# 4012

## VITA/TCE Volunteer Resource Guide

**Volunteer Income Tax Assistance (VITA) / Tax Counseling for the Elderly (TCE)**

**2011 RETURNS**

Take your VITA/TCE training online at **www.irs.gov** (keyword: Link & Learn Taxes). Link to the Practice Lab to gain experience using tax software and take the certification test online, with immediate scoring and feedback.

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**How to Get Technical Updates?**

**Updates to the volunteer training materials will be contained in Publication 4491X, VITA/TCE Training Supplement mid-December. To access this publication, in the upper right hand corner of www.irs.gov, type in "Pub 4491X" in the search field.**

**During the tax season Volunteer Tax Alerts will be issued periodically. Type "volunteer alerts", in the search field to access all tax alerts.**

IRS

## Volunteer Standards of Conduct

## VITA/TCE Programs

The mission of the VITA/TCE return preparation programs is to assist eligible taxpayers in satisfying their tax responsibilities by providing free tax return preparation. To establish the greatest degree of public trust, volunteers are required to maintain the highest standards of ethical conduct and provide quality service.

All VITA/TCE volunteers must complete the Volunteer Standards of Conduct Training and sign Form 13615, Volunteer Standards of Conduct Agreement prior to working at a VITA/TCE site. In addition, return preparers, quality reviewers, and VITA/TCE tax law instructors must certify in tax law prior to signing this form. This form is not valid until the site coordinator, sponsoring partner, instructor, or IRS contact confirms the volunteer's identity and signs the form.

As a volunteer participant in the VITA/TCE Programs, I will:

1) Follow the Quality Site Requirements (QSR).
2) Not accept payment or solicit donations for federal or state tax return preparation.
3) Not solicit business from taxpayers I assist or use the knowledge I gained (their information) about them for any direct or indirect personal benefit for me or any other specific individual.
4) Not knowingly prepare false returns.
5) Not engage in criminal, infamous, dishonest, notoriously disgraceful conduct, or any other conduct deemed to have a negative effect on the VITA/TCE Programs.
6) Treat all taxpayers in a professional, courteous, and respectful manner.

Failure to comply with these standards could result in, but is not limited to, the following:

- Removal from the VITA/TCE Programs and inclusion on volunteer registry;
- Deactivation of your Partner's VITA/TCE EFIN (electronic ID number);
- Removal of all IRS products, supplies, loaned equipment, and taxpayer information;
- Termination of the sponsoring organizations partnership with IRS;
- Termination of sponsoring organization grant funds; and
- Subjection to criminal investigations.

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## Confidentiality Statement:

**All tax information you receive from taxpayers in your VOLUNTEER capacity is strictly confidential and should not, under any circumstances, be disclosed to unauthorized individuals.**

# Table of Contents – Tax Law


Volunteer Standards of Conduct ..... Inside Front Cover
Volunteer Agreement..... Inside Front Cover
How to Use This Guide.....3
Are You Ready to Get Started?.....3
Scope of Service Chart.....4
The Five-Step Interview Process.....6
You – The Taxpayer & The IRS .....7
Form 13614-C Job Aid for Volunteers.....8
Quality Site Requirements.....12

**Tab A: Who Must File**
Chart A – For Most People Who Must File ..... A-1
Chart B – For Children and Other Dependents..... A-2
Chart C – Other Situations When You Must File..... A-3
Chart D – Who Should File ..... A-3
Decision Tree – Determining Residency Status..... A-4

**Tab B: Filing Status**
Decision Tree – Determination of Filing Status..... B-1
Interview Tips – Filing Status ..... B-2
Tip – Head of Household-Qualifying Person..... B-3

**Tab C: Exemptions/Dependency**
Tip – Exemptions ..... C-1
Tip – Exemption Chart ..... C-1
Interview Tips – Personal Exemptions..... C-2
Tip – Claiming an Exemption for a Dependent ..... C-3
Tip – Qualifying Child of More Than One Person ..... C-3
Interview Tips – Exemption for Qualifying Child..... C-4
Interview Tips – Exemption for Qualifying Relative.... C-5
Interview Tips – Divorced/Separated Parents..... C-7
Worksheet – Determining Support..... C-8

**Tab D: Income**
Tip – Examples of Taxable Income..... D-1
Tip – Examples of Non-Taxable Income..... D-1
Tip – Armed Forces Gross Income ..... D-2
Tip – Scholarship and Fellowship Payments ..... D-3
Publication 4731 –
Cancellation of Debt Screening Sheet..... D-4

**Tab E: Adjustments**
Health Saving Account Helpful Hints ..... E-1
Screening for Health Savings Account..... E-2
Tip – Alimony Requirements (after 1984) ..... E-3
Tuition and Fees Deduction ..... E-3
Tip – MAGI on IRA – with Retirement Plan..... E-4
Tip – MAGI on IRA – No Retirement Plan..... E-4
Tip – Overview Student Loan Interest..... E-5
Tip – MAGI – Student Loan Interest..... E-5

**Tab F: Deductions**
Travel Expenses ..... F-1
Entertainment Expenses..... F-2
50% Limit ..... F-3
Transportation Expenses ..... F-4
Recordingkeeping ..... F-5
Interview Tips – Standard Deduction ..... F-6
Tip – Standard Deduction – Most People ..... F-6
Tip – Standard Deduction Chart for People Born
Before January 2, 1947 or Who Are Blind ..... F-7
Interview Tips – Itemized Deductions ..... F-8

**Tab G: Credits**
Tip – Child and Dependent Care Expenses.....G-1
Decision Tree – Child and Dependent Care .....G-2
Interview Tips – Education Credits.....G-3
Decision Tree – Credit for the Elderly or Disabled.....G-5
Decision Tree – Retirement Savings Credit.....G-6
Tip – Child Tax Credit and Additional Child Tax
Credit.....G-7
Interview Tips – Child Tax Credit .....G-8
Tip – Energy Credits .....G-9

**Tab H: Earned Income Credit**
Tip – Earned Income for the EIC.....H-1
Tip – EIC Common Errors.....H-1
Tip – Summary of EIC & Disallowance .....H-2
Interview Tips – EIC General Eligibility .....H-3
Interview Tips – EIC with Qualifying Child (QC).....H-4
Interview Tips – EIC without QC .....H-5
Tip – Qualifying Child of More than One Person .....H-5

**Finishing the Return**
PIN Guidelines .....12-1
Return Signature.....12-3
Power of Attorney.....12-4
Direct Deposit.....12-5
Balance Due Returns.....12-6
Distributing Copies of the Return .....12-7
Check Your Work — The Quality Review .....12-8
Amended Returns .....12-9

**References**
Highlights of Education Tax Benefits .....13-1
Useful Publications and Forms .....13-2
Frequent Taxpayer Inquiries .....13-3
Index .....13-7

**Contact Information for Volunteers**...Inside Back Cover

**2012 IRS e-file Refund Cycle Chart** ..... Back Cover

# Table of Contents – TaxWise® (Using Form 1040 Only)

## TaxWise®


### Tab 1. Starting TaxWise®
TaxWise® Form – Based Flow Chart....1-1
Electronic Filing of Returns with Valid ITIN....1-1
Apply for an ITIN....1-2
Creating a Temporary ITIN....1-2
Completing a Return in TaxWise....1-3
Taxpayer Identification Numbers & Last Name....1-4
TaxWise® Log in Screen....1-6
Starting a New Return....1-6
Quick Reference....1-7
Toolbars....1-7
Main Information Screen....1-8

### Tab 2. TaxWise® Income
Income....2-1
How/Where to Enter Income....2-2
Form W-2 Instructions....2-3
How to Enter Tips....2-4
Schedule B – Interest....2-4
Schedule B – Ordinary Dividends....2-6
Dividend Statement....2-6
Schedule C-EZ Business Income....2-7
Schedule C Business Income....2-8
Schedule D – Capital Gains/Losses....2-10
1099-R Pension and Annuity Income....2-17
1099-R Exclusion Worksheet....2-18
RRB, CSA, & SSA Benefit....2-19
1099-R Entry Variations....2-20
Schedule E–Rental Income and Loss (Military Only)....2-21

### Tab 3. TaxWise® Adjustments to Income
Form 1040 – Adjustments to Income....3-1

### Tab 4. TaxWise® Deductions
Form 1040, Page 2 – Deductions....4-1
Schedule A – Itemized Deductions....4-2
Schedule A Detail (Medical & Contributions)....4-4

### Tab 5. TaxWise® Nonrefundable Credits
Nonrefundable Credits....5-1
Form 1116 — Foreign Tax Credit....5-2
Form 2441 — Child and Dependent Care Credit....5-3
Form 8863 — Education Credits....5-4
Retirement Savings Contribution Credit....5-5

### Tab 6. Other Taxes and Payments
Form 1040, Page 2 – Other Taxes and Payments....6-1
Electronic Funds Withdrawal....6-3
Direct Debit....6-3
Form 5329....6-4
Schedule EIC....6-5
Schedule EIC Worksheet....6-6
Split Refund....6-7
Filing for an Extension....6-7


## TaxWise® Online (TWO)


### Tab 7. Starting TaxWise® Online
Setting up TWO....7-1
Logging on to TWO the First Time....7-1
The TWO Homepage....7-2
TWO Shortcuts....7-2

### Tab 8. Creating Returns
Creating a New Return....8-1
The TaxWise® Online Interview....8-2
Navigating The Tax Return....8-5
Linking to a Form....8-5
The TaxWise® Online Forms....8-6
TaxWise® Online Tool Bar....8-7
Basic Steps in Preparing a Tax Return Using TaxWise® Online....8-8

### Tab 9. Adding Forms
Adding Forms to a Return....9-1
Additional Dependent Worksheet....9-2

### Tab 10. Diagnostics
Setting the Return Stage....10-1
Running Diagnostics....10-2

### Tab 11. Printing the Return
Printing the Active Tax Return....11-1
Printing from the User Homepage....11-3

### Tab 12. Finishing the Return
PIN Guidelines....12-1
Return Signature....12-3
Power of Attorney....12-4
Direct Deposit....12-5
Balance Due Returns....12-6
Distributing Copies of the Return....12-7
Check Your Work — The Quality Review....12-8
Amended Returns....12-9

### Tab 13. References
Highlights of Education Tax Benefits....13-1
Useful Publications and Forms....13-2
Frequent Taxpayer Inquiries....13-3
Index....13-7

**Contact Information for Volunteers**....Inside Back Cover

**2011 IRS e-file Refund Cycle Chart**....Back Cover

# How to Use This Guide

This publication is designed to assist you in preparing an accurate paper or software-prepared return using TaxWise®.* It is divided into three major sections—Tax Law, TaxWise®, and TaxWise® Online. The white tabs contain tax law in the form of decision trees, charts, and interview tips. The yellow tabs contain step-by-step procedures for electronic return preparation using TaxWise® software. The blue tabs contain information specific to users of the web-based option for TaxWise®.

The decision trees and interview tips in the Tax Law section are from your training materials and Publication 17, Your Federal Income Tax Guide (For Individuals). Use these tools during the dialogue with the taxpayer—"ask the right questions; get the right answers." ***NOTE: Publication 17 can be linked and researched electronically via WWW.IRS.gov***.

Also available via **WWW.IRS.gov** is the Interactive Tax Assistant (ITA), which is an excellent tool to guide you through answers to tax law questions.

**TaxWise® Online users should take advantage of both the yellow and blue tabs since material that is universal for both forms of TaxWise® is presented in the yellow tab section.**

# Are You Ready to Get Started?

Complete this assessment by entering a check mark in the box for "Yes." Resolve all "No" (unchecked boxes) responses with your site coordinator before assisting taxpayers.

1. Have you signed:
   [ ] a. The Volunteer Agreement/ Standards of Conduct (Form 13615)?
   [ ] b. The Property Loan Agreement (if applicable) (Form 13632)?
2. Do you know the following:
   [ ] a. Your duties at the site?
   [ ] b. Site contacts (emergency, reporting delays, technical issues, etc.)?
   [ ] c. When you are expected at the site?
   [ ] d. Your site identification number (SIDN)?
3. Do you have your:
   [ ] a. Volunteer Resource Guide (Publication 4012)?
   [ ] b. Guide to Federal Income Tax (Publication 17)?
   [ ] c. Wallet Card (Form 13645) depicting your certification level (if applicable)?
4. Are the following items at the site:
   [ ] a. Intake and Interview Sheets (Form 13614-C)?
   [ ] b. Returns forms, schedules, worksheets, etc. with the site SIDN preprinted on them?

**Volunteer Tax Alerts (VTA) and Quality Site Requirement Alerts (QSRA)**

VTA and/or QSRA will address any trends found by Quality Statistical Sample (QSS) Reviewer, Treasury Inspector General Tax administration (TIGTA), or SPEC Shopping reviews. You can go to www.**irs.gov**—keyword: Volunteer Tax Alerts. Your site coordinator is required to share these messages with you.

***TaxWise® is a copyrighted software program owned by CCH Small Firm Services (CCH). The screen shots in this publication should not be extracted, copied, or distributed without written approval of the IRS.**

**Note:**

1. **Some of the TaxWise® screen shots in this guide may not be updated for current tax law. Generally, the screens depicted mirror the current year's version. However, there are some instances where there are embedded references to earlier tax years.**
2. **Not all forms are authorized for all volunteer programs. Forms intended specifically for the Military VITA Program will be annotated as such. Volunteers should only provide tax assistance based on their level of certification—basic, intermediate, advanced, military, or international.**

# Scope of Service - Form 1040 Line Entries by Certification Level

Certification Level Indicators/Legend

Basic - **A** | Intermediate - **B** | Advanced - **C** | Military - **D** | International - **E** | **Out of Scope** **OFS** | **Link & Learn Taxes** **L&LT**

Form **1040** Department of the Treasury—Internal Revenue Service (99) **U.S. Individual Income Tax Return** 2011 OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2011, or other tax year beginning , 2011, ending , 20 See separate instructions.

Your first name and initial | Last name | Your social security number

Entire Section All

If a joint return, spouse's first name and initial | Last name | Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. | Apt. no. | ▲ Make sure the SSN(s) above and on line 6c are correct.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).

Presidential Election Campaign: Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse

Foreign country name | Foreign province/county | Foreign postal code

**Filing Status** Entire Section All

1 ☐ Single
2 ☐ Married filing jointly (even if only one had income)
3 ☐ Married filing separately. Enter spouse's SSN above and full name here. ▶
4 ☐ Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child

box.

**Exemptions** All

6a ☐ **Yourself.** If someone can claim you as a dependent, **do not** check box 6a
b ☐ **Spouse**

Boxes checked on 6a and 6b

c **Dependents:**

| (1) First name Last name | (2) Dependent's social security number | (3) Dependent's relationship to you | (4) ✓ if child under age 17 qualifying for child tax credit (see instructions) |
|---|---|---|---|
| | | | ☐ |
| | | | ☐ |
| | | | ☐ |
| | | | ☐ |

If more than four dependents, see instructions and check here ▶ ☐

No. of children on 6c who:
- lived with you
- did not live with you due to divorce or separation (see instructions)

Dependents on 6c not entered above

d Total number of exemptions claimed

Add numbers on lines above ▶

**Income**

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a W-2, see instructions.

Enclose, but do not attach, any payment. Also, please use **Form 1040-V.**

| | | | | | |
|---|---|---|---|---|---|
| 7 | Wages, salaries, tips, etc. Attach Form(s) W-2 | | | 7 | All |
| 8a | **Taxable** interest. Attach Schedule B if required | | | 8a | All |
| b | **Tax-exempt** interest. **Do not** include on line 8a | 8b | All | | |
| 9a | Ordinary dividends. Attach Schedule B if required | | | 9a | All |
| b | Qualified dividends | 9b | All | | |
| 10 | Taxable refunds, credits, or offsets of state and local income taxes | | | 10 | B-E |
| 11 | Alimony received | | | 11 | B-E |
| 12 | Business income or (loss). Attach Schedule C or C-EZ | | | 12 | B-E Limited |
| 13 | Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐ | | | 13 | C-E |
| 14 | Other gains or (losses). Attach Form 4797 | | | 14 | OFS |
| 15a | IRA distributions | 15a | B-E | b Taxable amount 15b | B-E |
| 16a | Pensions and annuities | 16a | B-E | b Taxable amount 16b | B-E |
| 17 | Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E | | | 17 | C-E Limited |
| 18 | Farm income or (loss). Attach Schedule F | | | 18 | OFS |
| 19 | Unemployment compensation | | | 19 | All |
| 20a | Social security benefits | 20a | All | b Taxable amount 20b | All |
| 21 | Other income. List type and amount | | | 21 | Special Certification L&LT |
| 22 | Combine the amounts in the far right column for lines 7 through 21. This is your **total income** ▶ | | | 22 | |

**Adjusted Gross Income**

| | | | | | |
|---|---|---|---|---|---|
| 23 | Educator expenses | 23 | B-E | | |
| 24 | Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ | 24 | D | | |
| 25 | Health savings account deduction. Attach Form 8889 | 25 | Special Certification L&LT | | |
| 26 | Moving expenses. Attach Form 3903 | 26 | D | | |
| 27 | Deductible part of self-employment tax. Attach Schedule SE | 27 | B-E | | |
| 28 | Self-employed SEP, SIMPLE, and qualified plans | 28 | OFS | | |
| 29 | Self-employed health insurance deduction | 29 | OFS | | |
| 30 | Penalty on early withdrawal of savings | 30 | All | | |
| 31a | Alimony paid b Recipient's SSN ▶ | 31a | B-E | | |
| 32 | IRA deduction | 32 | B-E | | |
| 33 | Student loan interest deduction | 33 | B-E | | |
| 34 | Tuition and fees. Attach Form 8917 | 34 | B-E | | |
| 35 | Domestic production activities deduction. Attach Form 8903 | 35 | OFS | | |
| 36 | Add lines 23 through 35 | | | 36 | |
| 37 | Subtract line 36 from line 22. This is your **adjusted gross income** ▶ | | | 37 | |

**For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.** Cat. No. 11320B Form **1040** (2011)

Draft as of 06/29/2011

# Scope of Service - Form 1040 Line Entries by Certification Level

Certification Level Indicators/Legend

| Basic - **A** | Intermediate - **B** | Advanced - **C** | Military - **D** | International - **E** | Out of Scope **OFS** | Link & Learn Taxes **L&LT** |
|---|---|---|---|---|---|---|

Form 1040 (2011) Page 2

**Tax and Credits**

| | | | | |
|---|---|---|---|---|
| 38 | Amount from line 37 (adjusted gross income) | | 38 | |
| 39a | Check if: ☐ **You** were born before January 2, 1947, ☐ Blind. ☐ **Spouse** was born before January 2, 1947, ☐ Blind. **Total boxes checked ▶ 39a** | | | All |
| b | If your spouse itemizes on a separate return or you were a dual-status alien, check here ▶ 39b ☐ | | | B-E |
| 40 | **Itemized deductions** (from Schedule A) **or** your **standard deduction** (see left margin) | | 40 | All; Some OFS |
| 41 | Subtract line 40 from line 38 | | 41 | |
| 42 | **Exemptions.** Multiply $3,700 by the number on line 6d | | 42 | All |
| 43 | **Taxable income.** Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- | | 43 | |
| 44 | **Tax** (see instructions). Check if any from: **a** ☐ Form(s) 8814 **b** ☐ Form 4972 **c** ☐ 962 election | | 44 | All; Some OFS |
| 45 | **Alternative minimum tax** (see instructions). Attach Form 6251 | | 45 | OFS |
| 46 | Add lines 44 and 45 ▶ | | 46 | |
| 47 | Foreign tax credit. Attach Form 1116 if required | 47 B-E | | |
| 48 | Credit for child and dependent care expenses. Attach Form 2441 | 48 All | | |
| 49 | Education credits from Form 8863, line 23 | 49 B-E | | |
| 50 | Retirement savings contributions credit. Attach Form 8880 | 50 All | | |
| 51 | Child tax credit (see instructions) | 51 All | | |
| 52 | Residential energy credits. Attach Form 5695 | 52 B-E | | |
| 53 | Other credits from Form: **a** ☐ 3800 **b** ☐ 8801 **c** ☐ | 53 OFS, Except Sch R - All | | |
| 54 | Add lines 47 through 53. These are your **total credits** | | 54 | |
| 55 | Subtract line 54 from line 46. If line 54 is more than line 46, enter -0- ▶ | | 55 | |

Standard Deduction for—
- People who check any box on line 39a or 39b **or** who can be claimed as a dependent, see instructions.
- All others:

Single or Married filing separately, $5,800

Married filing jointly or Qualifying widow(er), $11,600

Head of household, $8,500

**Other Taxes**

| | | | | |
|---|---|---|---|---|
| 56 | Self-employment tax. Attach Schedule SE | All OFS | 56 | B-E |
| 57 | Unreported social security and Medicare tax from Form: **a** ☐ 4137 **b** ☐ 8919 | | 57 | Form 4137 Only |
| 58 | Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required | | 58 | B-E |
| 59a | Household employment taxes from Schedule H | | 59a | OFS |
| b | First-time homebuyer credit repayment. Attach Form 5405 if required | | 59b | 27 B-E |
| 60 | Other taxes. Enter code(s) from instructions | | 60 | HSA only Special Certification L&LT |
| 61 | Add lines 55 through 60. This is your **total tax** ▶ | | 61 | |

