
    - Typically Pell grants are paid directly to the school, but since Pell grants are “not restricted” to being used only for education expenses, Pell grants can be moved to student income in order to increase qualified education expenses for purposes of calculating education credits.
    
    - If it is unknown if there are restrictions on the use of the grant/scholarship, treat them as being required to be used for education expenses and therefore not eligible to be treated as income to increase education expenses for education credit purposes.
Education Credits

- Option 2 – More Information

- This option takes more time to determine taxable scholarships and qualified education expenses.

- Should have access to detailed payment records/receipts as well as scholarship details. Information should be reconciled with the 1098-T whenever possible.

- Parents and students should both be present when preparing the tax returns.

- May take multiple calculations to maximize benefits.

Pub 970

Pages 14-16 – Examples of reporting Pell grants as taxable income on student’s return to increase amount eligible for American Opportunity Credit.

Pages 26 & 27 – Examples of reporting Pell grants as taxable income on student’s return to increase amount eligible for Lifetime Learning Credit.

Form 8863 Instructions
Education Credits

• Two Optional Worksheets to Use with Option 2
  - Qualified Education Expenses Exceed Scholarships
  - Scholarships Exceed Qualified Education Expenses
  - It is important to use the correct worksheets when maximizing education credits by moving Pell Grants to student income.
  - You can’t always tell which one to use just looking at the 1098T because it does not include out of pocket expenses. May need to switch to other worksheet.
  - Completing a worksheet gives the taxpayer a document to keep with Form 1098T in their records. This may be needed if they receive a letter from the IRS.

NOTE – Some sites will have access to a google spreadsheet to help with calculations. Even when using the spreadsheet you will need to gather all the information. Make sure you print a copy for taxpayer’s records.
Take time to go over Example 1 handout.
Take time to go over Example 2 hand out.
Education Credits

- **Option 2 – Effects on student/parents’ tax returns**

  - Can move all or a portion of “non restricted” grants/scholarships to income depending on what is most beneficial to the taxpayers.

  - Amount to transfer to income depends on the following:
    - If the student is taxpayer’s dependent or the taxpayer
    - Possible effect on EIC, CTC/ACTC, etc.
      - **Example**: A single Mom is filing a return and claiming EIC. She is the student. Making Scholarships/Pell Grants taxable in order to increase Education Credit will increase her income and may lower here EIC. You must find the right amount of Scholarship/Pell Grant dollars to move to taxable income in order to maximize both her Earned Income Credit and her Education Credit.

  - Income level
Education Credits

• Option 2 – Effects on student’s tax returns

• Making scholarship/grant money taxable to the dependent student to increase parents’ education credit amount can trigger “Kiddie Tax” on the dependent student’s return if the student is under age 24 and BOTH of the following are true.

  • Unearned income (taxable scholarship) is more than $2,100
  • Dependent student has a filing requirement

Remember:
Taxable scholarship is **EARNED** income when determining if the student has a filing requirement.
Taxable scholarship is **UNEARNED** income when determining if Kiddie Tax should be paid.

Remember: Taxable scholarship is **EARNED** income when determining if the student has a filing requirement.

Taxable scholarship is **UNEARNED** when determining if Kiddie Tax should be paid.
Education Credits

Kiddie Tax

- Kiddie Tax, with certain limitations, is in scope for VITA.

- It uses less favorable estate and trust tax rates.

- May result in a higher combined tax for student and parent, so optimization may be needed.

Example: Moving scholarship money to income puts the student in the 24% estate bracket. Weigh the additional tax on the student’s return to the increased credit on the parents’ return. Adjust amount of scholarship moved to income to give the family the most favorable outcome.
**Education Credits**

Kiddie Tax must be paid by dependent students under age 24 if:

Taxable scholarship is more than $2,100

**AND**

Dependent student has a filing requirement for the tax year

*Both statements above must be true before the dependent student pays Kiddie Tax.*

**Remember:** Taxable scholarship is **EARNED** income when determining if the student has a filing requirement.

Taxable scholarship is **UNEARNED** when determining if Kiddie Tax should be paid.
**Education Credits**

- **Example 1 – Kiddie Tax**
  - Taxable Scholarship on student's return is $1,042. This is less than $2,100.
  - The dependent student will never pay Kiddie Tax even if he/she has income over the filing requirement.
  - Because taxable scholarship is less than $2,100 the student will not meet both requirements to pay Kiddie Tax.
    - Unearned income (taxable scholarship) exceeds $2,100
    - Dependent student has a filing requirement