**Payments**

If you have a qualifying child, attach Schedule EIC.

| | | | | |
|---|---|---|---|---|
| 62 | Federal income tax withheld from Forms W-2 and 1099 | 62 All | | |
| 63 | 2011 estimated tax payments and amount applied from 2010 return | 63 All | | |
| 64a | **Earned income credit (EIC)** | 64a All | | |
| b | Nontaxable combat pay election 64b All | | | |
| 65 | Additional child tax credit. Attach Form 8812 | 65 All | | |
| 66 | American opportunity credit from Form 8863, line 14 | 66 B-E | | |
| 67 | First-time homebuyer credit from Form 5405, line 10 | 67 B-E | | |
| 68 | Amount paid with request for extension to file | 68 All | | |
| 69 | Excess social security and tier 1 RRTA tax withheld | 69 All | | |
| 70 | Credit for federal tax on fuels. Attach Form 4136 | 70 OFS | | |
| 71 | Credits from Form: **a** ☐ 2439 **b** ☐ 8839 **c** ☐ 8801 **d** ☐ 8885 | 71 OFS | | |
| 72 | Add lines 62, 63, 64a, and 65 through 71. These are your **total payments** ▶ | | 72 | All |

**Refund**

Direct deposit? See instructions.

| | | | | |
|---|---|---|---|---|
| 73 | If line 72 is more than line 61, subtract line 61 from line 72. This is the amount you **overpaid** | | 73 | All |
| 74a | Amount of line 73 you want **refunded to you.** If Form 8888 is attached, check here ▶ ☐ | | 74a | All |
| ▶ b | Routing number ▶ **c** Type: ☐ Checking ☐ Savings | | | |
| ▶ d | Account number | | | |
| 75 | Amount of line 73 you want **applied to your 2012 estimated tax** ▶ | 75 All | | |

**Amount You Owe**

| | | | | |
|---|---|---|---|---|
| 76 | **Amount you owe.** Subtract line 72 from line 61. For details on how to pay, see instructions ▶ | | 76 | All |
| 77 | Estimated tax penalty (see instructions) | 77 OFS | | |

**Third Party Designee**

Do you want to allow another person to discuss this return with the IRS (see instructions)? ☐ **Yes.** Complete below. ☐ **No**

Designee's name ▶ All Phone no. ▶ Personal identification number (PIN) ▶

**Sign Here**

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See instructions. Keep a copy for your records.

| Your signature | Date | Your occupation | Daytime phone number |
|---|---|---|---|
| All | | | |
| Spouse's signature. If a joint return, **both** must sign. | Date | Spouse's occupation | |

**Paid Preparer Use Only**

| Print/Type preparer's name | Preparer's signature | Date | Check ☐ if self-employed | PTIN |
|---|---|---|---|---|
| All | | | | |
| Firm's name ▶ | | Firm's EIN ▶ | | |
| Firm's address ▶ | | Phone no. | | |

Form **1040** (2011)

Draft as of 10/25/2011

# The Five-Step Interview Process

| interview steps | Goal | Suggested Actions |
|---|---|---|
| step 1 | **Cultivate a comfortable environment and put the taxpayer at ease.** | · Introduce yourself; engage in small talk (discuss the weather, difficulty in locating the site, apologize if long wait, etc.).<br>· Explain the tax return preparation process—the interview, how the information they provide will assist you in determining whether they must file a return, their eligibility for tax credits, etc.<br>· Allow the taxpayers to share any expectations, needs, and/or concerns by asking whether they have questions before beginning and encouraging them to ask questions throughout the process.<br>· Be friendly and respectful and speak clearly and simply. |
| step 2 | **Use active listening skills.** | · Use nonverbal cues such as nodding, smiling appropriately, and making eye contact.<br>· Listen, then respond by restating, paraphrasing, and/or encouraging further dialogue. |
| step 3 | **Review the taxpayer's responses to the intake questions on Form 13614-C.** | · Verify that all questions on (Form 13614-C) have been addressed and answered correctly. If the taxpayer checked the "Unsure" box, provide clarification and update response to "Yes" or "No".<br>· All corrections to taxpayer's information should be annotated on the approved intake and interview sheet prior to completing the return.<br>· Ask probing questions to clarify issues.<br>· Review all the information documents presented by the taxpayer including W-2s, 1099s, 1098s, etc.<br>· When you start the interview, use one or two open-ended questions, for example, 'Was there anyone else who lived in your home besides the people listed on this form'; this is essential information for determining Head of Household filing status.<br>· If the taxpayer's return does not fall within the scope of the program, (1) courteously explain that volunteer services are limited to those who fall within the scope of the program, (2) encourage the taxpayer to use the intake sheet in working with another tax service, and (3) thank the taxpayer for coming and express regret you cannot assist them. |
| step 4 | **Working with the taxpayer, complete the critical intake questions on (page 4 of Form 13614-C).** | · Don't assume—use the interview tips and decision trees in Publication 4012 to confirm:<br>  · Marital status (filing status)<br>  · Number of qualifying exemptions<br>  · Eligibility for child tax credit<br>  · Eligibility for the earned income credit |
| step 5 | **Advise taxpayer of the next steps.** | · Restate the return preparation process, quality review procedures, signature and recordkeeping requirements, etc. Make sure you have good contact information in case there are electronic filing issues. |

## You – The Taxpayer & The IRS

You can prevent or minimize taxpayer interactions with the IRS by:

1. Understanding the taxpayer's tax situation before preparing their return
2. Allowing the taxpayer adequate time and provide directions (if requested) for completing pages 1, 2, and 3 of the Form 13614-C
3. Conducting a probing interview with the taxpayer to confirm the accuracy and completeness of their entries on Form 13614-C before making any entries on their return
4. Annotating your findings and determinations from the interview on the Form 13614-C
5. Reviewing your work before submitting it to the quality reviewer (check the return for the common errors)

## What happens to taxpayers when incorrect returns are filed with the IRS?

The IRS will contact taxpayers by mail or telephonically to correct or notify them of errors or omissions on their return.

Potential impact of an inaccurate return on taxpayers:

1. Reduced refund
2. Delayed refund
3. Additional tax liabilities
4. Interest and other penalties
5. Notices from IRS for documentation to verify certain entries on their return
6. Time-off from work to gather the required documentation, residency documentation, birth certificates, social security records, etc. and meeting with the IRS
7. Months of dialogues and interactions with the IRS
8. Loss of wages (due to unplanned leave or loss of employment)

Some common errors:

1. Incorrect or missing social security numbers/ITIN
2. Incorrect tax entered based on taxable income and filing status
3. Computation errors in figuring the taxable income, withholding and estimated tax payments, Earned Income Credit, Standard Deduction for age 65 or over or blind, the taxable amount of social security benefits, and Child and Dependent Care Credit. Also, missing or incorrect identification numbers for employers and child care providers
4. Withholding and estimated tax payments entered on the wrong line, and
5. Math errors - both addition and subtraction

## For additional guidance

IRS.gov (Keyword: common errors)

IRS.gov (Keyword: Partner and Volunteer Resource Center)

# Form 13614-C Job Aid for Volunteers

*Name as shown on Social Security records; see Pub 4012, TAB 1 for information about hyphenated or double names*

*Current address where taxpayer will receive refund and/or other correspondence about the return*

*Job or Situation (e.g. retired, student)*

*Taxpayer must include everyone (except taxpayer and spouse) who lived in the taxpayer's home and everyone the taxpayer supported who lived elsewhere.*

*List names as shown on Social Security records; see Pub 4012, TAB 1 for information about hyphenated or double surnames.*

*Verify date each person was born. Note: Incorrect birth dates may result in rejection of e-file.*

*If no, use Pub 4012, Determining Residency Status Decision Tree to verify that taxpayer and/ or spouse meet requirements to be U.S. residents for tax purposes.*

*Refer to Pub 17, Chapter 20, for definition of "Legally Blind".*

*Use Pub 4012, TAB C, Interview Tips to verify dependency status of taxpayer and spouse.*

*See Pub 4012, TAB B, Interview Tips for definition of marriage recognized by the federal government for tax purposes.*

*Review page 3 to see if taxpayer has provided additional information. Use page 4 to record interview notes.*

*If not a US citizen, determine residency for tax purposes. See Pub 4012, Determining Residency Status-Decision Tree.*

*Verbally confirm the number of months each person listed lived in the taxpayer's home.*

Form **13614-C** (6-30-2011)

Department of the Treasury – Internal Revenue Service

## Intake/Interview & Quality Review Sheet

**OMB #**

**Section A. You should complete Pages 1-3**

Thank you for allowing us to prepare your tax return. **You are responsible for the information on your return so please provide complete and accurate information to the certified tax preparer.** If you have any questions please ask your preparer.

**You will need your:**

- Tax information such as Forms W-2s, 1099s, 1098s.
- Social security cards or ITIN letters for you and all persons on your tax return.
- Proof of Identity (such as a valid drivers license or other government issued picture ID).

### Part I. Your Personal Information

| | | | |
|---|---|---|---|
| 1. Your First Name | M. I. | Last Name | Are you a U.S. Citizen? ☐ Yes ☐ No |
| 2. Spouse's First Name | M. I. | Last Name | Is spouse a U.S. Citizen? ☐ Yes ☐ No |

| | | | | |
|---|---|---|---|---|
| 3. Mailing Address | Apt# | City | State | Zip Code |

4. Contact Information
Phone: Cell Phone: E-mail:

| | | |
|---|---|---|
| 5. Your Date of Birth | 6. Your Job Title | Are you: 7. Legally Blind ☐ Yes ☐ No<br>8. Totally and Permanently Disabled ☐ Yes ☐ No |
| 9. Spouse's Date of Birth | 10. Spouse's Job Title | Is Spouse: 11. Legally Blind ☐ Yes ☐ No<br>12. Totally and Permanently Disabled ☐ Yes ☐ No |

13. Can anyone claim you or your spouse on their tax return? ☐ Yes ☐ No ☐ Unsure

### Part II. Marital Status and Household Information

1. As of December 31, 2011, were you?
   - ☐ Single
   - ☐ Married: Did you live with your spouse during any part of the last six months of 2011? ☐ Yes ☐ No
   - ☐ Divorced or Legally Separated: Date of final decree or separate maintenance agreement: _____
   - ☐ Widowed: Year of spouse's death: _____

2. List names below of everyone who lived in your home in 2011 (other than you or spouse). Also list anyone who lived outside of your home that you supported during 2011. If additional space is needed please check here ☐ and list on page 3.

| Name (first, last) Do not enter your name or spouse's name below. (a) | Date of Birth (mm/dd/yy) (b) | Relationship to you (e.g. daughter, son, mother, sister, none) (c) | Number of months lived in your home in 2011 (d) | US Citizen or resident of US Canada or Mexico in 2011 (yes/no) (e) | Marital Status as of 12/31/11 (S/M) (f) | Full-time student in 2011 (yes/no) (g) | Received less than $3700 income in 2011 (yes/no) (h) |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

**Volunteers assisting with preparing your return are trained to provide high quality service and uphold the highest ethical standards.**

To report unethical behavior to IRS, **email us at wi.voltax@irs.gov** or **call toll free 1-877-330-1205.**

**To check the status of your REFUND visit "Where's My Refund?" on www.irs.gov or call 1-800-829-1954 for assistance.**

Catalog Number 52121E Form **13614-C**

1

Important Reminder: Review all information in Section A, Part II and Section B, Questions 1-5 before determining Filing Status and Dependency Exemptions. Use Pub 4012 TABs B and C to make your determinations.

Important Reminder: Do not refer taxpayers to the voltax email address or phone number for IRS help or refund information. Refer to the back cover of Pub 4012 for appropriate IRS phone numbers.

**Important Reminder:** During the interview explain and assist taxpayers with any items marked "Unsure" and mark them "Yes" or "No". Correct any taxpayer answers that do not correctly reflect all information established during interview of the taxpayer.

*Enter all W-2 information; see Pub 4012, TAB 4 for entry instructions*

*See Pub 4012, TAB D for information about (F1098-T)*

*If yes, determine if taxable*

*If yes, verify tips were reported to employer; if not, complete Form 4137*

*See Pub 4012, TAB E for alimony definition*

*Include only qualified unreimbursed expenses (Sch A); see Pub 17, Chapter 21*

*See Pub 4012, TABs G and 6; compare credits and adjustment*

*Check for tax benefits for declared disaster areas*

*Advise taxpayer of records requirements (Sch A); see Pub 17, Chapter 24*

*Taxpayer may have a requirement to repay their credit*

*If yes, ask taxpayer for provider's TIN, check "DC" box on TaxWise Main Info Sheet, and complete F2441*

*Student Loan Interest adjustment; See Pub 4012 TABs E and 3*

*Ask taxpayer for a copy of last year's return for necessary information*

**Section A. Please complete – check Yes, No or Unsure to all questions below. Please ask if you need help.**

**Part III. Income – In 2011, did you (or your spouse) receive:**

| Yes | No | Unsure | |
|---|---|---|---|
| ☐ | ☐ | ☐ | 1. Wages or Salary? (W-2) |
| ☐ | ☐ | ☐ | 2. Tip Income? |
| ☐ | ☐ | ☐ | 3. Scholarships? (W-2, F1098T) |
| ☐ | ☐ | ☐ | 4. Interest/Dividends from: checking/savings accounts, bonds, CDs, brokerage? (F1099INT, F1099DIV) |
| ☐ | ☐ | ☐ | 5. Refund of state/local income taxes? (F1099G) |
| ☐ | ☐ | ☐ | 6. Alimony Income? |
| ☐ | ☐ | ☐ | 7. Self-Employment payments (such as cash received for services, small business)? (F1099MISC) |
| ☐ | ☐ | ☐ | 8. Income (or loss) from the sale of Stocks, Bonds or Real Estate (including your home)? (F1099S, F1099B) |
| ☐ | ☐ | ☐ | 9. Disability Income (such as payments from insurance or workers compensation)? (F1099 R, W-2) |
| ☐ | ☐ | ☐ | 10. Distributions from Pensions, Annuities, and/or IRA? (F1099R) |
| ☐ | ☐ | ☐ | 11. Unemployment Compensation? (F1099G) |
| ☐ | ☐ | ☐ | 12. Social Security or Railroad Retirement Benefits? (FSSA1099) |
| ☐ | ☐ | ☐ | 13. Income (or loss) from Rental Property? |
| ☐ | ☐ | ☐ | 14. Other Income: (gambling, lottery, prizes, awards, jury duty, etc.)? (W-2G, F1099MISC) |

**Part IV. Expenses – In 2011, Did you (or your spouse) pay:**

| | | | |
|---|---|---|---|
| ☐ | ☐ | ☐ | 1. Alimony: If yes, do you have the recipient's SSN? ☐ Yes ☐ No |
| ☐ | ☐ | ☐ | 2. Contributions to a retirement account? ☐ IRA ☐ Roth IRA ☐ 401K ☐ Other |
| ☐ | ☐ | ☐ | 3. Educational expenses for yourself, spouse or dependents? (such as tuition, books, fees, etc.) (F1098T) |
| ☐ | ☐ | ☐ | 4. Unreimbursed employee business expenses (such as teacher supplies, uniforms or mileage)? |
| ☐ | ☐ | ☐ | 5. Medical expenses (including health insurance premiums)? |
| ☐ | ☐ | ☐ | 6. Home mortgage interest? (F1098) |
| ☐ | ☐ | ☐ | 7. Real estate taxes for your home or personal property taxes for your vehicle? (F1098) |
| ☐ | ☐ | ☐ | 8. Charitable contributions? |
| ☐ | ☐ | ☐ | 9. Child or dependent care expenses (such as daycare)? |

**Part V. Life Events – In 2011 Did you (or your spouse):**

| | | | |
|---|---|---|---|
| ☐ | ☐ | ☐ | 1. Have a Health Savings Account? (F5498SA, F1099SA) |
| ☐ | ☐ | ☐ | 2. Have debt from a mortgage or credit card canceled/forgiven by a commercial lender? (F1099C, F1099A) |
| ☐ | ☐ | ☐ | 3. Buy, sell or have a foreclosure of your home? |
| ☐ | ☐ | ☐ | 4. Have Earned Income Credit (EIC) disallowed in a prior year? If yes, for which tax year? |
| ☐ | ☐ | ☐ | 5. Purchase and install energy efficient home items? (such as windows, furnace, insulation, etc.) |
| ☐ | ☐ | ☐ | 6. Live in an area that was affected by a natural disaster? If yes, where? _____ |
| ☐ | ☐ | ☐ | 7. Receive the First Time Homebuyers Credit in 2008? |
| ☐ | ☐ | ☐ | 8. Pay any student loan interest? (F1098E) |
| ☐ | ☐ | ☐ | 9. Make estimated tax payments or apply last year's refund to your 2011 tax? If so how much? _____ |
| ☐ | ☐ | ☐ | 10. Attend school as a full time student? (Form 1098T) |
| ☐ | ☐ | ☐ | 11. Adopt a child? |
| ☐ | ☐ | ☐ | 12. File a 2010 federal tax return containing a "capital loss carryover" on Form 1040 Schedule D? |

**Presidential Election Campaign Fund:** (If you check a box, your tax or refund will not change.)

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

2

Important Reminder: On page 4, list the type and amount of any deductible and/or qualified expenses not shown on a source document

Important Reminder: On page 4, list the type and amount of any income not shown on a source document

*Answer should be input into Taxwise "preparer use fields" or as directed for other software.*

*Review taxpayer responses and provide additional information as needed.*

*All taxpayer comments and information should be reviewed before preparing tax return.*

## Additional Information and Questions related to the preparation of your return

**Many free tax preparation sites operate by receiving grant money. The data from the following questions may be used by this site to apply for these grants. Your answers will be used only for statistical purposes.**

**Other than English what language is spoken in the home?** _____

**Are you or a member of your household considered disabled?** ☐ **Yes** ☐ **No**

## If you are due a refund or have a balance due:

- Ask your preparer about Direct Deposit. It is the fastest, easiest way to receive your tax refund. An e-filed return means a fast refund. Taxpayers who combine e-file and Direct Deposit can get their refunds in as few as 10 days.
- Ask your preparer about purchasing Series I U.S. Savings Bonds with part or all of your tax refund. Savings bonds are a safe and secure way to invest in the future. Purchase I Bonds for yourself or others in multiples of $50 and earn interest for up to 30 years.

If you are due a refund, would you like a direct deposit? ☐ Yes ☐ No

If you are due a refund, would you like information on how to purchase U.S. Savings Bonds? ☐ Yes ☐ No

If you are due a refund, would you like information on how to split your refund between accounts? ☐ Yes ☐ No

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

**Additional comments:**

**STOP HERE!**

**Thank you for completing this form.**

**Please give this form to the certified volunteer preparer for use in preparing your return.**

**Your Civil Rights are Protected:** It is the Internal Revenue Service's mission to provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all. Under no circumstances will the Internal Revenue Service tolerate discrimination by its employees, grantees, contractors, and/or subcontractors. NO ONE shall be excluded from participating in, be denied the benefits of, or be subject to discrimination because of race, color, sex, national origin, disability, reprisal, or age in programs or activities funded by the Department of Treasury – Internal Revenue Service. Any person who believes that he/she has been discriminated against on the basis of race, color, sex, national origin, disability, reprisal or age in programs or activities receiving financial assistance (e.g. Low-Income Tax Clinics, Tax Counseling for the Elderly) from the Department of Treasury IRS, may submit a written complaint to: National Headquarters;Office of Equity, Diversity & Inclusion; Internal Revenue Service; Attn: Director, Civil Rights Division (External Civil Rights Team); 1111 Constitution Ave., NW Room 2422; Washington, DC 20224.

**Paperwork Reduction Act Notice**

The Paperwork Reduction Act requires that the IRS display an OMB control number on all public information requests. The OMB Control Number for this study is 1545-1964. Also, if you have any comments regarding the time estimates associated with this study or suggestion on making this process simpler, please write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, Washington, DC 20224.

3

Important Reminder:
The Certified Volunteer completes Section B while reviewing Section A and source documents with the taxpayer.

Section B does not have to be completed if there is no one listed in Part II Question 2.

Important Reminder:
Section C must be completed by a Quality Reviewer (minimum Intermediate certification) after the return is prepared. The taxpayer should be present. The return must be checked against Sections A and B, source documents and other information provided by the taxpayer.

*See Qualifying Child, Qualifying Relative and Tie-Breaker rules, Pub 4012, TAB C.*

*See EIC Qualifying Child, Pub 4012, TAB H and Child Dependent Care Credit Qualifying Person Pub 4012 Tab G.*

*See Qualifying Child, requirements, Pub 4012, TAB C.*

*See Qualifying Relative, requirements, Pub 4012, TAB C.*

*See Qualifying Person for Head of Household filing status, Pub 4012, TAB B.*

## Section B. For Certified Volunteer Preparer Completion

**Remember:** You are the link between the taxpayer's information and a correct tax return. Verify the taxpayer's information on pages 1& 2 is complete. All questions must be discussed with the taxpayer and all "Unsure" responses should be changed to "Yes" or "No".

**Must be completed by Certified Volunteer only if persons are listed in Part II Question 2** **Check if persons are listed in Part II Question 2** ☐

☐ Yes ☐ No 1. Can anyone else claim any of the persons listed in Part II, question 2, as a dependent on their return? **If yes, which ones:**

☐ Yes ☐ No 2. Were any of the persons listed in Part II, question 2, totally and permanently disabled? **If yes, which ones:**

☐ Yes ☐ No 3. Did any persons listed in Part II, question 2 provide more than 50% of their own support? **If yes, which ones:**

☐ Yes ☐ No ☐ N/A 4. Did the taxpayer(s) provide over half the support for any persons listed in Part II, question 2? **If yes, which ones:**

☐ Yes ☐ No 5. Did the taxpayer(s) pay over half the cost of maintaining a home for any of the persons in Part II, question 2? **If yes, which ones:**

**Reminders**

**Use Publication 4012, Volunteer Resource Guide and Publication 17, Your Federal Income Tax in making tax law determinations.**

## Section C. For Certified Quality Reviewer Completion

**Confirm each item after reviewing the tax return and verifying that it reflects correct tax law application to the information provided by the taxpayer.**

1. **Sections A & B** of this form are complete.
2. **Taxpayer's identity, address** and **phone numbers** were verified.
3. **Names, SSN or ITINs, and dates of birth** of **taxpayer, spouse** and **dependents** match the supporting documents.
4. **Filing Status** is correctly determined.
5. **Personal** and **Dependency Exemptions** are entered correctly on the return.
6. All **information** shown on source documents and noted in Section A, Part III is included on the tax return.
7. Any **Adjustments to Income** are correctly reported.
8. **Standard, Additional** or **Itemized Deductions** are correct.
9. All **credits** are correctly reported.
10. Withholding shown on Forms W-2, 1099 and **Estimated Tax Payments** are correctly reported.

**All tax law issues above have been addressed and necessary changes have been made.** ☐

**If direct deposit or debit was elected, checking/saving account and routing information match the supporting documents.** ☐

**Correct SIDN and EFIN are shown on the return.** ☐

**Additional Tax Preparer Notes:**

4

*All bank information must be verified to eliminate delayed refunds and prevent fraud.*

*Incorrect EFIN will cause tax return to be rejected.*

*Incorrect/missing SIDN will cause tax return to not be properly identified as a VITA/TCE returns.*

# Quality Site Requirements

**(Make this a header and insert before page 4 )**

The 10 requirements listed below have been identified as necessary to ensure taxpayers visiting VITA/TCE sites receive quality service and accurate return preparation.

1. **Certification:** All volunteers must complete the Volunteer Standards of Conduct Training and complete and sign Form 13615, *The Volunteer Standards of Conduct Agreement ÐVITA/TCE Programs*, prior to working at a VITA/TCE site.

   Volunteers who answer tax law questions, instruct (teach) tax law classes, prepare or correct tax returns and/or conduct quality reviews of completed tax returns must be certified. All VITA/TCE instructors and site quality reviewers must be certified at a minimum, at the intermediate level or higher (based on the complexity of the return). All site coordinators must be certified by taking site coordinatorsÕtraining.

2. **Intake/Interview Process: All sites** must use Form 13614-C, *Intake/Interview & Quality Review Sheet* for every return prepared. The electronic Form 13614-C, available through the TaxWise software interview module, may be used in lieu of the paper Form 13614-C.

3. **Quality Review Process:** All returns must be quality reviewed and discussed with the taxpayer **prior to** the taxpayer leaving the site. All sites must complete Form 13614-C, Section C, after completing the quality review process. The electronic Form 13614-C, Section C, available through the Tax Wise software interview module, may be used in lieu of the paper Form 13614-C.

4. **Reference Materials:** All sites must have **one copy** of the following reference materials available for use by volunteer return preparers and Quality Reviewers.
   - Publication 4012, *Volunteer Resource Guide*
   - Publication 17, *Your Federal Income Tax for Individuals*
   - Publication 3189, *Volunteer eÐfile Administration Guide*

5. **Volunteer Agreement:** All volunteers (preparers, quality reviewers, greeters, etc.) must complete the Volunteer Standards of Conduct Training and certify to their adherence by signing Form 13615, *The Volunteer Standards of Conduct Agreement ÐVITA/TCE Programs*, prior to working at a site. This form is not valid until the site coordinator, sponsoring partner, instructor, or IRS contact confirms the volunteer's identity and signs the form.

6. **Timely Filing:** All sites must have a process in place to ensure every return is electronically filed or delivered to the taxpayer in a timely manner.

7. **Title VI:** Title VI of the Civil Rights Act of 1964 information must be displayed or provided to taxpayers at designated sites.

8. **Site Identification Number:** It is critical that the correct Site Identification Number (SIDN) must be included on **ALL** returns prepared by VITA/TCE sites. Failure to provide an accurate SIDN may result in removal from the program.

9. **Electronic Filing Identification Number:** The correct Electronic Filing Identification Number (EFIN) must be used on every return prepared.

10. **Security, Privacy and Confidentiality:** All guidelines discussed in Publication 4299, *Privacy and Confidentiality ÐA Public Trust* must be followed.

# Notes

# Chart A – For Most People Who Must File

| If your filing status is... | AND at the end of 2011 you were...* | THEN file a return if your gross income was at least...** |
|---|---|---|
| Single | under 65 | $ 9,500 |
| | 65 or older | $10,950 |
| Married filing jointly*** | under 65 (both spouses) | $19,000 |
| | 65 or older (one spouse) | $20,150 |
| | 65 or older (both spouses) | $21,300 |
| Married filing separately (see the instructions for line 3) | any age | $ 3,700 |
| Head of household (see the instructions for line 4) | under 65 | $12,200 |
| | 65 or older | $13,650 |
| Qualifying widow(er) with dependent child (see the instructions for line 5) | under 65 | $15,300 |
| | 65 or older | $16,450 |

* *If you were born on January 1, 1947, you are considered to be age 65 at the end of 2011.*

** ***Gross income*** *means all income you received in the form of money, goods, property, and services that is not exempt from tax, including any income from sources outside the United States or from the sale of your main home (even if you can exclude part or all of it). Do not include any social security benefits unless (a) you are married filing a separate return and you lived with your spouse at any time in 2011 or (b) one-half of your social security benefits plus your other gross income and any tax-exempt interest is more than $25,000 ( $32,000 if married filing jointly). If (a) or (b) applies, see the instructions for lines 20a and 20b to figure the taxable part of social security benefits you must include in gross income. Gross income includes gains, but not losses, reported on Form 8949. Gross income from a business means, for example, the amount on Schedule C, line 7, or Schedule F, line 9. But, in figuring gross income, do not reduce your income by any losses, including any loss on Schedule C, line 7, or Schedule F, line 9.*

*** *If you did not live with your spouse at the end of 2011 (or on the date your spouse died) and your gross income was at least $3,700, you must file a return regardless of your age.*

*Individuals who do not have a filling requirement based on this chart should also check Chart C, Other Situations When You Must File, and Chart D, Who Should File. Individuals with earned income but who do not have a filling requirement may be eligible for the Earned Income Credit.*

# Chart B – For Children and Other Dependents

If your parent (or someone else) can claim you as a dependent, use this chart to see if you must file a return.

In this chart, **unearned income** includes taxable interest, ordinary dividends, and capital gain distributions. It also includes unemployment compensation, taxable social security benefits, pensions, annuities, and distributions of unearned income from a trust. **Earned income** includes salaries, wages, tips, professional fees, and taxable scholarship and fellowship grants. **Gross income** is the total of your unearned and earned income.

**Single dependants.** Were you **either** age 65 or older **or** blind?

☐ **No.** You must file a return if **any** of the following apply.

1. Your unearned income was over $950.
2. Your earned income was over $5,800.
3. Your gross income was more than the larger of —
   a. $950, or
   b. Your earned income (up to $5,500) plus $300.

☐ **Yes.** You must file a return if **any** of the following apply.

1. Your unearned income was over $2,400 ($3,850 if 65 or older **and** blind).
2. Your earned income was over $7,250 ($8,700 if 65 or older **and** blind).
3. Your gross income was more than the larger of —
   a. $2,400 ($3,850 if 65 or older **and** blind) or
   b. Your earned income (up to $5,500) plus $1,750 ($3,200 if 65 or older **and** blind).

**Married dependants.** Were you **either** age 65 or older **or** blind?

☐ **No.** You must file a return if **any** of the following apply.

1. Your unearned income was over $950.
2. Your earned income was over $5,800.
3. Your gross income was at least $5 and your spouse files a separate return and itemizes deductions.
4. Your gross income was more than the **larger** of —
   a. $950, or
   b. Your earned income (up to $5,500) plus $300.

☐ **Yes.** You must file a return if **any** of the following apply.

1. Your unearned income was over $2,100 ($3,250 if 65 or older **and** blind).
2. Your earned income was over $6,950 ($8,100 if 65 or older **and** blind).
3. Your gross income was at least $5 and your spouse files a separate return and itemizes deductions.
4. Your gross income was more than the **larger** of —
   a. $2,100 ($3,250 if 65 or older **and** blind), or
   b. Your earned income (up to $5,500) plus $1,450 ($2,600 if 65 or older **and** blind).

## Chart C – Other Situations When You Must File

You must file a return if any of the four conditions below apply for 2011.

1. You owe any special taxes, including any of the following.
   a. Alternative minimum tax.
   b. Additional tax on a qualified plan, including an individual retirement arrangement (IRA), or other tax-favored account. But if you are filing a return only because you owe this tax, you can file **Form 5329** by itself.
   c. Household employment taxes. But if you are filing a return only because you owe this tax, you can file **Schedule H** by itself.
   d. Social security and Medicare tax on tips you did not report to your employer or on wages you received from an employer who did not withhold these taxes.
   e. Recapture of first-time homebuyer credit. See the instructions for line 59b.
   f. Write-in taxes, including uncollected social security and Medicare or RRTA tax on tips you reported to your employer or on group-term life insurance and additional taxes on health savings accounts. See the instructions for line 60.
   g. Recapture taxes. See the instructions for line 44 and line 60.
2. You (or your spouse, if filing jointly) received Archer MSA or Medicare Advantage MSA distributions.
3. You had net earnings from self-employment of at least $400.
4. You had wages of $108.28 or more from a church or qualified church-controlled organization that is exempt from employer social security and Medicare taxes.

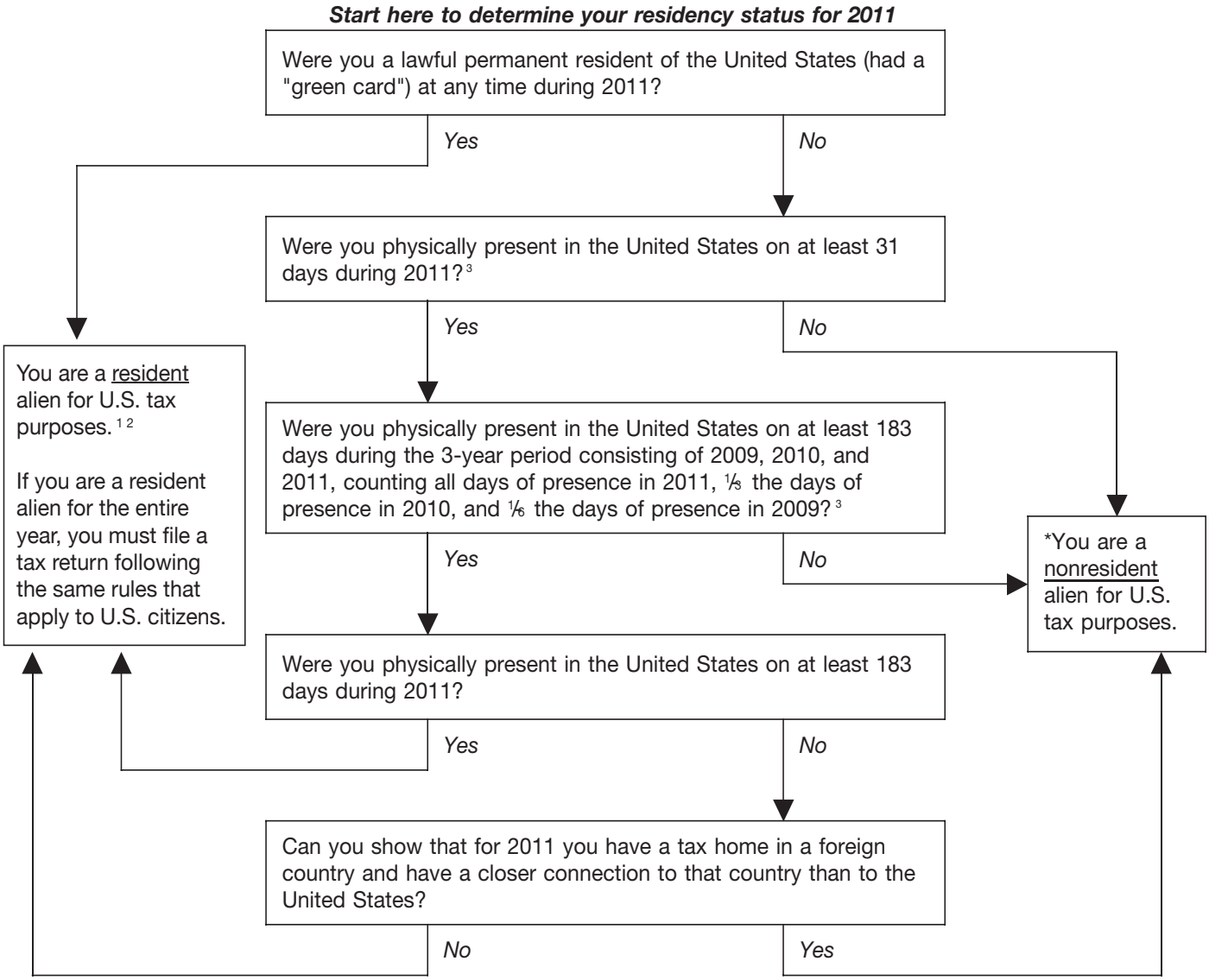
## Chart D – Who Should File

1. You had income tax withheld from your pay.
2. You made estimated tax payments for the year or had any of your overpayment for last year's estimated tax applied to this year's taxes.
3. You qualify for the earned income credit. See Publication 596, Earned Income Credit (EIC), for more information.
4. You qualify for the additional child tax credit. See Form 1040 Instructions for more information on this credit.
5. You qualify for the health coverage tax credit. For information about this credit, see Form 8885, Health Coverage Tax Credit.
6. You qualify for the refundable credit for prior year minimum tax. See Form 8801, Credit for Prior Year Minimum Tax — Individuals, Estates, and Trusts.
7. You qualify for an American Opportunity Credit.
8. You qualify for the Adoption Credit.

# Determining Residency Status – Decision Tree

**Resident Alien or Nonresident Alien?**

**Nonresident aliens are taxed differently from resident aliens, which is why it is important to determine their residency status. Use the following chart to determine if the taxpayer is a resident alien or a nonresident alien.**




[1] If this is the first or last year of their residency, taxpayers may have a dual status for the year. Refer dual status aliens to a professional tax preparer.

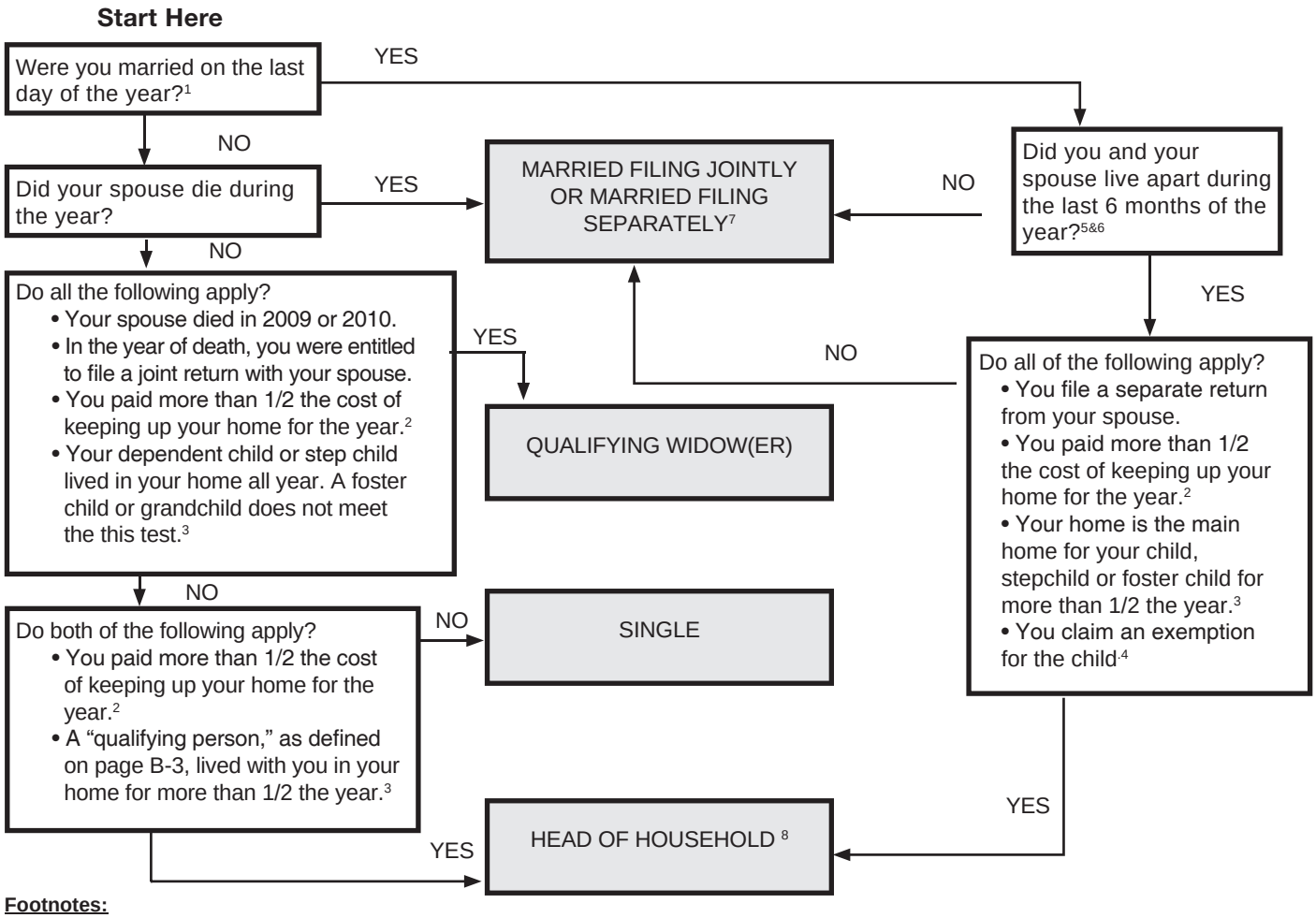
[2] In some circumstances taxpayers may still be considered nonresident aliens under an income tax treaty between the United States and the foreign country. Check the provisions of the treaty carefully.

[3] Do not count days a person regularly commutes to work in the United States from their home in Canada or Mexico, or days the person is an exempt individual. Such individuals may not choose residency status.
Exempt individuals include:
- Foreign goverment-related individual
- Teacher or trainee who is temporarily present under a J or Q visa
- Student who is temporarily present under an F, J, M, or Q visa
- Professional athlete who is temporarily in the United States to complete in a charitable sports event

See *Days of Presence in the United States* in Publication 519 for additional information.

* Volunteers with foreign student certification may prepare tax forms and returns (Forms 8843, 1040NR, or 1040NR-EZ) for nonresident aliens within the scope of their training. Otherwise, refer taxpayers who are considered nonresident aliens to a professional tax preparer.

# Determination of Filing Status – Decision Tree




**Footnotes:**

1. Answer "NO" to this question if, on the last day of the year, you were legally separated from your spouse under a divorce or separate maintenance decree.
2. Include in the cost of upkeep expenses such as rent, mortgage interest, real estate taxes, insurance on the home, repairs, utilities and food eaten in the home.
   - Payments received under TANF or other public assistance programs used to pay costs of keeping up the home cannot be counted as money you paid. These payments must be included in the total cost of keeping up the home to figure if you paid over 1/2 the cost.
   - Amounts paid out of funds received as governmental assistance or SSA in the child's name are considered paid by others (not the taxpayer).
3. See Publication 17, *Filing Status*, for rules applying to birth, death, or temporary absence during the year.
4. Unless the child's other parent claims him or her under rules for children of divorced or separated parents or parents who lived apart.
5. This requirement is met if you are a U.S. citizen or resident alien for the entire year and you live with your nonresident alien spouse who you do not choose to treat as a resident alien for tax purposes.
6. Your spouse is considered to live in your home even if he or she is temporarily absent due to illness, education, business, vacation or military service.
7. If the taxpayer asks to file MFS, emphasize the advantages to Married Filing Jointly and the possibility of filing Form 8379, Injured Spouse Claim & Allocation (if appropriate). See *Pub 17*, Filing Status, MFS Special Rules for list of disadvantages.
8. Generally, only one taxpayer in a home can claim Head of Household filing status. Just because each person has their own children living in a home does not mean they have a separate "household" for this filing status purpose.