And

AND

AND
Education Credits

- **Example 2 – Kiddie Tax**
  - Taxable scholarship exceeds $2,100. It is $2,185.
  - Kiddie tax is dependent on whether the dependent student has other income and has a filing requirement.
    - If student has no other income, he/she will not have a filing requirement therefore no Kiddie Tax or income tax.
    - If dependent student works and makes $10,015 or less, he/she will not pay Kiddie Tax. Taxable scholarship will exceed $2,100, but the dependent student does not have a filing requirement.
    - If dependent student works and makes **more** than $10,015, he/she will pay Kiddie Tax. His/her income would be greater than the 2019 standard deduction, therefore the student has a filing requirement and meets **BOTH** requirements needed to pay Kiddie Tax rules.

Filing requirement in 2019 is $12,200.

$12,200 - $2,185 = $10,015.
Education Credits

• Example 2 – Kiddie Tax Continued

  • Can reduce both taxable scholarship on student's return and qualified education expenses used on parents' return by $85.

  • Student's taxable scholarship will be $2,100. Therefore, Kiddie Tax will not be required.

  • Education Credit received by parents will be reduced, but not by much.

  • Must weigh the impact of Kiddie Tax on the student to the reduced education credit received by parents.
Education Credits

- **Kiddie Tax**

  - If a dependent student must pay Kiddie Tax open Form 8615 in TaxSlayer.
    - **Remember:** TaxSlayer does not prompt you to do this!

  - Enter the parents' first and last name and the parents' Social Security number.

  - TaxSlayer will calculate the dependent student's tax using the Kiddie Tax calculation.
Education Credits

• In Summary:
  • Consider benefit of moving unrestricted scholarships to income to maximize AOC benefit
  • Document calculation as well as expense/scholarship information in relation to F1098-T
  • If student is a dependent, check for Kiddie Tax liability
  • If student is taxpayer, optimize for effect on other tax issues
  • Remember special situations such as underage taxpayer and other tuition aid sources
Choose the student from the drop down
Choose the credit they are claiming
Enter Qualified Expenses

After entering the above information, you will enter School information and answer qualifying questions.

4012, Tabs J-7 and J-8
If more than one person on the return qualifies for an education credit, choose “Add Another Student” and complete the process for that student.

Each student can qualify for only one credit.
Education Credits

• Student Under Age 24 Claiming American Opportunity Credit
  
  • 4012 Tab J-9
  • Pub 4491, Chapter 23
Retirement Savings Contribution Credit

- A nonrefundable credit
- There are age and income limits
- Cannot be a full-time student
- Claimed on Form 8880
- Software automatically calculates this from information entered from W2 and any IRA contributions entered

4012 – Tabs G-14 through G-16
**Child Tax Credit**

- **Child Tax Credit - A nonrefundable credit**
  - Allows the taxpayer to claim a tax credit of up to $2,000 per qualifying child dependent, thus reducing their tax liability.

- **Additional Child Tax Credit - possibly refundable up to $1,400 per qualifying child**
  - For taxpayers who are not able to claim the full amount of the Child Tax Credit.
  - They must meet earned income criteria to qualify.

**Software automatically calculates Child Tax Credit and Additional Child Tax Credit**

4012 – Tabs G-2 through G-6

Other Resources – Pub 17, Pub 972 and Schedule 8812 Instructions

Additional Child Tax credit is computed on Form 8812

If the taxpayer does not have enough tax liability to get all the Child Tax credit, the remaining amount can possibly be taken as the Additional Child Tax Credit. Software will automatically compute this if applicable. Additional Child Tax credit is computed on Form 8812 and will show in the payment section of the 1040 and as a “refundable” credit.
Child Tax Credit

Qualifying Child for Child Tax Credit

- Dependent is under age 17
- A U.S. citizen, U.S. national or resident alien of U.S.
- Claimed as your dependent
- Your
  - Son, daughter, stepchild, eligible foster child, adopted child or any descendant of them (grandchild)
  - Brother, sister, half brother, half sister, stepbrother, stepsister, or any descendant of them (niece/nephew)
- Didn't provide more than half of their support
- Lived with taxpayer for more than half of the year
- Must have a valid SSN before due date of the return
Other Dependent Credit

- **Other Dependent Credit – A nonrefundable credit**
  - Allows the taxpayer to claim a non-refundable tax credit of up to $500 per “other” qualifying dependents.
  - Dependents who don’t qualify for Child Tax Credit such as children age 17 and above and elderly parents.
  - Dependent must be U.S. citizen, U.S. national or resident of U.S.
  - Dependent must have a valid identification number by due date of the return
    - SSN, ITIN, ATIN

- **Software calculates Other Dependent Credit**

4012, Tabs G-2 and G-6
Miscellaneous Credits

• **Residential Energy Credit** – Expired at this time

• **Credit for the Elderly or Disabled**
  • Decision Screening Sheet – 4012, Tab G-17
  • 65 at the end of the year or retired on permanent total disability.
  • Income limits to qualify.