TIP
interview tips

# Filing Status

Probe/Action: Ask the taxpayer:

| | | |
|---|---|---|
| step 1 | Were you considered married in a legal union between a man and a woman as husband and wife on December 31 of the tax year? (Answer yes if state common law rules were met or if your spouse died during the year and you did not remarry by the end of the year.) | If YES, go to Step 2.<br>If NO, go to Step 4. |
| step 2 | Do you and your spouse wish to file a joint return? | If YES, STOP. Your filing status is **married filing jointly**.<br>If NO, go to Step 3. |
| step 3 | Do all the following apply?<br>■ You file a separate return<br>■ You paid more than half the cost of keeping up your home for the year<br>■ Your spouse did not live in your home during the last 6 months of the tax year [1, 2]<br>■ Your home was the main home of your child, stepchild, or foster child for more than half the year<br>■ You claim an exemption for the child (unless the noncustodial parent claims the child under rules for divorced or separated parents or parents who live apart) | If YES, STOP. You are considered unmarried and your filing status is **head of household**.<br>If NO, STOP. Your filing status is **married filing separately**. |
| step 4 | Did your spouse die in 2009 or 2010? | If YES, go to Step 5.<br>If NO, go to Step 6. |
| step 5 | Do all the following apply?<br>■ You were entitled to file a joint return with your spouse for the year your spouse died<br>■ You did not remarry before the end of this tax year<br>■ You have a child or stepchild for whom you can claim an exemption and who lived with you all year, except for temporary absences. Do not include a grandchild or foster child<br>■ You paid more than half the cost of keeping up the home for the year | If YES, STOP. Your filing status is **qualifying widow(er) with dependent child**.<br>If NO, go to Step 6. |
| step 6 | Do all the following apply?<br>■ You paid more than half the cost of keeping up the home for the year<br>■ A "qualifying person," as defined on page B-3, lived with you in your home for more than 1/2 the year.[3] | If YES, STOP. Your filing status is **head of household**.<br>If NO, STOP. Your filing status is **single**. |

**Footnotes**

**1** This requirement is met if you are a U.S. citizen or resident alien for the entire year and you live with your nonresident alien spouse who you do not choose to treat as a resident alien for tax purposes.

**2** Your spouse is considered to live in your home even if he or she is temporarily absent due to illness, education, business, vacation or military service.

**3** You cannot use head of household filing status based on any person who is your dependent only because he or she lived with you for the entire year (for example, a companion or a friend).

# Who Is a Qualifying Person Qualifying You To File as Head of Household?[1]

| IF the person is your . . . | AND . . . | THEN that person is . . . |
|---|---|---|
| qualifying child (such as a son, daughter, or grandchild who lived with you more than half the year and meets certain other tests)[2] | he or she is single | a qualifying person, whether or not you can claim an exemption for the person. |
| | he or she is married and you can claim an exemption for him or her | a qualifying person. |
| | he or she is married and you cannot claim an exemption for him or her | not a qualifying person.[3] |
| qualifying relative[4] who is your father or mother | you can claim an exemption for him or her[5] | a qualifying person.[6] |
| | you cannot claim an exemption for him or her | not a qualifying person. |
| qualifying relative[4] other than your father or mother (such as a grandparent, brother, or sister who meets certain tests). | he or she lived with you more than half the year, and he or she is related to you in one of the ways listed under *Relatives who do not have to live with you* and you can claim an exemption for him or her[5] | a qualifying person. |
| | he or she did not live with you more than half the year | not a qualifying person. |
| | he or she is not related to you in one of the ways listed under *Relatives who do not have to live with you* in Pub 17 and is your qualifying relative only because he or she lived with you all year as a member of your household (for example, a companion or a friend) | not a qualifying person. |
| | you cannot claim an exemption for him or her | not a qualifying person. |

[1] A person cannot qualify more than one taxpayer to use the head of household filing status for the year.
[2] The term "qualifying child" is defined under *Exemptions for Dependents*, in Pub 17. **Note:** If you are a noncustodial parent, the term "qualifying child" for head of household filing status does not include a child who is your qualifying child for exemption purposes only because of the rules described under *Children of divorced or separated parents* under *Qualifying Child*, later. If you are the custodial parent and those rules apply, the child generally is your qualifying child for head of household filing status even though the child is not a qualifying child for whom you can claim an exemption.
[3] This person is a qualifying person if the only reason you cannot claim the exemption is that you can be claimed as a dependent on someone else's return.
[4] The term "qualifying relative" is defined under *Exemptions for Dependents*, in Pub 17.
[5] If you can claim an exemption for a person only because of a multiple support agreement, that person is not a qualifying person. See *Multiple Support Agreement*.
[6] You are eligible to file as head of household even if your parent does not live with you. You must pay more than half the cost of keeping up a home that was the main home for the entire year for your parent. This test is met if you pay more than half the cost of keeping your parent in a rest home or home for the elderly.

# Notes

## Exemptions (reduces the taxpayer's taxable income)

- Exemption Amount: $3,700
- Two types:
  1. Personal exemptions—one exemption for the taxpayer and, if married, one for his or her spouse; unless they can be claimed as a dependent by another person.
  2. Exemptions for dependents—one exemption for each qualifying child or qualifying relative.
- Apply the rules for exemptions for dependents using the worksheets in the Form 1040 instructions and the interview tips in this publication.
- Dependents cannot claim exemptions for dependents. Taxpayers who are claimed as a dependent on someone else's return cannot claim any exemptions for their own dependents.

## 2011 Exemption Chart

| | | | | |
|---|---|---|---|---|
| $3,700 | X | 1 | = | $ 3,700 |
| $3,700 | X | 2 | = | $ 7,400 |
| $3,700 | X | 3 | = | $11,100 |
| $3,700 | X | 4 | = | $14,800 |
| $3,700 | X | 5 | = | $18,500 |

TIP
interview tips

# Personal Exemptions

Probe/Action: Ask the taxpayer:

| | | |
|---|---|---|
| step 1 | Were you considered married in a legal union between a man and a woman as husband and wife during any part of the tax year? (Answer YES if state common law rules were met.) | If **YES**, go to Step 2.<br>If **NO**, go to Step 7. |
| step 2 | Were you still considered married on December 31 of the tax year? | If **YES**, go to Step 5.<br>If **NO**, go to Step 3. **Note:** Abandonment does not change marital status—answer YES if the taxpayer's responses to Steps 3 and 4 are NO. |
| step 3 | Did you obtain a final decree of divorce or separate maintenance by December 31 of the tax year? | If **YES**, you cannot claim a personal exemption for your former spouse. Go to Step 7.<br>If **NO**, go to Step 4. |
| step 4 | Did your spouse die during the tax year? | If **YES**, go to Step 5.<br>If **NO**, go back through Steps 1–3 and clarify answers. |
| step 5 | Are you filing a joint tax return? | If **YES**, go to Step 7.<br>If **NO**, go to Step 6. |
| step 6 | Did your spouse have income or can anyone else claim your spouse as a dependent (including a nonresident alien spouse)? | If **YES** to either, you cannot claim a personal exemption for your spouse. Go to Step 7 to see about your own personal exemption.<br>If **NO** to both, you can claim a personal exemption for your spouse. Go to Step 7 to see about your own personal exemption. |
| step 7 | Can anyone claim you (or your spouse if filing jointly) as a dependent on his or her return? | If **YES**, you cannot claim a personal exemption for yourself or your spouse.<br>If **NO**, you can claim a personal exemption for yourself (and your spouse, if filing jointly). |

**Step 4:** If his or her spouse died during the year, the taxpayer can claim the spouse's exemption if the taxpayer did not remarry during the year. See Publication 17 for other considerations.

**Step 5:** Answer YES to this question if you are filing a joint return to claim a refund and there would be no tax liability for either spouse if separate returns were filed.

**Step 6:** If married filing separately, the taxpayer can take his or her own exemption if no other taxpayer is entitled to claim him or her as a dependent.

If married filing separately, the taxpayer can claim his or her spouse's exemption if the spouse had no gross income, is not filing a return, and cannot be claimed as a dependent on another person's return.

**Step 7:** If married filing jointly (other than to claim a refund of withholding), the taxpayer cannot be a dependent on another person's return.

# Overview of the Rules for Claiming an Exemption for a Dependent

**Caution:** This table is only an overview of the rules. For details, see Publication 17.

- You cannot claim any dependents if you, or your spouse if filing jointly, could be claimed as a dependent by another taxpayer.
- You cannot claim a married person who files a joint return as a dependent unless that joint return is only a claim for refund and there would be no tax liability for either spouse on separate returns.
- You cannot claim a person as a dependent unless that person is a U.S. citizen, U.S. resident alien, U.S. national, or a resident of Canada or Mexico.[1]
- You cannot claim a person as a dependent unless that person is your **qualifying child** or **qualifying relative**.

| Tests To Be a Qualifying Child | Tests To Be a Qualifying Relative |
|---|---|
| 1. The child must be your son, daughter, stepchild, foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them. | 1. The person cannot be your qualifying child or the qualifying child of any other taxpayer. A child is not the qualifying child of any other taxpayer if the child's parent (or any other person for whom the child is defined as a qualifying child) is not required to file an income tax return or files an income tax return only to get a refund of income tax withheld. |
| 2. The child must be: (a) under age 19 at the end of the year and younger than you (or your spouse, if filing jointly), (b) under age 24 at the end of the year, a full-time student, and younger than you (or your spouse, if filing jointly), or (c) any age if permanently and totally disabled. | 2. The person either (a) must be related to you in one of the ways listed under Relatives who do not have to live with you, or (b) must live with you all year as a member of your household[2] (and your relationship must not violate local law). |
| 3. The child must have lived with you for more than half of the year.[2] | 3. The person's gross income for the year must be less than $3,700.[3] |
| 4. The child must not have provided more than half of his or her own support for the year.[5] | 4. You must provide more than half of the person's total support for the year.[5] |
| 5. The child is not filing a joint return for the year (unless that joint return is filed only as a claim for refund). | |
| 6. If the child meets the rules to be a qualifying child of more than one person, you must be the person entitled to claim the child as a qualifying child. | |

[1]There is an exception for certain adopted children.
[2]There are exceptions for temporary absences, children who were born or died during the year, children of divorced or separated parents, or parents who live apart, and kidnapped children.
[3]There is an exception if the person is disabled and has income from a sheltered workshop.
[4]There are exceptions for multiple support agreements, children of divorced or separated parents or parents who live apart, and kidnapped children.
[5]If a child receives social security benefits and uses them toward his or her own support, those benefits are considered as provided by the child. Benefits provided by the state to a needy person (welfare, food stamps, housing) are generally considered support provided by the state.

# Qualifying Child of More Than One Person

If the child meets the conditions to be the qualifying child of more than one person, only one person can claim the child as a qualifying child for all of the following tax benefits, unless the special rule for children of divorced or separated parents applies.

- Dependency Exemption
- Head of Household
- Credit for Child and Dependent Care Expenses
- Child Tax Credit
- Earned Income Credit
- Exclusion from income for Dependent Care Benefits

**No other person can take any of the six tax benefits listed above unless he or she has a different qualifying child. If you and any person can claim the child as a qualifying child, the following rules apply.**

If only one of the persons is the child's parent, the child is treated as the qualifying child of the parent.

If the parents do not file a joint return together but both parents claim the child as a qualifying child, the IRS will treat the child as the qualifying child of the parent with whom the child lived for the longer period of time during the year. If the child lived with each parent for the same amount of time, the IRS will treat the child as the qualifying child of the parent who had the higher adjusted gross income (AGI) for the year.

If no parent can claim the child as a qualifying child, the child is treated as the qualifying child of the person who had the highest AGI for the year.

If a parent can claim the child as a qualifying child but no parent does so claim the child, the child is treated as the qualifying child of the person who had the highest AGI for the year, but only if that person's AGI is higher than the highest AGI of any of the child's parents who can claim the child.

**Example:** Your daughter meets the conditions to be a qualifying child for both you and your mother. Under the rules above, you are entitled to treat your daughter as a qualifying child for all of the six tax benefits listed above for which you otherwise qualify. Your mother is not entitled to take any of the six tax benefits listed above unless she has a different qualifying child. HOWEVER, IF YOUR MOTHERS AGI IS HIGHER THAN YOURS, YOU CAN LET YOUR MOTHER TREAT YOUR DAUGHTER AS HER QUALIFYING CHILD. IF YOU DO THAT, YOUR DAUGHTER IS NOT YOUR QUALIFYING CHILD FOR ANY OF THE 6 BENEFITS.

For more details and examples, see Pub. 17 and 501.

TIP
interview tips

# Table 1: Dependency Exemption for Qualifying Child

Probe/Action: Ask the taxpayer:

| | | |
|---|---|---|
| step 1 | Can you or your spouse (if filing jointly) be claimed as a dependent on someone else's tax return this year? | If **YES**: If you can be claimed as a dependent by another person, you may not claim anyone else as your dependent.<br>If **NO**: Go to STEP 2 |
| step 2 | Was the child married as of December 31, 2011? | If **YES**: Go to STEP 3<br>If **NO**: Go to STEP 4 |
| step 3 | Is the child filing a joint return for this tax year? *(Answer "NO" if the child is filing a joint return only to claim a refund and no tax liability would exist for either spouse if they had filed separate returns.)* | If **YES**: You cannot claim this child as a dependent.<br>If **NO**: Go to STEP 4 |
| step 4 | Was the child a U.S. citizen, U.S. resident alien, U.S. national, or a resident of Canada or Mexico? *(Answer "YES" if you are a U.S. citizen or U.S. national and you adopted a child who lived with you as a member of your household all year.)* | If **YES**: Go to STEP 5<br>If **NO**: You cannot claim this child as a dependent. |
| step 5 | Was the child your son, daughter, stepchild, eligible foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them (i.e., your grandchild, niece, or nephew)? | If **YES**: Go to STEP 6<br>If **NO**: This child is not your qualifying child. Go to Table 2: Dependency Exemption for Qualifying Relative |
| step 6 | Was the child:<br>-under age 19 at the end of the year and younger than you *(or your spouse, if filing jointly)* OR<br>-a full-time student under age 24 at the end of the year and younger than you *(or your spouse, if filing jointly)* OR<br>-permanently and totally disabled* at any time during the year? | If **YES**: Go to STEP 7<br>If **NO**: This child is not your qualifying child. Go to Table 2: Dependency Exemption for Qualifying Relative |
| step 7 | Did the child live with you as a member of your household, except for temporary absences*, for more than half the year? *(Answer "YES" if the child was born or died during the year.)* | If **YES**: Go to STEP 8 (Use table 3 to see if the exemption for children of divorced or separated parents or parents who live apart applies.)<br>If **NO**: This child is not your qualifying child. Go to Table 2: Dependency Exemption for Qualifying Relative |
| step 8 | Did the child provide more than half of his or her own support* for the year? | If **YES**: You cannot claim this child as a dependent<br>If **NO**: Go to STEP 9 |
| step 9 | Is the child a qualifying child of any other person? | If **YES**: If the child is the qualifying child of more than one person, you must be the person entitled to claim the child as a qualifying child. Go to the chart: Qualifying Child of More Than One Person<br>If **NO**: You can claim this child as a dependent |

**Footnotes:**

**Step 6:** A person is permanently and totally disabled if he or she cannot engage in any substantial gainful activity because of a physical or mental condition, AND a doctor determines the condition has lasted or can be expected to last continuously for at least a year or can lead to death.

**Step 7:** A child is considered to have lived with you during periods of time when one of you, or both, are temporarily absent due to special circumstances such as illness, education, business, vacation or military service. In most cases a child of divorced or separated parents is the qualifying child of the custodial parent. See Table 3: Children of Divorced or Separated Parents or Parents Who Live Apart to see if an exception applies. There is an exception for kidnapped children. See Publication 17, Personal Exemptions and Dependents

**Step 8:** A worksheet for determining support is included at the end of this section. If a child receives social security benefits and uses them toward his or her own support, those benefits are considered as provided by the child. Benefits provided by the state to a needy person (welfare, food stamps, housing) are generally considered support provided by the state.

# Table 2: Dependency Exemption for Qualifying Relative

TIP interview tips

**You must start with Table 1**. (To claim a qualifying relative dependent, you must first meet the Dependent Taxpayer, Joint Return and Citizen or Resident Tests in steps 1-4 of table 1)

Probe/Action: Ask the taxpayer:

| | | |
|---|---|---|
| step 1 | Is the person your qualifying child or the qualifying child of anyone else? A child is not the qualifying child of any other taxpayer if the child's parent (or any other person for whom the child is defined as a qualifying child) is not required to file a U.S. income tax return or files an income tax return only to get a refund of income tax withheld. | If **YES**, the person is not a qualifying relative. (See Qualifying Child Interview Tips.)<br>If **NO**, go to Step 2. |
| step 2 | Was the person your son, daughter, stepchild, foster child, or a descendant of any of them (i.e., your grandchild)? OR<br>Was the person your brother, sister, or a son or daughter of either of them (i.e., your niece or nephew)? OR<br>Was the person your father, mother, or an ancestor or sibling of either of them (i.e., your grandmother, grandfather, aunt, or uncle)? OR<br>Was the person your half brother, half sister, stepbrother, stepsister, stepfather, stepmother, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law?* | If **NO**, go to Step 3.<br>If **YES**, go to Step 4.<br>**Note:** The relatives listed in Step 2 are considered "Relatives who do not have to live with you" |
| step 3 | Was the person any other person (other than your spouse) who lived with you all year as a member of your household? | If **NO**, you cannot claim this person as a dependent.<br>If **YES**, see footnote for Step 3, then go to Step 4.<br>**Note:** There are exceptions for kidnapped children; a child who was born or died during the year; certain temporary absences—school, vacation, medical care, etc. |
| step 4 | Did the person have gross taxable income of less than $3,700 in 2011?* | If **NO**, you cannot claim this person as a dependent.<br>If **YES**, go to Step 5. |
| step 5 | Did you provide more than half the person's total support for the year?* | If **YES**, you can claim this person as your qualifying relative dependent. (Use Table 3 to see if the exception for children of divorced or separated parents or parents who live apart applies.)<br>If **NO**, go to Step 6. |

**continued on next page**

**Footnotes:**

**Step 2:** Any of these relationships that were established by marriage are not ended by death or divorce.

**Step 3:** A person does not meet this test if at any time during the year the relationship between you and that person violates local law.

**Step 4:**For purposes of this test, the gross income of an individual who is permanently and totally disabled at any time during the year does not include income for services the individual performs at a sheltered workshop.

**Step 5:** A worksheet for determining support is included at the end of this section

See Table 3 for the exception to the support test for children of divorced or separated parents or parents who live apart.

If a child receives social security benefits and uses them toward his or her own support, those benefits are considered as provided by the child. Benefits provided by the state to a needy person (welfare, food stamps, housing) are generally considered support provided by the state.

# Table 2: Dependency Exemption for Qualifying Relative

TIP

interview tips

Continued

Probe/Action: Ask the taxpayer:

| | | |
|---|---|---|
| step 6 | Did another person provide more than half the person's total support? | If **YES**, you cannot claim an exemption for this person.<br>If **NO**, go to Step 7. |
| step 7 | Did two or more people together provide more than half the person's total support? | If **YES**, go to Step 8.<br>If **NO**, you cannot claim this person as a dependent. |
| step 8 | Did you provide more than 10% of the person's total support for the year? | If **YES**, go to Step 9.<br>If **NO**, you cannot claim this person as a dependent. |
| step 9 | Did the other person(s) providing more than 10% of the person's total support for the year provide you with a signed statement (Form 2120) agreeing not to claim the exemption? | If **YES**, you can claim an exemption for this person.<br>If **NO**, you cannot claim this person as a dependent. |

# Table 3: Children of Divorced or Separated Parents or Parents Who Live Apart

TIP

interview tips

(Use this table when directed from Table 1 or Table 2 to determine if the exception applies to the qualifying child residency test or the qualifying relative support test)

Probe/Action: Ask the taxpayer:

| | | |
|---|---|---|
| step 1 | Did the child receive over half of his or her support from the parents who are:<br>Divorced OR<br>Legally separated under a decree of divorce or separate maintenance OR<br>Separated under a written separation agreement OR<br>Lived apart at all times during the last 6 months of the year? | If **YES**, go to Step 2.<br>If **NO**, Table 3 does not apply. |
| step 2 | Was the child in the custody of one or both parents for more than half the year? | If **YES**, go to Step 3.<br>If **NO**, Table 3 does not apply. |
| step 3 | Did the custodial parent (parent with whom the child lived for the greater number of nights during the year) provide the taxpayer a signed written declaration (Form 8332, a copy of Form 8332, or similar document) releasing his or her claim to the exemption for the child? | If **YES**, the Table 3 exception applies. See the footnote for Step 3 below then return to the appropriate step in Table 1 or Table 2.<br>If **NO**, go to Step 4. |
| step 4 | Are either of the following statements true?<br>The taxpayer has a Post-1984 and Pre-2009 decree or agreement that is applicable for 2011 and states ***all three of the following?***<br>1. The noncustodial parent can claim the child as a dependent without regard to any condition, such as payment of support.<br>2. The other parent will not claim the child as a dependent for the year.<br>3. The years for which the noncustodial parent can claim the child as a dependent.<br>(See Step 4 footnote for the items the noncustodial parent must attach to his/her tax return.)<br>OR<br>The taxpayer has a Pre-1985 decree of divorce or separation maintenance or written separation agreement between the parents that provide that the noncustodial parent can claim the child as a dependent, and the noncustodial parent provides at least $600 for support of the child during 2011? | If **YES**, the Table 3 exception applies. Return to the appropriate step in Table 1 or Table 2.<br>If **NO**, Table 3 does not apply. |

**Footnotes:**

**Step 2:** If the child is emancipated under state law, either by reaching age of majority or other means, child is treated as not living with either parent (see Pub 17).