4012 – Tabs G-17 and G-18 – Credit for the Elderly or Disabled

Other Resources – Pub 17 and Form 1040 Instructions

We usually don’t see this at VITA sites. Most older taxpayers receive Social Security which would make their income too high to receive this credit.
Other Taxes

• Self-employment Tax
• Unreported Social Security/Medicare on Tip Income
  • Form 4137
  • Advanced
• Additional Tax on IRA distributions
  • Form 5329 – Exceptions to 10% Penalty - Advanced
• Repayment of First Time Home Buyer Credit
  • Credit taken in 2008 must be repaid over next 15 years @ $500/year starting in 2010
  • If taxpayer has this, ask site coordinator for assistance.
• Health Care Shared Responsibility Payment
  • Calculated by software from answers in Health Insurance Section

4012 – Tab H

Form 5329 Exceptions – 4012 Tabs H-1 and H-2.

4012 – Tab H-4 Form 5329 Exception Codes
Earned Income Credit

What is EIC

- Earned Income Credit (EIC) is a refundable tax credit for most people who work but do not earn high incomes.
- The credit is refundable. This means the taxpayer can receive the credit even if they have no filing requirement, owe no tax, or have no income tax withheld.
- Families can claim the credit for up to three qualifying children.
- Maximum for 2019 is $6,557 with 3 qualifying children.
- Can only be claimed by filing a tax return.

4012 – Tab I

Other Resources – Pub 17, Form 1040 Instructions, Pub 596

The maximum amount of credit for Tax Year 2018 is:
- $6,431 with three or more qualifying children
- $5,716 with two qualifying children
- $3,461 with one qualifying child
- $519 with no qualifying children

See 4012 – Tab I-2 and Tab-WHAT’S NEW for income limits
Earned Income Credit

**What is “earned” income for EIC purposes?**
- Wages, salaries, tips and other taxable employee pay
- Taxable long-term disability benefits received prior to minimum retirement age. Look for Code 3 in Box 7 of 1099R.
- Net self-employment income

**Earned income that does not qualify for the EIC.**
- Income received for work done while an inmate in a penal institution, work release program, or halfway house

Both earned income and AGI must be below the income limits in order for the taxpayer to qualify for EIC.

Software calculates EIC on both earned income and AGI and gives taxpayer the lower credit amount.

Earned Income can be disallowed for future years if TP tries to claim a child for EIC they are not entitled to claim. 4012 – Tab I-6.
# Earned Income Credit

## Summary of EIC Eligibility Requirements

<table>
<thead>
<tr>
<th>Part A</th>
<th>Part B</th>
<th>Part C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rules for Everyone</td>
<td>Rules If You Have a Qualifying Child</td>
<td>Rules If You Don’t Have a Qualifying Child</td>
</tr>
<tr>
<td>Taxpayers &amp; qualifying children must all have SSN that is valid for employment by the due date of the return (including extensions). See Note below regarding other identification numbers.</td>
<td>Child must meet the relationship, age, residency test and joint return tests but not the support test. The child doesn’t have to be your dependent. If child is married, see Note below.</td>
<td>Must be at least age 25 but under age 65 as of December 31.</td>
</tr>
<tr>
<td>Must be a U.S. citizen or resident alien all year.</td>
<td>Qualifying child can’t be used by more than one person to claim the EIC.</td>
<td>Can’t be the dependent of another person.</td>
</tr>
<tr>
<td>Can’t file Form 2555 or Form 2555-EZ (relating to foreign earned income). Investment income must be $3,500 or less.</td>
<td>The taxpayer can’t be a qualifying child of another person.</td>
<td>Must have lived in the United States more than half the year.</td>
</tr>
<tr>
<td>Can’t be a qualifying child of another person.</td>
<td></td>
<td>Can’t be a qualifying child of another person.</td>
</tr>
</tbody>
</table>

4012, Tab I-2 Also shows income limits. Software calculates EIC based on entries you make in software.