**Step 3: Post-2008 decree or agreement.** If the divorce decree or separation agreement went into effect after 2008, the noncustodial parent cannot attach pages from the decree or agreement instead of Form 8332. The custodial parent must sign, and the noncustodial parent must attach to his or her return, either Form 8332, or a copy of Form 8332 or a substantially similar statement the only purpose of which is to release the custodial parent's claim to a child.

**Step 4: Post-1984 and Pre-2009 divorce decrees or agreements:**
The noncustodial parent must attach all of the following pages from the decree or agreement.
-Cover page (include the other parent's SSN on that page)
-The pages that include all the information identified in (1) through (3) above
-Signature page with the other parent's signature and date of agreement.

**Release of exemption revoked**
A custodial parent who has revoked his or her previous release of a claim to exemption for a child must attach a copy of the revocation to his or her return. (See Form 8332 for more details)

**Other decrees or agreements that do not meet step 4:** Non-custodial parents must attach the Form 8332, or a copy of Form 8332 or similar statement to their return.

## Worksheet for Determining Support

### Funds Belonging to the Person You Supported

1. Enter the total funds belonging to the person you supported, including income received (taxable and nontaxable) and amounts borrowed during the year, plus the amount in savings and other accounts at the beginning of the year . . . . . **1.** _____
2. Enter the amount on line 1 that was used for the person's support . . . . . **2.** _____
3. Enter the amount on line 1 that was used for other purposes . . . . . **3.** _____
4. Enter the total amount in the person's savings and other accounts at the end of the year . . . . . **4.** _____
5. Add lines 2 through 4. (This amount should equal line 1.) . . . . . **5.** _____

### Expenses for Entire Household (where the person you supported lived)

6. Lodging (complete line 6a or 6b):
   **6a.** Enter the total rent paid . . . . . **6a.** _____
   **6b.** Enter the fair rental value of the home. If the person you supported owned the home, also include this amount in line 21. . . . . **6b.** _____
7. Enter the total food expenses . . . . . **7.** _____
8. Enter the total amount of utilities (heat, light, water, etc. not included in line 6a or 6b) . . . . . **8.** _____
9. Enter the total amount of repairs (not included in line 6a or 6b) . . . . . **9.** _____
10. Enter the total of other expenses. Do not include expenses of maintaining the home, such as mortgage interest, real estate taxes, and insurance. . . . . **10.** _____
11. Add lines 6a through 10. These are the total household expenses . . . . . **11.** _____
12. Enter total number of persons who lived in the household . . . . . **12.** _____

### Expenses for the Person You Supported

13. Divide line 11 by line 12. This is the person's share of the household expenses . . . . . **13.** _____
14. Enter the person's total clothing expenses . . . . . **14.** _____
15. Enter the person's total education expenses . . . . . **15.** _____
16. Enter the person's total medical and dental expenses not paid for or reimbursed by insurance . . **16.** _____
17. Enter the person's total travel and recreation expenses . . . . . **17.** _____
18. Enter the total of the person's other expenses . . . . . **18.** _____
19. Add lines 13 through 18. This is the total cost of the person's support for the year . . . . . **19.** _____

### Did the Person Provide More Than Half of His or Her Own Support?

20. Multiply line 19 by 50% (.50) . . . . . **20.** _____
21. Enter the amount from line 2, plus the amount from line 6b if the person you supported owned the home. This is the amount the person provided for his or her own support . . . . . **21.** _____
22. Is line 21 more than line 20?

☐ **No.** You meet the support test for this person to be your qualifying child. If this person also meets the other tests to be a qualifying child, stop here; do not complete lines 23–26. Otherwise, go to line 23 and fill out the rest of the worksheet to determine if this person is your qualifying relative.

☐ **Yes.** You do not meet the support test for this person to be either your qualifying child or your qualifying relative. **Stop here.**

### Did You Provide More Than Half?

23. Enter the amount others provided for the person's support. Include amounts provided by state, local, and other welfare societies or agencies. Do not include any amounts included on line 1. . . **23.** _____
24. Add lines 21 and 23 . . . . . **24.** _____
25. Subtract line 24 from line 19. This is the amount you provided for the person's support . . . . . **25.** _____
26. Is line 25 more than line 20?

☐ **Yes.** You meet the support test for this person to be your qualifying relative.

☐ **No.** You do not meet the support test for this person to be your qualifying relative. You cannot claim an exemption for this person unless you can do so under a multiple support agreement, the support test for children of divorced or separated parents, or the special rule for kidnapped children. See *Multiple Support Agreement*, *Support Test for Children of Divorced or Separated Parents or Parents Who Live Apart*, or *Kidnapped Child* under *Qualifying Relative*.

Taxpayers should keep a completed copy of this worksheet for their records.

# Income Quick Reference Guide

TIP

This list is a quick reference and volunteers should refer to Publication 17 for more information. Do not rely on this list alone. Some of the income items on this chart are out of scope for the VITA/TCE program. Refer taxpayers with out of scope income to a professional tax preparer. Confirm that all income received by the taxpayer has been discussed and shown on the return, if required.

## Table A – Examples of Taxable Income

(Examples of income to consider when determining whether a return must be filed)

Wages, salaries, bonuses, commissions
Alimony
Annuities
Awards
Back pay
Breach of contract
Business income/Self-employment income
Compensation for personal services
Debts forgiven[1]
Director's fees
Disability benefits (employer-funded)
Discounts
Dividends
Employee awards
Employee bonuses
Estate and trust income
Farm income
Fees
Gains from sale of property or securities
Gambling winnings
Hobby income
Interest
Interest on life insurance dividends
IRA distributions
Jury duty fees
Military pay (not exempt from taxation)
Military pension
Notary fees
Partnership, Estate and S-Corporation income *(Schedule K-1s, Taxpayer's share)*
Pensions
Prizes
Punitive damage
Railroad retirement—Tier I (portion may be taxable)
Railroad retirement—Tier II
Refund of state taxes[2]
Rents (gross rent)
Rewards
Royalties
Severance pay
Self-employment
Non-employee compensation
Social security benefits - portion may be taxable - *(See TaxWise Tab 2 - Income, the page for Railroad Retirement, Civil Service, and Social Security Benefits)*
Supplemental unemployment benefits
Taxable scholarships and grants
Tips and gratuities
Unemployment compensation

## Table B – Examples of Non-Taxable Income

(Examples of income items to exclude when determining whether a return must be filed)

Aid to Families with Dependent Children (AFDC)
Child support
Damages for physical injury (other than punitive)
Death payments
Dividends on life insurance
Federal Employees' Compensation Act payments
Federal income tax refunds
Gifts, bequests, and inheritances[3]
Insurance proceeds
- Accident
- Casualty
- Health
- Life

Interest on tax-free securities
Interest on EE/I bonds redeemed for qualified higher education expenses
Meals and lodging for the convenience of employer
Payments to the beneficiary of a deceased employee
Relocation payments or payments in lieu of worker's compensation
Rental allowance of clergyman
Sickness and injury payments
Social security benefits - portion may not be taxable - *(See TaxWise Tab 2 - Income, the page for Railroad Retirement, Civil Service, and Social Security Benefits)*
Supplemental Security Income (SSI)
Temporary Assistance for Needy Families (TANF)
Veterans' benefits
Welfare payments (including TANF) and food stamps
Worker's compensation and similar payments

**Footnotes:** [1]If the taxpayer received a Form 1099-C, Cancellation of Debt, in relation to their main home, it can be nontaxable (see D-4)
[2]If itemized in year paid and taxes were reduced because of deduction
[3]An inheritance is not reported on the income tax return, but a distribution from an inherited pension or annuity is subject to the same tax as the original owner would have had to pay.

# Armed Forces Gross Income

Members of the Armed Forces receive many different types of pay and allowances. Some are included in gross income while others are excluded from gross income. **Table 1** lists included items that are subject to tax and must be reported on your tax return. **Table 2** lists excluded items that are not subject to tax, but may have to be shown on your tax return.

## Table 1. **Included Items**

These items are included in gross income, unless the pay is for service in a combat zone.

| | |
|---|---|
| **Basic pay** | • Active duty<br>• Attendance at a designated service school<br>• Back wages<br>• CONUS COLA<br>• Drills<br>• Reserve training<br>• Training duty |
| **Special pay** | • Aviation career incentives<br>• Career sea<br>• Diving duty<br>• Foreign duty (outside the 48 contiguous states and the District of Columbia)<br>• Foreign language proficiency<br>• Hardship duty<br>• Hostile fire or imminent danger<br>• Medical and dental officers<br>• Nuclear-qualified officers<br>• Optometry<br>• Pharmacy<br>• Special duty assignment pay<br>• Veterinarian |
| **Bonuses** | • Career status<br>• Enlistment<br>• Officer<br>• Overseas extension<br>• Reenlistment |
| **Other payments** | • Accrued leave<br>• High deployment per diem<br>• Personal money allowances paid to high-ranking officers<br>• Student loan repayment from programs such as the Department of Defense Educational Loan Repayment Program when year's service (requirement) is not attributable to a combat zone |
| **Incentive pay** | • Submarine<br>• Flight<br>• Hazardous duty<br>• High altitude/Low altitude (HALO) |

## Table 2. **Excluded Items**

The exclusion for certain items applies whether the item is furnished in kind or is a reimbursement or allowance. There is no exclusion for the personal use of a government-provided vehicle.

| | |
|---|---|
| **Living allowances** | • BAH (Basic Allowance for Housing). You can deduct mortgage interest and real estate taxes on your home even if you pay these expenses with your BAH<br>• BAS (Basic Allowance for Subsistence)<br>• Housing and cost-of-living allowances abroad whether paid by the U.S. Government or by a foreign government<br>• OHA (Overseas Housing Allowance)<br>• Expanded HAP (Homeowners Assistance Program) benefit payments |
| **Moving allowances** | • Dislocation<br>• Military base realignment and closure benefit (the exclusion is limited as described beginning on page 3)<br>• Move-in housing<br>• Moving household and personal items<br>• Moving trailers or mobile homes<br>• Storage<br>• Temporary lodging and temporary lodging expenses |
| **Travel allowances** | • Annual round trip for dependent students<br>• Leave between consecutive overseas tours<br>• Reassignment in a dependent restricted status<br>• Transportation for you or your dependents during ship overhaul or inactivation<br>• Per diem |
| **Combat zone pay** | • Compensation for active service while in combat zone or a qualified hazardous duty area.<br>Note: Limited amount for officers |
| **Family allowances** | • Certain educational expenses for dependents<br>• Emergencies<br>• Evacuation to a place of safety<br>• Separation |
| **Death allowances** | • Burial services<br>• Death gratuity payments to eligible survivors<br>• Travel of dependents to burial site |
| **Other payments** | • Defense counseling<br>• Disability, including payments received for injuries incurred as a direct result of a terrorist or military action<br>• Group-term life insurance<br>• Professional education<br>• ROTC educational and subsistence allowances<br>• Survivor and retirement protection plan premiums<br>• Uniform allowances<br>• Uniforms furnished to enlisted personnel |
| **In-kind military benefits** | • Dependent-care assistance program<br>• Legal assistance<br>• Medical/dental care<br>• Commissary/exchange discounts<br>• Space-available travel on government aircraft |

# Tax Treatment of Scholarship and Fellowship Payments[1]

*Do not rely on this table alone. Refer to Publication 17 for complete details.*

| IF you use the payment for... | AND you are... | | THEN your payment is... | |
|---|---|---|---|---|
| | A degree candidate | Not a degree candidate | Tax free[2] | Taxable |
| Tuition | X | | X | |
| | | X | | X |
| Fees | X | | X[3] | |
| | | X | | X |
| Books | X | | X[3] | |
| | | X | | X |
| Supplies | X | | X[3] | |
| | | X | | X |
| Equipment<br>Computers must be required for enrollment or attendance. | X | | X[3] | |
| | | X | | X |
| Room | X | X | | X |
| Board | X | X | | X |
| Travel | X | X | | X |
| Research | X | X | | X |
| Equipment and other expenses that are not required for enrollment in or attendance at an eligible educational institution. | X | X | | X |

[1]To determine the net taxable portion of the scholarship or grant, subtract the allowable tax-free items (see Form 1098T for information regarding tuition paid and scholarships received). In TaxWise, link from the appropriate box below line 7 to the worksheet to report the net amount. The net amount is taxable to the person in whose name the scholarship was received.

[2]Payments used for any expenses indicated in this column are tax free only if the terms of the scholarship or fellowship do not prohibit the expense.

[3]If required of all students in the course.

Publication 4731

# Screening Sheet for Form 1099-C, Cancellation of Debt

**NOTE:** Only volunteers with a **Cancellation of Debt Certification** may assist taxpayers with Form 1099-C issues.

**Instructions:** Use this Screening Sheet to assist in identifying taxpayers with cancellation of debt issues that are within the scope of the VITA/TCE Program.

- Use Part I for taxpayers with a Form 1099-C resulting from cancellation of debt on a home mortgage loan.
- Use Part II for taxpayers with a Form 1099-C resulting from cancellation of credit card debt.

## Part I – Home Mortgage Loan

| | | |
|---|---|---|
| step 1 | Did the taxpayer receive Form 1099-C, Cancellation of Debt, from their home mortgage lender and is the information shown on the form correct? | **YES** – Go to Step 2<br>**NO** – Go to Step 6 |
| step 2 | Did the taxpayer ever use the home in a trade or business or as rental property? | **YES** – Go to Step 6<br>**NO** – Go to Step 3 |
| step 3 | Does box 3 of Form 1099-C show any interest or was box 6 checked to indicate bankruptcy?<br>NOTE: If the bankruptcy box is not checked but the taxpayer has subsequently filed bankruptcy, answer "yes". | **YES** – Go to Step 6<br>**NO** – Go to Step 4 |
| step 4 | Ask the following questions to determine if the discharged debt is "qualified principal residence indebtedness": | |
| | **a.** Was the mortgage taken out to buy, build, or substantially improve the taxpayer's principal residence? (NOTE: A principal residence is generally the home where the taxpayer lives most of the time. A taxpayer can have only one principal residence at any one time.) | **YES** – Go to Step 4b<br>**NO** – Go to Step 6 |
| | **b.** Was the mortgage secured by the taxpayer's principal residence? | **YES** – Go to Step 4c<br>**NO** – Go to Step 6 |
| | **c.** Was any part of the mortgage used to pay off credit cards, purchase a car, pay for tuition, pay for a vacation, pay medical/dental expenses, or used for any other purpose other than to buy, build, or substantially improve the principal residence? | **YES** – Go to Step 6<br>**NO** – Go to Step 4d |
| | **d.** Was the mortgage amount more than $2 million ($1 million if Married Filing Separately)? | **YES** – Go to Step 6<br>**NO** – Go to Step 5 |

**step 5**

The discharged debt is "qualified principal residence indebtedness."

The Mortgage Forgiveness Debt Relief Act of 2007, as extended in the Emergency Economic Stabilization Act of 2008, allows individuals to exclude from gross income any discharges of "qualified principal residence indebtedness" made after 2006 and before 2013. The volunteer should complete the applicable lines on Form 982, and file it with the taxpayer's return. If the residence was disposed of, the taxpayer also may be required to report the disposition (sale) on Form 8949 and Schedule D.

**step 6**

These tax issues are outside the scope of the volunteer program. The taxpayer may qualify to exclude all or some of the discharged debt. However, the rules involved in the mortgage debt relief exclusions are complex.

**Refer the taxpayer to:**

- www.irs.gov for the most up-to-date information
- The Interactive Tax Assistance (ITA) on www.irs.gov to answer tax law questions. Type "ITA" in the key word search box.
- An IRS Representative: 1-800-829-1040
- An IRS Taxpayer Assistance Center (TAC)
- The Taxpayer Advocate Service (TAS): 1-877-777-4778, TTY/TDD 1-800-829-4059. TAS may help if the problem cannot be resolved through normal IRS channels.
- A professional tax preparer

**Additional Resources:**

- Publication 523, Selling your Home
- Publication 525, Taxable and Nontaxable Income
- Publication 4681, Canceled Debts, Foreclosures, Repossessions, and Abandonments
- Publication 4705, Overview of Mortgage Debt Forgiveness
- Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment) and Instructions

Publication 4731

# Screening Sheet for Form 1099-C, Cancellation of Debt

**NOTE:** Only volunteers with a **Cancellation of Debt Certification** may assist taxpayers with Form 1099-C issues.

## Part II – Credit Card Debt

| | | |
|---|---|---|
| step 1 | Did the taxpayer receive Form 1099-C, Cancellation of Debt, or other documentation (if less than $600) from a creditor and is the information shown on the form or document correct?<br><br>NOTE: The creditor is not required to issue a Form 1099-C if the canceled debt is under $600. However, the taxpayer may be required to report the canceled debt as income regardless of the amount. | **YES** – Go to Step 2<br>**NO** – Go to Step 6 |
| step 2 | Was the credit card debt related to a business? | **YES** – Go to Step 6<br>**NO** – Go to Step 3 |
| step 3 | Does box 3 of Form 1099-C show any interest or was box 6 checked to indicate bankruptcy?<br><br>NOTE: If the bankruptcy box is not checked but the taxpayer has subsequently filed bankruptcy, answer "yes". | **YES** – Go to Step 6<br>**NO** – Go to Step 4 |
| step 4 | Based on the interview with the taxpayer, was the taxpayer insolvent immediately before the cancellation of the debt? NOTE: Insolvent means the taxpayer's total liabilities were greater than the fair market value of his/her total assets (including an interest in pension plans and the value of retirement accounts). If the taxpayer is unsure, answer "yes." | **YES** – Go to Step 6<br>**NO** – Go to Step 5 |
| step 5 | The cancellation of nonbusiness credit card debt (the amount in box 2 of Form 1099-C or an amount less than $600 provided in other documentation) must be reported as ordinary income on Form 1040, line 21 (Other Income). No additional supporting forms or schedules are required for reporting income from canceled credit card debt. | |
| step 6 | These tax issues are outside the scope of the volunteer program. The taxpayer may qualify to exclude all or some of the discharged debt. However, the rules involved are complex.<br><br>**Refer the taxpayer to:**<br>• www.irs.gov for the most up-to-date information<br>• An IRS Representative: 1-800-829-1040<br>• An IRS Taxpayer Assistance Center (TAC)<br>• The Taxpayer Advocate Service (TAS): 1-877-777-4778, TTY/TDD 1-800-829-4059. TAS may help if the problem cannot be resolved through normal IRS channels.<br>• A professional tax preparer | |

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# Notes

# Health Saving Accounts (HSAs) Helpful Hints

**References:**
**Publication 969**
**Form 8889 and Instructions**
Do not rely on this document alone. Refer to HSA references to provide assistance.

**How can I tell if the taxpayer has an HSA issue?**

- The Intake/Interview sheet has the Yes or Unsure box checked (Life Events –Question #1)
- The taxpayer's (or spouse's) Form W-2 has a box 12 entry of code W for employer contributions. This triggers a Form 8889 to be added to the forms tree in the tax software. [**Caution** – If the taxpayer elected to contribute to the HSA through a section 125 (cafeteria) plan, this amount will be included in the box 12 entry. They are treated as employer contributions and are not deductible.]
- The taxpayer (or spouse) has a Form 1099-SA with an X in box 5 showing distributions from an HSA.
- The taxpayer (or spouse) may receive Form 5498-SA for their HSA contributions. If taxpayers do not have this form they can provide the information regarding HSA contributions based on their records.

**What do I need to know about Form 8889, Health Savings Accounts?**

**Tax Software Tip:** If you realize you need the Form 8889 to report HSA activity, and it does not show up in the forms tree in the software, link to the Form 8889 from Form 1040, line 25.

**Line 1** – Select the appropriate (HDHP) coverage for the taxpayer: **self-only or family**. This determines the maximum HSA contribution limits.

**Line 2** – Employee contributions are entered on Line 2. Contributions by relatives or friends are considered to be made by the taxpayer. **Do not** include employer contributions on this line.

The account holder needs to tell us how much was put in the HSA, because they might not have received the Form 5498-SA by the time they're preparing their tax return. Form 8889 will calculate when there are excess contributions. **Caution:** If excess not withdrawn by due date of return then it is out-of-scope; refer to professional tax preparer.

**Line 6** – Usually the same as the Line 5 calculated by tax software. Taxpayers need to know whose name is on the HSA account (taxpayer or spouse). There is no such thing as a "joint HSA account". If both taxpayer and spouse have HSAs, and had family coverage under an HDHP, refer to the Instructions for line 6. On tax software check Help option to see the Form 8889 Instructions.

**Line 7** – Age 55 or older, look up "catch up" contribution limits in Form 8889 Instructions.

**Line 14a** – Enter HSA distributions here. Ask the taxpayer for Form 1099-SA, with the HSA box checked. If not an HSA distribution, refer to professional tax preparer.

**Line 15** – If all distributions were used for unreimbursed qualified medical expenses, enter the same amount as Line 14a. Remember over-the-counter medicines without a prescription (except for insulin) are no longer qualified medical expenses for HSAs. Taxpayers cannot take a deduction on Schedule A (Form 1040) for any amount included on line 15.

**Lines 16, 17b** – If HSA distributions were not used for qualified medical expenses these lines must be completed. The tax software auto calculates these lines, if applicable.

**Line 17a** – If taxpayer meets one of the exceptions to the additional 20% tax, check the box on line 17a. Exceptions are: age 65, disability, or death.
See Form 8889 instructions for more information on the exceptions to the additional tax.

**Lines 18-22 (Part III)** – Out-of-scope.

Publication 4885

# Screening Sheet for Health Savings Accounts (HSAs)

**NOTE:** Only volunteers with **Health Savings Account Certification** may assist taxpayers with HSA issues.

IRS

**Instructions:** This Screening Sheet will help you identify HSA issues that are within the scope of the VITA/TCE program. Use the Determine HSA Eligibility section to determine if taxpayer is eligible for an HSA; use Part I for contributions/deduction; use Part II for distributions. **References:** Publication 969, Form 8889 and Instructions

## Determine HSA Eligibility (To set up an HSA or make contributions to an HSA)

**TO QUALIFY:** An individual must meet **ALL** the following requirements:

- Be covered under a high deductible health plan (HDHP) on the first day of any month of the year.
- Have no other health coverage except for allowable "other health coverage." (Publication 969, "Other health coverage")
- Not be claimed as a dependent on someone else's tax return. (Publication 969, "Qualifying for an HSA")
- Not be covered by Medicare (but the individual can be HSA eligible for the months before being covered by Medicare)

**NOTE:** If the taxpayer does not qualify, but contributions have been made to an HSA, the taxpayer should be referred to a professional tax preparer.

## PART I – HSA Contributions and Deduction

| | | |
|---|---|---|
| step 1 | If eligible, were contributions made to an HSA? | **YES** – Complete Form 8889, Part, I, lines 1 and 2. Go to Step 2.<br>**NO** – STOP. |
| step 2 | Was the taxpayer enrolled in the same HDHP coverage for the **entire** year? (Answer Yes, if last-month rule applies, and see Form 8889 Instructions)<br>**Caution:** If line 2 is more than line 13, the taxpayer must withdraw the excess contribution to avoid an additional tax. If the excess is not timely withdrawn, refer the taxpayer to a professional tax preparer. (Refer to Form 8889 Instructions, line 13). | **YES** – Complete Form 8889, Part I, lines 3-13.<br>**FOR YES AND NO: Lines 4 and 10 are out of scope.**<br>**NO** – Complete line 3 using the Limitation Chart and Worksheet in the Instructions for Form 8889. Then complete the remainder of Part I. |

## PART II – HSA Distributions

| | | |
|---|---|---|
| step 1 | Did the taxpayer receive distributions from the HSA trustee (whether or not Form 1099-SA received)? | **YES** – Complete Form 8889 Part II, Line 14a, 14b, if applicable, and 14c. Go to Step 2.<br>**NO** – STOP, do not complete Part II. |
| step 2 | Did the taxpayer use all or part of the distribution to pay or get reimbursed for qualified medical expenses in 2011 that were incurred after the HSA was established **and** were for qualified persons? | **YES** – Enter the amount on line 15 and complete line 16. Go to Step 3.<br>**NO** – Enter zero on line 15 and complete line 16. Go to Step 3. |
| step 3 | If any part of the distribution is taxable, was the distribution made after the taxpayer died, became disabled or turned 65? | **YES** – Check box on line 17a and complete 17b.<br>**NO** – Taxpayer will be subject to an additional 20% tax. |

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## Alimony Requirements (Instruments Executed After 1984)

| **Payments ARE alimony if all of the following are true:** | **Payments are NOT alimony if any of the following are true:** |
|---|---|
| Payments are required by a divorce or separation instrument. | Payments are not required by a divorce or separation instrument. |
| Payer and recipient spouse do not file a joint return with each other. | Payer and recipient spouse file a joint return with each other. |
| Payment is in cash (including checks or money orders). | Payment is:<br>• Not in cash,<br>• A noncash property settlement,<br>• Spouse's part of community income, or<br>• To keep up the payer's property. |
| Payment is not designated in the instrument as not alimony. | Payment is designated in the instrument as not alimony. |
| Spouses legally separated under a decree of divorce or separate maintenance are not members of the same household. | Spouses legally separated under a decree of divorce or separate maintenance are members of the same household. |
| Payments are not required after death of the recipient spouse. | Payments are required after death of the recipient spouse. |
| Payment is not treated as child support. | Payment is treated as child support. |
| *These payments are deductible by the payer and includible in income by the recipient.* | *These payments are neither deductible by the payer nor includible in income by the recipient.* |

**Tuition and Fees Deduction at a Glance**

*Do not rely on this table alone. Refer to the text for complete details.*

| Question | Answer |
|---|---|
| What is the maximum benefit? | You can reduce your income subject to tax by up to $4,000. |
| Limit on modified adjusted gross income (MAGI) | $160,000 if married filing joint return; $80,000 if single, head of household, or qualifying widow(er) |
| Where is the deduction taken? | As an adjustment to income on Form 1040. |
| For whom must the expenses be paid? | A student enrolled in an eligible educational institution who is either:<br>• you,<br>• your spouse, or<br>• your dependent for whom you claim an exemption. |
| What tuition and fees are deductible? | Tuition and fees required for enrollment or attendance at an eligible postsecondary educational institution, but not including personal, living or family expenses, such as room and board. |

## Effect of Modified AGI[1] on Traditional IRA Deduction if You Are Covered by Retirement Plan at Work

*If you are covered by a retirement plan at work, use this table to determine if your modified AGI affects the amount of your deduction.*

| IF your filing status is... | AND your modified AGI is... | THEN you can take... |
|---|---|---|
| **single** or **head of household** | $56,000 or less | a full deduction. |
| | more than $56,000 but less than $66,000 | a partial deduction. |
| | $66,000 or more | no deduction. |
| **married filing jointly** or **qualifying widow(er)** | $90,000 or less | a full deduction. |
| | more than $90,000 but less than $110,000 | a partial deduction. |
| | $110,000 or more | no deduction. |
| **married filing separately**[2] | less than $10,000 | a partial deduction. |
| | $10,000 or more | no deduction. |

[1]Modified AGI (adjusted gross income).
[2]If you did not live with your spouse at any time during the year, your filing status is considered Single for this purpose (therefore, your IRA deduction is determined under the "Single" column).

## Effect of Modified AGI[1] on Traditional IRA Deduction if You Are NOT Covered by Retirement Plan at Work

*If you are not covered by a retirement plan at work, use this table to determine if your modified AGI affects the amount of your deduction.*

| IF your filing status is... | AND your modified AGI is... | THEN you can take... |
|---|---|---|
| **single, head of household,** or **qualifying widow(er)** | any amount | a full deduction. |
| **married filing jointly** or **separately** with a spouse who ***is not*** covered by a plan at work | any amount | a full deduction. |
| **married filing jointly** with a spouse who ***is*** covered by a plan at work | $169,000 or less | a full deduction. |
| | more than $169,000 but less than $179,000 | a partial deduction. |
| | $179,000 or more | no deduction. |
| **married filing separately** with a spouse who ***is*** covered by a plan at work[2] | less than $10,000 | a partial deduction. |
| | $10,000 or more | no deduction. |

[1]Modified AGI (adjusted gross income).
[2]You are entitled to the full deduction if you did not live with your spouse at any time during the year.

**Note:** TaxWise automatically calculates the deduction limits

## Student Loan Interest Deduction at a Glance

*Caution: This table is only an overview of the rules. For details, see Publication 17.*

| Feature | Description |
|---|---|
| Maximum benefit | You can reduce your income subject to tax by up to $2,500. |
| Loan qualifications | Your student loan:<br>• must have been taken out solely to pay qualified education expenses, and<br>• cannot be from a related person or made under a qualified employer plan. |
| Student qualifications | The student must be:<br>• you, your spouse, or your independent, and<br>• enrolled at least half-time in a degree program.<br>• a dependent when the loan was made |
| Time limit on deduction | You can deduct interest paid during the remaining period of your student loan. |
| Phaseout | The amount of your deduction depends on your income level. |

## Effect of MAGI[1] on Student Loan Interest Deduction

| IF your filing status is... | AND your MAGI is... | THEN your student loan interest deduction is... |
|---|---|---|
| single, head of household, or qualifying widow(er) | less than $60,000 | not affected by the phaseout. |
| | more than $60,000 but less than $75,000 | reduced because of the phaseout. |
| | $75,000 or more | eliminated by the phaseout. |
| married filing joint return | less than $120,000 | not affected by the phaseout. |
| | more than $120,000 but less than $150,000 | reduced because of the phaseout. |
| | $150,000 or more | eliminated by the phaseout. |

**Student Loan Interest Deduction Worksheets:** Generally, you figure the deduction using the *Student Loan Interest Deduction Worksheet* in Form 1040 or Form1040A instructions. However, if you are filing Form 2555, 2555-EZ, or 4563, or you are excluding income from Puerto Rico, you must complete *Worksheet 4-1* in Publication 970. When using TaxWise, link from the Form 1040 to 1040 Worksheet 2 and enter the amount of the student loan interest paid. TaxWise will calculate the deduction based on the filing status and income limits.

[1] MAGI (modified adjusted gross income)

# Notes

## Travel Expenses

This chart summarizes expenses you can deduct when you travel away from home for business purposes.

| IF you have expenses for... | THEN you can deduct the cost of... |
|---|---|
| **transportation** | travel by airplane, train, bus, or car between your home and your business destination. If you were provided with a ticket or you are riding free as a result of a frequent traveler or similar program, your cost is zero. If you travel by ship, see *Luxury Water Travel* and *Cruise Ships* (under *Conventions*) for additional rules and limits. |
| **taxi, commuter bus, and airport limousine** | fares for these and other types of transportation that take you between:<br>• The airport or station and your hotel, and<br>• The hotel and the work location of your customers or clients, your business meeting place, or your temporary work location. |
| **baggage and shipping** | sending baggage and sample or display material between your regular and temporary work locations. |
| **car** | operating and maintaining your car when traveling away from home on business. You can deduct actual expenses or the standard mileage rate, as well as business-related tolls and parking. If you rent a car while away from home on business, you can deduct only the business-business-use portion of the expenses. **Important note**: The actual expense method is out of scope for the VITA/TCE program. If the taxpayer is using **actual expenses** for car expenses, refer the taxpayer to a professional tax preparer. |
| **lodging and meals** | your lodging and meals if your business trip is overnight or long enough that you need to stop for sleep or rest to properly perform your duties. Meals include amounts spent for food, beverages, taxes, and related tips. See *Meals* for additional rules and limits. |
| **cleaning** | dry cleaning and laundry. |
| **telephone** | business calls while on your business trip. This includes business communication by fax machine or other communication devices. |
| **tips** | tips you pay for any expenses in this chart. |
| **other** | other similar ordinary and necessary expenses related to your business travel. These expenses might include transportation to or from a business meal, public stenographer's fees, computer rental fees, and operating and maintaining a house trailer. |

## Deductible Entertainment Expenses
## When Are Entertainment Expenses Deducted?

| | |
|---|---|
| **General rule** | You can deduct ordinary and necessary expenses to entertain a client, customer, or employee if the expenses meet the directly-related test or the associated test. |
| **Definitions** | • Entertainment includes any activity generally considered to provide entertainment, amusement, or recreation, and includes meals provided to a customer or client.<br>• An ordinary expense is one that is common and accepted in your trade or business.<br>• A necessary expense is one that is helpful and appropriate. |
| **Tests to be met** | Directly-related test<br>• Entertainment took place in a clear business setting, or<br>• Main purpose of entertainment was the active conduct of business, and<br>You did engage in business with the person during the entertainment period, and<br>You had more than a general expectation of getting income or some other specific business benefit. |
| | Associated test<br>• Entertainment is associated with your trade or business, and<br>• Entertainment directly before or after a substantial business discussion. |
| **Other rules** | • You cannot deduct the cost of your meal as an entertainment expense if you are claiming the meal as a travel expense.<br>• You cannot deduct expenses that are lavish or extravagant under the circumstances.<br>• You generally can deduct only 50% of your unreimbursed entertainment expenses (see *50% Limit*). |

TIP

# 50% Limit

**Table 3. Does the 50% Limit Apply to Your Expenses?**
There are exceptions to these rules. See Publication 463 for additional guidance.

*All employees and self-employed persons can use this chart.*

***Start Here***

Were your meal and entertainment expenses reimbursed? (Count only reimbursements your employer did not include in box 1 of your Form W-2. If self-employed, count only reimbursements from clients or customers that are not included on Form 1099-MISC, Miscellaneous Income.)

*No* → Your meal and entertainment expenses ARE subject to the 50% limit.*

*Yes* ↓

If an employee, did you adequately account to your employer under an accountable plan? If self-employed, did you provide the payer with adequate records? (See chapter 6.)

*No* → Your meal and entertainment expenses ARE subject to the 50% limit.*

*Yes* ↓

Did your expenses exceed the reimbursement?

*No* → Your meal and entertainment expenses are NOT subject to the 50% limit. However, since the reimbursement was not treated as wages or as other taxable income, you cannot deduct the expenses.

*Yes* ↓

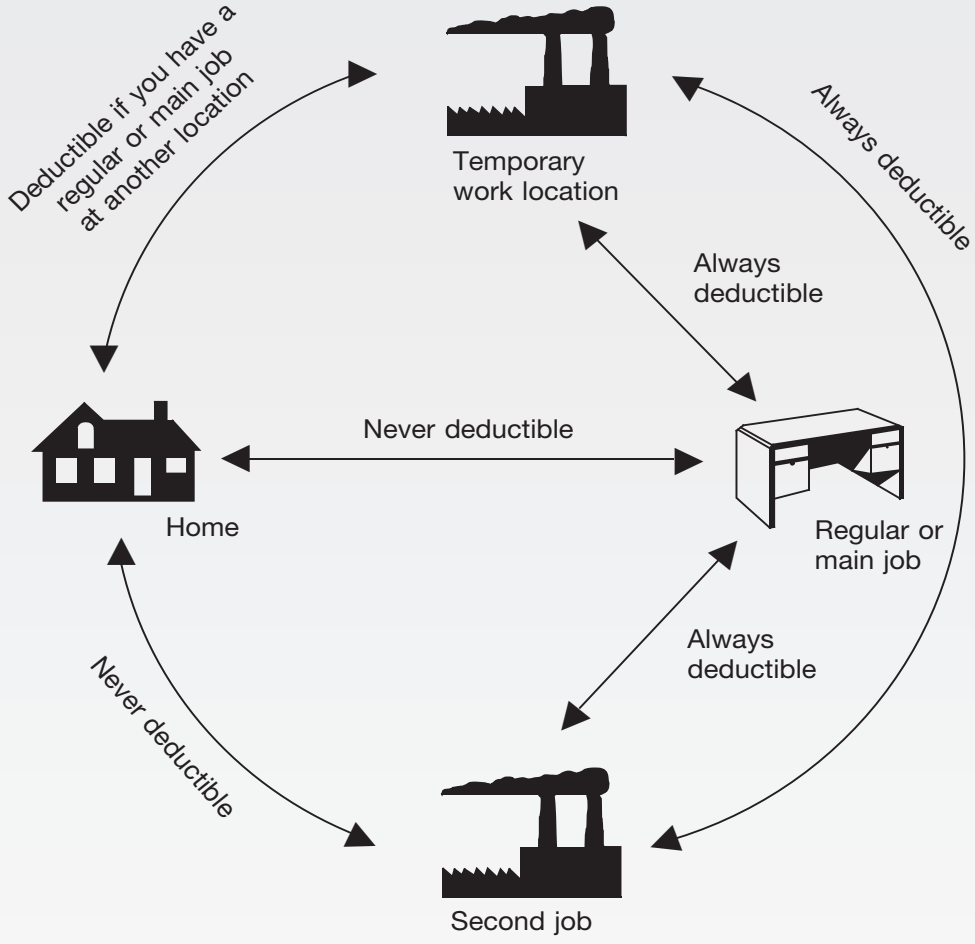
For the amount reimbursed... → Your meal and entertainment expenses are NOT subject to the 50% limit. However, since the reimbursement was not treated as wages or as other taxable income, you cannot deduct the expenses.

For the excess amount... → Your meal and entertainment expenses ARE subject to the 50% limit.*

***50% limit for most taxpayers; 80% for those subject to Department of Transportation hours of service. See Publication 463 for more information.**

**Deductible Transportation Expenses**

Most employees and self-employed persons can use this chart.
(Do not use this chart if your home is your principal place of business.)




**Home:** The place where you reside. Transportation expenses between your home and your main or regular place of work are personal commuting expenses.

**Regular or main job:** Your principal place of business. If you have more than one job, you must determine which one is your regular or main job. Consider the time you spend at each, the activity you have at each, and the income you earn at each.

**Temporary work location:** A place where your work assignment is realistically expected to last (and does in fact last) one year or less. Unless you have a regular place of business, you can only deduct your transportation expenses to a temporary work location outside your metropolitan area.

**Second job:** If you regularly work at two or more places in one day, whether or not for the same employer, you can deduct your transportation expenses of getting from one workplace to another. If you do not go directly from your first job to your second job, you can only deduct the transportation expenses of going directly from your first job to your second job. You cannot deduct your transportation expenses between your home and a second job on a day off from your main job.

# Recordkeeping

TIP

## How to Prove Certain Business Expenses

| If you have expenses for ... | THEN you must keep records that show details of the following elements . . . | | | |
|---|---|---|---|---|
| | **Amount** | **Time** | **Place or Description** | **Business Purpose Business Relationship** |
| **Travel** | Cost of each separate expense for travel, lodging, and meals. Incidental expenses may be totaled in reasonable categories such as taxis, fees and tips, etc. | Dates you left and returned for each trip and number of days spent on business. | Destination or area of your travel (name of city, town, or other designation). | Purpose: Business purpose for the expense or the business benefit gained or expected to be gained.<br><br>Relationship: N/A |
| **Entertainment** | Cost of each separate expense. Incidental expenses such as taxis, telephones, etc., may be totaled on a daily basis. | Date of entertainment. (Also see *Business Purpose.*) | Name and address or location of place of entertainment. Type of entertainment if not otherwise apparent. (Also see *Business Purpose*.) | Purpose: Business purpose for the expense or the business benefit gained or expected to be gained. For entertainment, the nature of the business discussion or activity. If the entertainment was directly before or after a business discussion: the date, place, nature, and duration of the business discussion, and the identities of the persons who took part in both the business discussion and the entertainment activity.<br><br>Relationship: Occupations or other information (such as names, titles, or other designations) about the recipients that shows their business relationship to you.<br><br>For entertainment, you must also prove that you or your employee was present if the entertainment was a business meal. |
| **Gifts** | Cost of the gift. | Date of the gift. | Description of the gift. | |
| **Transportation** | Cost of each separate expense. For car expenses, the cost of the car and any improvements, the date you started using it for business, the mileage for each business use, and the total miles for the year. | Date of the expense. For car expenses, the date of the use of the car. | Your business destination. | Purpose: Business purpose for the expense.<br><br>Relationship: N/A |

TIP

interview tips

## Persons Not Eligible for the Standard Deduction Interview Tips

Certain taxpayer situations do not qualify for the standard deduction. These interview tips will assist you in determining if the taxpayer's standard deduction is zero or if they should itemize their deductions.

| | | |
|---|---|---|
| step 1 | Is your filing status married filing separately? | If **YES**, go to Step 2.<br>If **NO**, go to Step 3. |
| step 2 | Is your spouse itemizing deductions? | If **YES**, go to Conclusion 2.<br>If **NO**, go to Step 3. |
| step 3 | Are you a dual status alien or a nonresident alien? | If **YES**, go to Conclusion 2.<br>If **NO**, go to Conclusion 1. |

Conclusion 1: Based on the information provided, you may take either the standard or itemized deduction.