4012, Tab I-3 – General Eligibility Rules

Tabs I-4 and I-5 – With and Without a Qualifying Child
Earned Income Credit

Eligibility Rules If You Have a Qualifying Child
- Relationship Test
  - Son, daughter, stepchild, eligible foster child, adopted child, brother, sister, stepbrother, stepsister, half brother, half sister, or any of their descendants (grandchild, niece/nephew)
- Age Test
  - Under 19
  - Under 24 and a full-time student
  - Any age if permanently and totally disabled
- Child Lived with you in the United States for more than half the year

Eligibility Rules Without a Qualifying Child
- Must be at least 25 years old, but under 65 by December 31
- Must have lived in the U.S. more than half the year

TaxSlayer automatically calculates Earned Income Credit based on information entered into software. Example: Dependent section, income section, etc.

4012, Tabs I-3 through I-5
**Earned Income Credit**

**Disallowance of EIC**

- Reasons for disallowance
  - Claiming a child who is not a qualifying child
  - Married taxpayers incorrectly filing as Single or HOH
  - Incorrectly reporting income and expenses

- Form 8862
  - Must be filed by any taxpayer whose EIC was previously disallowed or reduced and the taxpayer received a letter from IRS saying they must complete in order to claim this credit the next time
  - If credit was disallowed due to reckless or intentional disregard for the rules, taxpayer cannot claim for 2 years
  - If error was due to fraud, taxpayer cannot claim for 10 years

Form 8862 can be found in the Credits section of TaxSlayer.
Affordable Care Act

The Marketplace

The Marketplace (also known as the Exchange) is where taxpayers find information about health insurance options, purchase health insurance, and if eligible, obtain help paying premiums and out-of-pocket costs.

Affordable Care Act - Advanced

Premium Tax Credit

- Helps eligible taxpayers pay for health insurance coverage purchased through the Marketplace.

- Only allowed to taxpayers who were enrolled at some time during the year through the Marketplace.

- Individuals were not eligible for other MEC (except through the individual market) during the months they were enrolled in a qualified plan through the Marketplace.

- The taxpayer is an applicable taxpayer.
  - Taxpayer’s income is at least 100%, but not more than 400% of the federal poverty line for the taxpayer’s family size.
  - If married the taxpayer files MFJ – exception for HOH and MFS because of domestic abuse or spousal abandonment
  - Taxpayer cannot be claimed as a dependent by another person.
Affordable Care Act - Advanced

Premium Tax Credit – Advanced Payment

- During enrollment, the Marketplace projects income and family composition to estimate the amount of the premium tax credit a taxpayer would be able to claim when filing their tax return.

- If eligible for the credit, the taxpayer may choose to:
  - Have some or all the estimated credit paid in advance directly to the insurance company to lower what is paid out-of-pocket for monthly premiums.
  - Wait to get all the benefit of the credit when they file their tax return.

- Amount of advance credit payments will be on Form 1095-A

4012 – Tab H
Affordable Care Act - Advanced

Premium Tax Credit - Reconciliation

• Calculated on Form 8962 using information from Form 1095A.

• Credit is figured on a sliding scale. The higher the household income, the lower the amount of the credit.

• If taxpayer received Advanced Premium Tax Credit, they must file a tax return even if they have no other filing requirements.
Affordable Care Act - Advanced

Repayment of Excess Advanced Premium Tax Credit

- If taxpayer received too much Advanced Premium Tax Credit, they will be required to pay this back when they file their return.
- Repayment Caps for APTC – 4012, Tab H-13

Net Premium Tax Credit

- If taxpayer did not receive enough Advanced Premium Tax Credit during the year, they will receive a Net Premium Tax Credit.

Software calculates both based on information entered from Form 1095A.

Software will automatically calculate this based on information entered from 1095A.

Repayment of APTC can decrease refund or increase balance due on the return.

Net Premium Tax Credit can increase refund or decrease balance due on the return.
Affordable Care Act - Advanced

Form 1095-A

- Issued to taxpayers by the Marketplace by January 31.
- Includes the following:
  - Monthly premium used to compute the credit
  - Total monthly premium for the coverage of taxpayer or family member
  - The amount of the advance credit payments
  - SSNs and names for all covered individuals
  - All other required information
- Use information on Form 1095-A to compute taxpayers’ premium tax credit and reconcile the advanced credit payments with the actual premium tax credit on Form 8962
  - Based on information on tax return, taxpayer may receive a Net Premium Tax Credit or owe back some or all of Advanced Premium Tax Credit.
- If lost or never received, taxpayer should contact Marketplace for a copy.
May have multiple 1095As if they enrolled in different plans or made other changes to coverage during the year. See 4012 – Tab H

If amounts in Rows 21-32 are not the same, you must enter amounts for each month. If amounts in Rows 21-32 are the same for all 12 months, you should enter just the annual total. **Do not** enter in both places. See 4012 Tab H-24.

Health Insurance Section of software will walk you through this.

All individuals on 1095A must be on the tax return or it is out of scope for the VITA program. If someone on the 1095A is in another tax family, this policy would need to be allocated between the two tax families. This is a shared policy allocation and is out of scope for the VITA program.
At the time this training power point was developed, TaxSlayer was still working on changes in the Health Insurance Section.

Beginning in 2019 there is no longer a Shared Responsibility Payment. The only time the Health Insurance section must be completed is if the taxpayer had insurance through the Marketplace.
Yellow Arrow -

Yes – You will only have to enter the annual totals on the next screen

No – You will need to enter each monthly amount in all three columns of Form 1095A
Enter Annual totals if columns have the same amount for each month.
If even only one column is different you must enter information in each box. Some taxpayers may not have Marketplace insurance for the whole year and therefore some boxes will be empty.
<table>
<thead>
<tr>
<th><strong>Affordable Care Act</strong></th>
</tr>
</thead>
</table>

**Form 1095-B**
- Issued by Medicare, Medicaid, insurances and others to individuals with this coverage.

**Form 1095-C**
- Issued only by large employers (employers with 50 or more full-time employees.)

**TEST** — Shared Responsibility Payment for 2019 is $0. Always need Form 1095A if TP has insurance through the Marketplace.

At the time this training was designed, it was unknown as to whether Forms 1095-B and 1095-C will be required.
Refund/Balance Due

Refund

- May receive a paper check
- May have refund direct deposited to a checking or savings account
  - Use routing and account numbers from check, not deposit slip – check and double check this info
- May have refund direct deposited to more than one account
  - Form 8888
- May purchase Treasury Bonds
  - Form 8888

4012 – Tab K

- You do not have to keep a cancelled check. Make sure the taxpayer’s name is on the account.

- Need to see check. Don’t use deposit slip because sometimes the routing number on a deposit slip is not the same as on a check. Don’t let them give you the number from memory. If money goes into wrong account it is difficult, if not impossible to reverse.

- Can use account info from prior year return if still correct.

- May buy Treasury Bonds in $50 increments for you or someone else.
Refund/Balance Due

Balance Due

- E-file return and pay tax before due date
  - Payment methods
    - Check or money order
    - Direct debit from checking or savings account
    - IRS Direct Pay - Free
    - Credit Card – There is a fee for this.

- Request a Full Pay Within 120 Day Agreement
  - No user fee, but penalty and interest are charged for amounts paid after due date

- Installment Agreement Request
  - Form 9465
  - A fee is charged if the request is granted
### Refund/Balance Due

- Tax penalty for underpayment of taxes
  - Software calculates this amount

- Ways to avoid a balance due
  - Paycheck Check-up
  - Adjust withholding exemptions on W-4 with employer or W-4P with pension providers
  - Can request federal tax be withheld from Social Security Benefits
  - Pay estimated taxes

---

4012 – Tab K
The Summary Print page appears after you enter all information for the return, or any time you open the return after the initial creation.

Upper right pointing yellow arrow – Select “Continue” to go to the e-file section of TaxSlayer.

Lower left pointing yellow arrow – You can click on any of the blue boxes and you will be taken to that section of TaxSlayer. Example: You are working with a client and they remember they have another W2. You complete what you can that day. When they return and you open their return, Summary Print will be seen on the screen. Select the blue box for wages and you will go to the W2 section of TaxSlayer.
4012, Tabs K

Options for Drop Down:

Refunds:
- E-file Paper Check
- E-file Direct Deposit
- Paper return with direct deposit
- Paper return

Balance Due:
- E-file Mail Payment
- E-file Direct Debit
- Paper Return

4012, Tab K
If taxpayer wants refund split between accounts, you can enter other bank information below Bank Account 1. Also, this is where you will find the option to purchase Savings Bonds.

**Yellow Arrow** – Allows you to direct the full amount of the refund to be deposited into this account.
E-file Section of TaxSlayer

Consent to Disclose Tax Return Information to VITA/TTD Tax Prep Sites

Defined Terms

VITA is an acronym for the Volunteer Income Tax Assistance Program, a program that provides free tax preparation services to taxpayers with low incomes.