Conclusion 2: Based on the information provided, you generally do not qualify for the standard deduction. See Publication 519, U.S. Tax Guide for Aliens, for more information

TIP

## Exhibit 1 – Standard Deduction for Most People*

This table provides the standard deduction amounts for tax year 2011.

| If the taxpayer's filing status is... | Your standard deduction is ... |
|---|---|
| Single or married filing separate return | $5,800 |
| Married filing joint return or qualifying widow(er) with dependent child | $11,600 |
| Head of household | $8,500 |

*Do not use this chart if the taxpayer was born before January 2, 1947, is blind, if someone else can claim an exemption for the taxpayer (or their spouse if married filing jointly).

## Exhibit 2 – Standard Deduction Chart for People Born Before January 2, 1947 or Who Are Blind*

Check the correct number of boxes below. Then go to the chart.

| | | | |
|---|---|---|---|
| You | Born before January 2, 1947 | ☐ | Blind ☐ |
| Your spouse, if claiming spouse's exemption | Born before January 2, 1947 | ☐ | Blind ☐ |
| **Total number of boxes you checked** | ☐ | | |

| If your filing status is... | AND the number in the box above is... | THEN your standard deduction is... |
|---|---|---|
| Single | 1 | $7,250 |
| | 2 | $8,700 |
| Married filing joint return or Qualifying widow(er) with dependent child | 1 | $12,750 |
| | 2 | $13,900 |
| | 3 | $15,050 |
| | 4 | $16,200 |
| Married filing separate return | 1 | $6,950 |
| | 2 | $8,100 |
| | 3 | $9,250 |
| | 4 | $10,400 |
| Head of household | 1 | $9,950 |
| | 2 | $11,400 |

Do not use this chart if someone can claim you, or your spouse if filling jointly, as a dependent.

# Interview Tips – Itemized Deductions

TIP interview tips

These interview tips will assist you in determining whether a taxpayer's itemized deductions are more than their standard deduction amount. It may be more advantageous for a taxpayer to itemize their deductions if the amount is larger than the allowable standard deduction amount.

| | | |
|---|---|---|
| step 1 | Do you have expenses in the following categories: medical and dental expenses, taxes you paid, home mortgage interest you paid, mortgage insurance premiums you paid, gifts to charity, job expenses, and certain miscellaneous deductions?<br>**Note:** Casualty and theft losses and some miscellaneous deductions are beyond the scope of VITA/TCE. | If YES, go to Step 2.<br>If **NO**, generally speaking, you should take the standard deduction if eligible. For further explanation see exceptions in Publication 17, Standard Deduction chapter. |
| step 2 | Were the medical and dental expenses paid by an employer under a pre-tax plan (not included in box 1 of the customer's Form W-2) or were the expenses reimbursed by an insurance company? | If YES, you cannot deduct reimbursed expenses. Go to Step 4.<br>If **NO**, you can claim these expenses. Go to Step 3. |
| step 3 | Were the medical and dental expenses more than 7.5% of your adjusted gross income?<br>**Note:** You can include medical and dental bills you paid for:<br>■ Yourself and your spouse<br>■ All dependents you claim on your return<br>■ Your child whom you do not claim as a dependent because of the rules for children of divorced or separated parents<br>■ Any person you could have claimed as a dependent on your return unless that person received $3,700 or more of gross income or filed a joint return<br>■ Any person you could have claimed as a dependent unless you, or your spouse if filing jointly, can be claimed as a dependent on someone else's 2011 return. | If YES, you can claim qualified expenses. Go to Step 4.<br>If **NO**, you cannot deduct these expenses. Go to Step 4. |
| step 4 | Were the following taxes you paid imposed on you: state, local or foreign income taxes, real or personal property taxes? | If YES, go to Step 5.<br>If NO, you cannot claim this expense as a deduction because you were not obligated to pay the taxes. Go to Step 6. |
| step 5 | Did you pay these taxes during **this tax year**? | If YES, you can claim these expenses and go to Step 6.<br>If NO, you cannot deduct taxes for this year that were paid in another year. Go to Step 6. |
| step 6 | Are you legally liable for a home mortgage loan? | If YES, go to Step 7.<br>If NO, you cannot take an interest expense for a mortgage for which you are not legally liable. Go to Step 12. |

TIP interview tips

# Interview Tips – Itemized Deductions (continued)

| | | |
|---|---|---|
| step 7 | Was the mortgage a secured debt on a main or second home? | If YES, go to Step 8.<br>If NO, you cannot take an interest expense. Go to Step 11. |
| step 8 | Did you pay the mortgage interest in this tax year? | If YES, go to Step 9.<br>If NO, you cannot take the mortgage interest deduction. Go to Step 11. |
| step 9 | Did you take out your mortgage **on or before** October 13, 1987? | If YES, your mortgage interest is fully deductible. Go to Step 10.<br>If NO, follow the is my Home Mortgage Interest Fully deductible flowchart in Publication 17 to determine what is deductible. Go to Step 11. |
| step 10 | Did you pay premiums in 2011 for qualified mortgage insurance for a home acquisition debt that was issued after 2006? | If **YES**, you can take a deduction for qualified mortgage insurance as home mortgage interest within the AGI income limitations.<br>If **NO**, you cannot take a deduction for qualified mortgage insurance as home mortgage interest. |
| step 11 | Did you pay points to obtain a home mortgage (on a main home or second home or home improvement loan or to refinance your home)? | If YES, follow the Are My Points Fully Deductible This Year flowchart in Publication 17 and then go to Step 12.<br>If NO, go to Step 12. |
| step 12 | Did you make a cash contribution to a qualified organization? | If YES, you must have a written receipt from that particular organization, and then go to Step 13.<br>If NO, go to Step 13. |
| step 13 | Did you make a noncash donation to a qualified organization?<br>**Note:** Generally fair market value is used to determine the value of a donation. | If YES, advise the taxpayer that **generally** he or she must have a written receipt from that particular organization. Go to Step 14.<br>If **NO**, Go to Step 15. |
| step 14 | Is the total of all noncash donations $500 or less?<br>**Note:** If more than $500, refer taxpayer to a professional tax preparer. | If YES, see Publication 17 for more details.<br>If **NO**, this is beyond the scope of VITA/TCE. Refer taxpayer to a professional tax preparer. |
| step 15 | Do you have any employee or investment expenses more than 2% of your (and your spouse's if married filing jointly) adjusted gross income? | If YES, report the expenses on Schedule A, *Job Expenses and Certain Miscellaneous Deductions.*<br>If **NO**, your employee and investment expenses are not deductible. |

**If the total itemized deduction is more than the standard deduction, carry the total to the appropriate line of Form 1040.**

# Notes

# Child and Dependent Care Credit Expenses

Probe/Action: To determine if a taxpayer qualifies for the Credit for Child and Dependent Care Expenses, ask the taxpayer for information from the decision tree on the next page.

**Who is a qualifying person?**

- A qualifying child who is under the age of 13 when the expenses were incurred and for whom a dependency exemption can be claimed*
- Any person who is physically or mentally incapable of self-care whom the taxpayer can claim as a dependent or could have claimed as a dependent except that the person had gross income of more than $3,700 or filed a joint return or that the taxpayer or spouse, if married filing jointly, could be claimed as a dependent on someone else's 2011 return.
- A spouse who is physically or mentally incapable of self-care and lived with the taxpayer for more than half the year.

See Publication 17, ***Child and Dependent Care Credit*** for special rules regarding divorced or separated parents or parents who live apart.

**Qualified work-related expenses**

- Expenses must be paid for the care of the qualifying person to allow the taxpayer and spouse, if married to work or look for work.
- The care includes the costs of services for the qualifying person's well-being and protection.

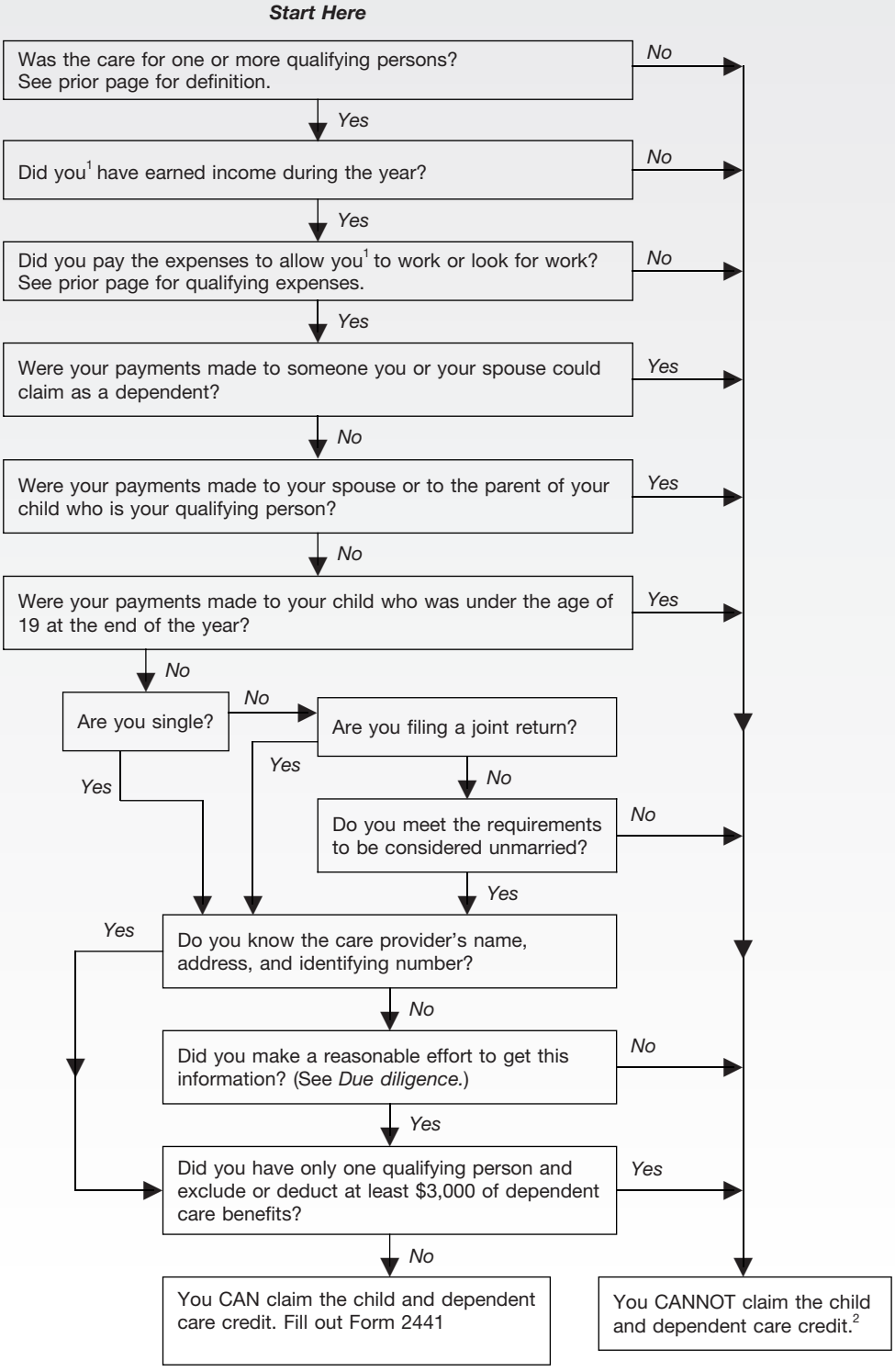
*Refer to the tables on page C-3 for the rules governing who may be claimed as a dependent.

Caution: Only the custodial parent may claim the child and dependent care credit even if the child's exemption is being claimed by the non-custodial parent under the rules for divorced & separated parents.

Caution: If Dependent Care Benefits are listed in Box 10 of a W2, then the taxpayer MUST complete Form 2441. If Form 2441 is not completed, the Box 10 amount is entered on Line 7 of the 1040 as taxable income.

# Credit for Child & Dependent Care Expenses – Decision Tree

## Can You Claim the Child and Dependent Care Credit




[1] This also applies to your spouse, unless your spouse was disabled or full-time student.

[2] If you had expenses that met the requirements for 2010, except that you did not pay them until 2011, you may be able to claim those expenses in 2011.

# Education Credits

Probe/Action: To determine if a taxpayer qualifies for the Education Credit.

**Comparison of Education Credits**

| American Opportunity Credit | Lifetime Learning Credit |
|---|---|
| Up to $2,500 per eligible student | Up to $2,000 credit per return |
| Available for first 4 years of post secondary education, cannot be claimed more than 4 tax years | Available for all years of post secondary education and for courses to acquire or improve job skills |
| Forty percent (.40) of the credit is refundable[1] (Up to $1,000 even if no taxes are owed) | Non refundable credit |
| Student must be pursuing an undergraduate degree or other recognized education credential | Student does not need to be pursuing a degree or other recognized education credential |
| Student must be enrolled at least half time for at least one academic period beginning during the year | Available for one or more courses |
| No felony drug conviction on student's record | Felony drug conviction rule does not apply |
| Credit is reduced if modified AGI is between $80,000 and $90,000 ($160,000 and $180,000 if married filing jointly) | Credit is reduced if modified AGI is between $50,000 and $61,000 ($100,000 and $122,000 if married filing jointly) |

**Who Can Claim the Credit?**

- Taxpayers who paid qualified educational expenses of higher education for an eligible student.
- Taxpayers who paid the education expenses for a student enrolled at or attending an eligible educational institution. (to determine if eligible, see http://ope.ed.gov/accreditation)
- The eligible student is either the taxpayer, taxpayer's spouse or a dependent for whom the taxpayer can claim as a dependent on the tax return.

**Note:** Qualified education expenses paid by a dependent for which an exemption is claimed, or by a third party for that dependent, are considered paid by the taxpayer. If a student is **NOT** claimed as a dependent (even if eligible to be claimed), only the student can claim an education credit no matter who paid the expenses. Anyone paying the expenses (even directly to the institution) are considered to have given a gift to the student who in turn is treated as having paid the expenses.

[1] None of the credit is refundable if (1) the taxpayer claiming the credit is (a) under age 18 or (b) age 18 at the end of the year, and their earned income was less than one-half of their own support or (c) a full time student over 18 and under 24 and their earned income was less than one-half of their own support; and (2) the taxpayer has at least one living parent, and; (3) the taxpayer does not file a joint return

# Education Credits (Continued)

Probe/Action: To determine if a taxpayer qualifies for the Education Credit.

**Who Can Claim a Dependent's Expenses?**

| If the taxpayer… | Then only… |
|---|---|
| Claims an exemption on the return for a dependent who is an eligible student | The taxpayer can claim the credit based on that dependent's expenses. The dependent cannot claim the credit. |
| Does not claim the exemption on the tax return | The dependent can claim the credit. The taxpayer cannot claim the credit based on the dependent's expenses. |

**Who Cannot Claim the Credit?**

- Married filing separate filing status
- Taxpayers listed as a dependent on another person's tax return
- Taxpayers whose modified AGI is more than the allowable income limits
- Taxpayer (or the spouse) was a nonresident alien for any part of the tax year and the nonresident alien did not elect to be treated as a resident alien for tax purposes

**What Expenses Qualify?**

- Expenses paid for an academic period starting in 2011 or the first 3 months of 2012
- Expenses not refunded when the student withdraws from class
- Expenses paid with the proceeds from a loan

**What are Qualifying Expenses?**

- The term "qualified tuition and related expenses" has only been expanded for the American opportunity credit to include expenditures for course materials. For this purpose, course materials are books, supplies, and equipment needed for a course of study whether or not the materials are purchased from the educational institution as a condition of enrollment or attendance. However, whether an expenditure for a computer qualifies for the credit depends on the facts. An expenditure for a computer would qualify for the credit if the computer is needed as a condition of enrollment or attendance at the educational institution.

**What is Tax-free educational assistance?**

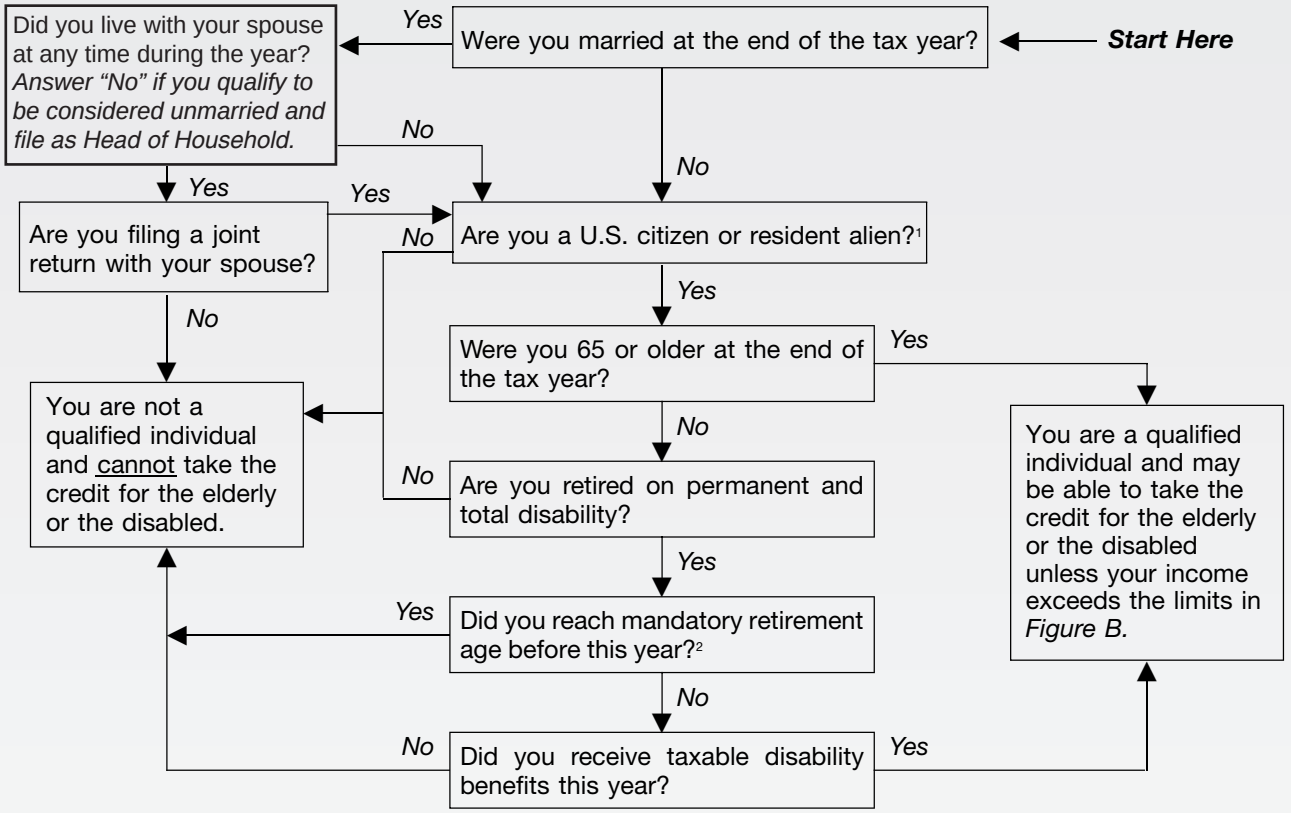
- Tax-free parts of scholarships and fellowships
- Pell grants (see chapter 1 of Publication 970)
- Employer-provided educational assistance (see Publication 970)
- Veterans' educational assistance
- Any other nontaxable payment (other than gifts or inheritances) received as educational assistance

**Note:** If qualified education expenses are paid with certain tax free funds, the taxpayer cannot claim a credit for those amounts. The taxpayer must reduce the qualified education expenses by the amount of any tax-free educational assistance received.

# Credit for the Elderly or the Disabled – Decision Tree

Use the following chart to determine if the taxpayer is eligible for the Credit for the Elderly or the Disabled:

Figure A. **Are You a Qualified Individual?**




[1] If you were a nonresident alien at any time during the tax year and were married to a U.S. citizen or resident alien at the end of the tax year, see *U.S. Citizen or Resident Alien* under *Qualified Individual.* If you and your spouse choose to treat you as a U.S. resident alien, answer "yes" to this question.

[2] Mandatory retirement age is the age set by your employer at which you would have been required to retire, had you not become disabled.