TDD is an acronym for Telecommunications Device for the Deaf, a device that allows individuals who are deaf or hard-of-hearing to communicate over the telephone.

Consent to Disclose Tax Return Information to VITA/TTD Tax Prep Sites

VITA/TTD is an acronym for various organizations that provide free tax preparation services.

What information will be disclosed? A taxpayer's consent to disclose their tax return information to VITA/TTD tax preparers is necessary to ensure the accessibility of tax preparation services to low-income taxpayers.
In the Nashville area we will have additional questions to answer.

There will also be a “Consent” section that is not in Practice Lab.
Completing the Return

Quality Review

- All Volunteers must have each return prepared quality reviewed by a qualified peer or designated quality reviewer. Quality reviewers must be certified at or above the certification level of the return.

TEST – If preparer tells taxpayer something wrong and marks it as such on Intake Sheet and in software, the Quality Reviewer may not know about it and might miss it during review. Only the preparer who misinformed the taxpayer is violating the Volunteer Standards of Conduct.

Example – Volunteer tells taxpayer cash income doesn’t have to be reported on Schedule C and IRS will never find out. Volunteer does not report cash income. During quality review QR assumes taxpayer has no other income but what has been entered in software. Only volunteer preparer violated the Volunteer Standards of Conduct.

Self review is not acceptable even if all other quality reviewers are busy.

Quality reviews help ensure the preparation of an accurate return.

Make sure taxpayer knows that he/she is responsible for the information of their return.

Taxpayer should not be asked to sign return until after the quality review and after being advised that he/she is responsible for the accuracy of the information on the return.

4012- Tab K
Completing the Return

FINAL REVIEW

After printing return:

- **Review** the return with the taxpayer using the printed return.
  - Check names, address, SSNs and/or ITNs.
  - Check and double check routing and account numbers when refund is to be direct deposited.
  - Make sure the taxpayer doesn’t have any questions about the return.
  - Mark the Intake Form to indicate completion.

- **Explain the Consent Forms.** (Consent Form and 8879) – Explain to the taxpayer they are responsible for the accuracy of the information on the return. If there are no other questions, have taxpayer, taxpayer and spouse if MFJ, sign Consent Form and both Forms 8879.
Completing the Return

ASSEMBLING THE RETURN

- **Taxpayer’s Copy** - Put taxpayer’s copy of return in large envelope. Write their name(s) and tax year at top.
  - Remember if this is a paper return, the taxpayer should get two copies of the return – one for their records and one to be mailed to the IRS. W2s/1099Rs should be attached to front of Form 1040. Site keeps no paperwork for paper returns.

- **Assemble VITA Documents for E-filed Returns** – Many sites will keep the following documents:
  1. Form 8879
  2. Federal Copies of W-2’s, 1099Rs, and a copy of any other income documents showing federal income tax withheld. (You will need to make a copy of some documents because the taxpayer needs a copy too.)
  3. Intake and Interview Form

**E-filed returns** – Give taxpayer a copy of all forms associated with his/her return.

4012, Tab K-12

**Assemble VITA Documents** – To assemble documents, the income documents should be stapled to the middle left side of Form 8879. The Intake Sheet should be stapled behind the 8879. Your site may have a slightly different way to assemble the documents we keep.

Even though the IRS no longer requires the sites to keep Form 8879 or copies of the W-2’s, it will be easier for site coordinators to work on rejects if they have these documents. They can be shredded at the end of the tax season.

**Paper Returns** – Staple all W2s and other income documents with federal income tax withheld (1099R, 1099INT, etc.) to middle of first page of Form 1040. Make sure taxpayer, and spouse if applicable, signs the second page of Form 1040 before mailing. Some sites have envelopes and labels for the taxpayer to use when mailing a paper return.
Completing the Return

FINAL STEPS

- Taxpayers can go to [www.irs.gov/refund](http://www.irs.gov/refund) to check on refund.
  - In an effort to decrease claims for fraudulent refunds, any refund that includes Earned Income Credit or Additional Child Tax Credit will not be issued until after February 15, 2020.
  - Most other refunds will be issued within 21 days of acceptance of the return by the IRS.

- Show taxpayers with a balance due how to pay tax with Form 1040V. Review other payment options with them. Also, review ways to avoid this in future years.

- Thank taxpayer for coming to the VITA site.