Figure B. **Income Limits**

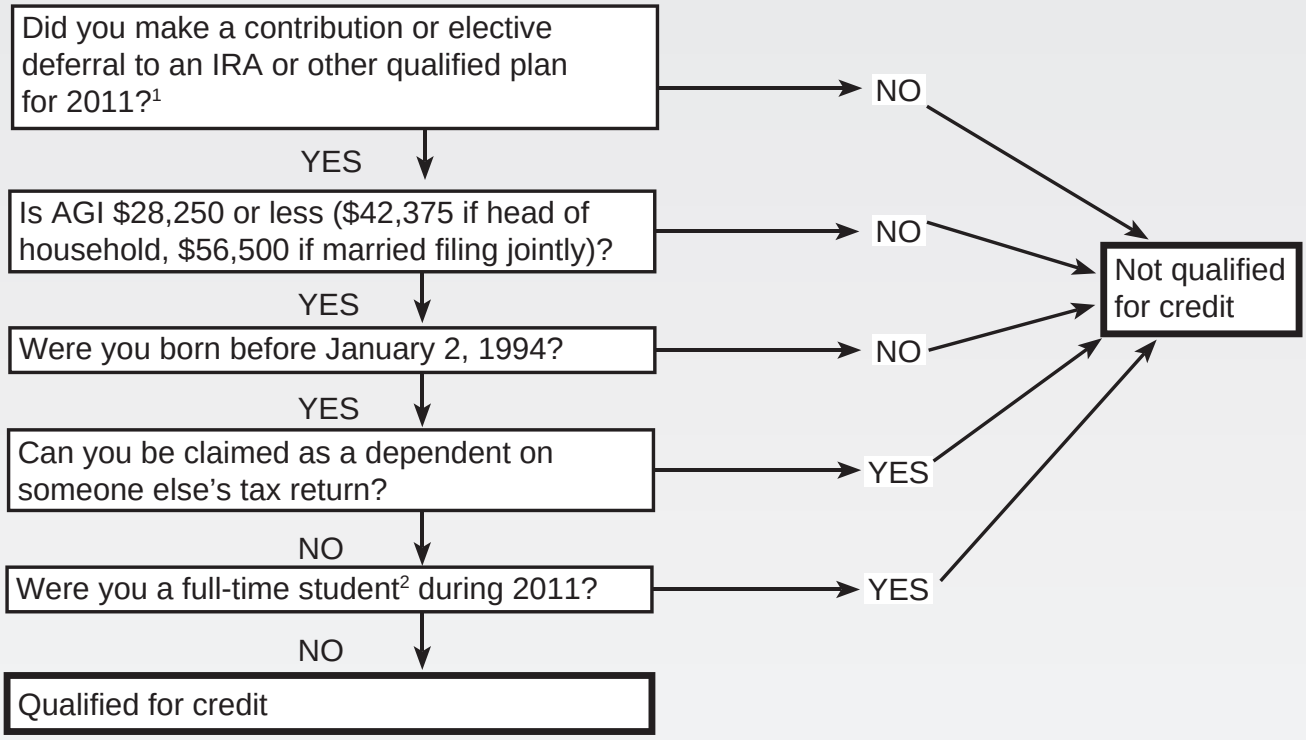
| | **THEN, even if you qualify (see *Figure A*), you CANNOT take the credit if . . .** | |
|---|---|---|
| **IF your filing status is . . .** | **Your adjusted gross income (AGI)* is equal to or more than . . .** | **OR the total of your nontaxable social security and other nontaxable pension(s) is equal to or more than . . .** |
| single, head of household, or qualifying widow(er) with dependent child | $17,500 | $5,000 |
| married filing a joint return **and** both spouses qualify in *Figure A* | $25,000 | $7,500 |
| married filing a joint return **and** only one spouse qualifies in *Figure A* | $20,000 | $5,000 |
| married filing a separate return | $12,500 | $3,750 |

* AGI is the amount on Form 1040A, line 22, or Form 1040, line 38.

**Tax Software Hint:** The software will calculate the credit and complete the Schedule R if the date of birth is provided. Be sure to include the taxpayer's total social security benefits, regardless of the taxability, to ensure the correct calculation of the credit.

# Retirement Savings Contributions Credit – Decision Tree

To determine if a taxpayer qualifies for the Credit for Qualified Retirement Savings Contributions, review the return information and ask the taxpayer the following:




[1] Plans that qualify are listed in the Chapter 37 of Publication 17. Answer yes if qualifying IRA contributions are made in 2012 for tax year 2011 by the due date of the 2011 tax return.

[2] See Publication 17 for definition of full-time student.

**Note:** Distributions from a military retirement plan do not reduce the taxpayer's Qualified Retirement Savings Contribution. The military retirement plan is a noncontributory plan that does not allow any contributions by the military employee. In addition do not reduce the taxpayer's contribution by any distributions of dividends paid on stock held by an employee stock ownership plan under section 404(k). See Form 8880 Instructions for more information.

## Important Reminders for Retirement Savings Contributions Credit

- Be sure to look at the taxpayer's Form(s) W-2. An entry in box 12 or an "X" in the Retirement box is an indicator that the taxpayer may be eligible for this credit. A full description of all codes used in box 12 can be found in Instructions for Forms W-2 and W-3.
- An entry in box 14 on the W-2 may also indicate a contribution to a state retirement system. Caution: If these are treated as employer contributions they are not eligible for the credit. See Form W-2 Instructions.
- When using tax software, remember to key in all entries as they appear on the Form W-2.
- A contribution to a traditional or Roth IRA may also qualify for this credit, but may not appear on any taxpayer document. Remember to review the expenses section on page 2 of the Intake and Interview Sheet and ask the taxpayer if he or she made any IRA contributions.
- Distributions can reduce the eligible contributions for this credit. A current tax year distribution is reported on a Form 1099-R. However, you must remember to ask the taxpayer if they received distributions in the two preceding tax years or will receive a distribution before the due date of the tax return, as they may not bring this documentation to the tax site.
- Complete Form 8880 to claim this credit.

## Child Tax Credit

Use the worksheet in Form 1040 Instruction booklet.

This is a credit intended to reduce the tax. This part of the credit is not refundable. The credit is up to $1,000 per qualifying child.

**Qualifying child:**

1. Under age 17 at the end of the tax year.
2. A U.S. citizen or U.S. national* or resident of the United States.
3. Claimed as your dependent.**
4. Your:
   a. son or daughter, adopted child, stepchild, eligible foster child, or a descendant of any of them
   b. brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them (for example, your niece or nephew) if you care for the individual as your own child.
5. Did not provide over half of his or her own support.
6. Lived with the taxpayer for more than half of the tax year. (See **Interview Tips for Child Tax Credit** for **Exception to Time Lived with You** section if the child did not live with the taxpayer for more than half the year.)

* National is an individual who, although not a U.S. citizen, owes his or her allegiance to the United States. U.S. nationals include American Samoans and Northern Mariana Islanders who chose to become U.S. nationals instead of U.S. citizens.
**Refer to the tables on page C-3 for the rules governing who may be claimed as a dependent.

**Caution:** If the taxpayer is able to claim the dependent under the rules for divorced and separated parents, he or she is the only parent entitled to claim the child tax credit or additional child tax credit.

## Additional Child Tax Credit – General Eligibility

The child tax credit is generally a nonrefundable credit; however, certain taxpayers may be entitled to a refundable additional child tax credit.

- Taxpayers with more than $3,000 of taxable earned income may be eligible for the additional child tax credit regardless of the number of qualifying children.
- Taxpayers with three or more children may also be eligible for additional child tax credit regardless of their income.

Form 8812 is used to calculate the allowable additional child tax credit.

See Tab A, Exemption, and the worksheet in the instruction booklets for additional information (including definitions and special rules relating to an adopted child, foster child, or qualifying child of more than one person).

TIP
interview tips

# Child Tax Credit

(Remember to apply the steps for each child.)
Probe/Action: Ask the taxpayer:

| | | |
|---|---|---|
| step 1 | Is this child your son, daughter, adopted child, stepchild, foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them (for example, your grandchild, niece, or nephew)? A descendant is of any generation. | If **YES**, go to Step 2.<br>If **NO**, you cannot claim the child tax credit for this child. STOP if the taxpayer has no other children. |
| step 2 | Is this child under age 17 at the end of the tax year? | If **YES**, go to Step 3.<br>If **NO**, you cannot claim the child tax credit for this child. STOP if the taxpayer has no other children. |
| step 3 | Did the child provide over half of his or her own support for the tax year? | If **NO**, go to Step 4.<br>If **YES**, you cannot claim the child tax credit for this child. STOP if the taxpayer has no other children. |
| step 4 | Did the child live with you for more than half of the tax year?<br>If the child did not live with you for the required time, see the following notes below the chart:<br>• Exception to Time Lived with You<br>• Kidnapped Child<br>• Children of Divorced or Separated or Parents who live apart. | If **YES**, go to Step 5.<br>If **NO**, you cannot claim the child tax credit for this child. STOP if the taxpayer has no other children. |
| step 5 | Is this child a U.S. citizen, U.S. national, or resident of the United States?<br>Note: A national is an individual who, although not a U.S. citizen, owes his or her allegiance to the United States. U.S. nationals include American Samoans and Northern Mariana Islanders who chose to become U.S. nationals instead of U.S. citizens. | If **YES**, go to Step 6.<br>If **NO**, you cannot claim the child tax credit for this child. STOP if the taxpayer has no other children. |
| | **Questions: Who Must Use Publication 972?** | |
| step 6 | Are you excluding income from Puerto Rico or are you filing Form 2555, Form 2555-EZ (relating to foreign earned income), or Form 4563, *Exclusion of Income for Bona Fide Residents of American Samoa?* | If **NO**, go to Step 7.<br>If **YES**, you must use Publication 972 to figure the credit. |
| step 7 | Are you claiming any of the following credits?<br>• Residential energy efficient property credit, Form 5695, Part II; Mortgage Interest credit, Form 8396; District of Columbia first-time homebuyer credit, Form 8859. | If **NO**, use the Child Tax Credit Worksheet to figure the credit.<br>If **YES**, you must use Publication 972 to figure the credit. |

**Exception to Time Lived with You**
A child is considered to have lived with you for all of 2011 if the child was born or died in 2011 and your home was this child's home for the entire time he or she was alive. Temporary absences for special circumstances, such as for school, vacation, medical care, military service, or detention in a juvenile facility, count as time lived at home.

**Kidnapped Child**
A kidnapped child is considered to have lived with you for all of 2011 if:
- In the year the kidnapping occurred, the kidnapped child is presumed by law enforcement to have been taken by someone who is not a family member, and
- The kidnapped child lived with the taxpayer for more than half of the portion of the year prior to the kidnapping.

**Modified Adjusted Gross Income Limits**
- Married filling jointly - $110,000
- Single, head of household, or qualifying widow(er) - $75,000
- Married filling separately - $55,000

**Children of Divorced or Separated Parents**
A child will be treated as being the qualifying child of his or her noncustodial parent if all of the following apply:
- The parents were divorced or legally separated or lived apart at all times during the last 6 months of 2011.
- The child received over half of his or her support for 2011 from the parents.
- The child was in custody of one or both of the parents for more than half of 2011.
- A decree of divorce or separate maintenance or written separation agreement that applies to 2011 provides that (a) the noncustodial parent can claim the child as a dependent, or (b) the custodial parent will sign a written declaration that he or she will not claim the child as a dependent for 2011.
- The custodial parent signs Form 8332 or similar statement that he or she will not claim the child as a dependent in 2011. If the divorce decree or separation agreement went into effect after 1984 and before 2009, the non custodial parent can attach certain pages instead of Form 8332.

# Residential Energy Credits

**Part I, Form 5695 - Key points about the Nonbusiness Energy Property Credit:**

- **Nonbusiness energy property credit is extended, but with new limitations for 2011**.
- A total combined credit limit of $500 ($200 limit for windows) for all tax years after 2005.
- For 2011 a maximum credit for residential energy property costs of $50 for any advanced main air circulating fan; $150 for any qualified natural gas, propane, or oil furnace, or hot water boiler; and $300 for any item of energy-efficient building property.
- The credit applies to:
  - Qualified energy efficiency improvements such as adding insulation, energy-efficient exterior windows and doors, and qualifying metal or asphalt roofs (***does not include*** *labor costs for onsite preparation, assembly or installation*)
  - Qualified energy efficiency improvements such as energy-efficient heating and air conditioning systems. For a complete list of items see Form 5695. ***(includes*** *labor costs for onsite preparation, assembly, or original installation)*
- The improvements must be made to the taxpayer's principal residence located in the United States (must be existing home).
- Qualifying improvements must be placed into service by the taxpayer during 2011.
- Expenditures which are made from subsidized energy financing cannot be used to figure the credit.
- The credit is taken on Part I, Form 5695. See Form 5695 and Instructions for more information.
- If the total of non business energy property credits the taxpayer has taken in previous years (after 2005) is more than $500, the taxpayer cannot take the credit in 2011.

**Part II, Form 5695 - Key points about the Residential Energy Efficient Property Credit:**

- This information is provided as awareness in order that volunteers can identify when the issue is out of scope.
- This credit is taken on Part II, Form 5695. This part of the form is out of scope for return preparation in the volunteer program. Taxpayers that have expenses for the following items should be referred to a professional tax preparer.
- The credit is available to help individual taxpayers pay for qualified residential alternative energy equipment, such as solar hot water heaters, geothermal heat pumps and wind turbines.

Please note, not all ENERGY STAR products qualify for a tax credit. For detailed information about qualifying improvements, visit the U.S. Department of Energy's EnergyStar Web site and the EnergyStar Frequently Asked Questions site.

Manufacturers must certify that their products meet new standards and they must provide a written statement to the taxpayer such as with the product packaging or in a printable format on the manufacturers' Web site. Taxpayers should keep a copy of the manufacturer's certification statement and receipts with their other important tax records.

# Notes

## Earned Income Table

| Earned Income | |
|---|---|
| **Includes** | **Does not include** |
| ■ Taxable wages, salaries, and tips<br>■ Union strike benefits<br>■ Taxable long-term disability benefits received prior to minimum retirement age<br>■ Net earnings from self-employment<br>■ Gross income of a statutory employee<br>■ Household employee income<br>■ Nontaxable combat pay election<br>■ Non-Employee compensation<br>■ The rental value of a home or a housing allowance provided to a minister as part of the minister's pay **(Out of Scope)** | ■ Interest and dividends<br>■ Social security and railroad retirement benefits<br>■ Welfare benefits<br>■ Workfare payments<br>■ Pensions and annuities<br>■ Veteran's benefits (including VA rehabilitation payments)<br>■ Workers' compensation benefits<br>■ Alimony<br>■ Child support<br>■ Nontaxable foster-care payments<br>■ Unemployment compensation<br>■ Taxable scholarship or fellowship grants that are not reported on Form W-2<br>■ Earnings for work performed while an inmate at a penal institution*<br>■ Salary deferrals (for example, under a 401(k) or 403(b) plan or the Federal Thrift Savings Plan)<br>■ The value of meals or lodging provided by an employer for the convenience of the employer<br>■ Disability Insurance payments<br>■ Excludable dependent care benefits (line 24 of Form 2441)<br>■ Salary reductions such as under a cafeteria plan<br>■ Excludable employer-provided educational assistance benefits (may be shown in box 13 of Form W-2)<br>■ Anything else of value received from someone for services performed, if it is not currently taxable |

## Common EIC Filing Errors

- Claiming a child who is not a qualifying child
- Married taxpayers incorrectly filing as a single or head of household
- Incorrectly reporting income
- Incorrect social security numbers

***Note:** This particular income is subtracted from the earned income on the EIC Worksheet in the section titled EIC.

## Summary of EIC Eligibility Requirements

| Part A<br>Rules for Everyone | Part B<br>Rules If You Have a Qualifying Child | Part C<br>Rules If You Do Not Have a Qualifying Child |
|---|---|---|
| Taxpayers & qualifying children must all have a valid social security number. | Child must meet the relationship, age, residency test and joint return tests. | Must be at least age 25 but under age 65 as of December 31.* |
| Filing status cannot be "married filing separately." | Qualifying child cannot be used by more than one person to claim the EIC. | Cannot be the dependent of another person. |
| Must be a U.S. citizen or resident alien all year. | | Must have lived in the United States more than half the year. |
| Cannot file Form 2555 or Form 2555-EZ (relating to foreign earned income). | | |
| Investment income must be $3,150 or less. | | |
| Cannot be a qualifying child of another person. | | |

**Part D**
**Earned Income and AGI Limitations**

You must have earned income to qualify for this credit.
Your earned income and AGI must be less than:

- $43,998 ($49,078 for married filing jointly) if you have three or more qualifying children,
- $40,964 ($46,044 for married filing jointly) if you have two qualifying children,
- $36,052 ($41,132 for married filing jointly) if you have one qualifying child, or
- $13,660 ($18,740 for married filing jointly) if you do not have a qualifying child.

## Disallowance of the Earned Income Credit

Form 8862, *Information to Claim Earned Income Credit After Disallowance,* must be attached to the return of any taxpayer whose EIC claim was denied or reduced for any reason other than a math or clerical error. If the taxpayer's EIC was denied or reduced as a result of a math or other clerical error, Form 8862 is not required.

If the IRS determined a taxpayer claimed the EIC due to reckless or intentional disregard of the EIC rules the taxpayer cannot claim the EIC for 2 tax years. If the error was due to fraud, then the taxpayer cannot claim the EIC for 10 tax years. See Publication 596, *Earned Income Credit,* for specific guidance.

*****Taxpayers turning 25 on January 1st are considered to be 25 as of December 31st. Taxpayers reaching the age of 65 on January 1st are still considered 64 as of December 31st.

**Note**: Taxpayers meeting this criteria should file a paper return to avoid a potential rejected electronic filed return.

# EIC General Eligibility Rules

| interview tips | Probe/Action: Ask the taxpayer: | |
|---|---|---|
| step 1 | Calculate the taxpayer's earned income and adjusted gross income (AGI) for the tax year. Are both less than:<br>• $43,998 ($49,078 married filing jointly) with three or more qualifying children;<br>• $40,964 ($46,044 married filing jointly) with two qualifying children;<br>• $36,052 ($41,132 married filing jointly) with one qualifying child; or<br>• $13,660 ($18,740 married filing jointly) with no qualifying children? | If YES, go to Step 2.<br>If NO, STOP. You cannot claim the EIC. |
| step 2 | Do you (and your spouse, if filing jointly) have a social security number (SSN) that allows you to work?<br>**Note:** Answer "no" if the taxpayer's social security card has a "NOT VALID FOR EMPLOYMENT" imprint, and if the cardholder obtained the SSN to get a federally funded benefit, such as Medicaid. | If YES, go to Step 3.<br>If NO, STOP. You cannot claim the EIC. |
| step 3 | Is your filing status married filing separately? | If YES, STOP. You cannot claim the EIC.<br>If NO, go to Step 4. |
| step 4 | Are you (or your spouse, if married) a nonresident alien?<br>**Note:** Answer "no" if the taxpayer is married filing jointly, and one spouse is a citizen or resident alien and the other is a nonresident alien. | If YES and you are either unmarried or married but not filing a joint return, STOP. You cannot claim the EIC.<br>If NO, go to Step 5. |
| step 5 | Are you (or your spouse, if filing jointly) filing Form 2555 or Form 2555-EZ (Foreign Earned Income)? | If YES, STOP. You cannot claim the EIC.<br>If NO, go to Step 6. |
| step 6 | Is your investment income more than $3,150? | If YES, STOP. You cannot claim the EIC.<br>If NO, go to Step 7. |
| step 7 | Are you (or your spouse, if filing jointly) an EIC qualifying child of another person? | If YES, STOP. You cannot claim the EIC.<br>If NO, go to the interview tips for EIC—With a Qualifying Child or EIC—Without a Qualifying Child. |

# EIC with a Qualifying Child

TIP interview tips

| | Probe/Action: Ask the taxpayer: | |
|---|---|---|
| step 1 | Does your qualifying child have an SSN that allows him or her to work?<br>**Note:** Answer NO only if the child's social security card says "NOT VALID FOR EMPLOYMENT" and his or her SSN was obtained to get a federally funded benefit. | If YES, go to Step 2.<br>If NO, STOP. You cannot claim the EIC on the basis of this qualifying child. |
| step 2 | Is the child your son, daughter, stepchild, adopted child, or eligible foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them? | If YES, go to Step 3.<br>If NO, STOP. This child is not your qualifying child. Go to interview tips for EIC without a Qualifying Child. |
| step 3 | Was the child any of the following at the end of the tax year:<br>• Under age 19 and younger than the taxpayer (or spouse, if filing jointly)<br>• Under age 24 and a full-time student and younger than the taxpayer (or spouse, if filing jointly), or<br>• Any age and permanently and totally disabled? | If YES, go to Step 4.<br>If NO, STOP. This child is not your qualifying child. Go to interview tips for EIC without a Qualifying Child. |
| step 4 | Did the child file a joint return for the year?[1]<br>**Note:** Answer NO if the child and his or her spouse filed a joint return only as a claim for a refund. | If NO, go to Step 5.<br>If YES, STOP. This child is not your qualifying child (failed the joint return test). Go to interview tips for EIC without a Qualifying Child. |
| step 5 | Did the child live with you in the United States for more than half (183 days for 2011) of the tax year?<br>**Note:** Active duty military personnel stationed outside the United States are considered to live in the United States for this purpose. | If YES, go to Step 6.<br>If NO, STOP. This child is not your qualifying child. Go to interview tips for EIC without a Qualifying Child. |
| step 6 | Is the child a qualifying child of another person?<br>**Note:** There may be a case when a qualifying child cannot be claimed by anyone. **Example:** The only parent that the child lives with does not work nor files a tax return and another adult cannot meet the general eligibility rules. In this example no one qualifies to claim this child as a qualifying child for EIC. | If YES, explain to the taxpayer what happens when more than one person claims the EIC using the same child (Qualifying Child of More than One Person rule). If the taxpayer chooses to claim the credit with this child, compute the EIC using the appropriate EIC worksheets.<br>If NO, compute the EIC using the appropriate EIC worksheet. |

[1] If your child was married at the end of the year, he or she does not meet the joint return test unless you can claim the child's exemption or you cannot claim the child's exemption because you gave that right to the child's other parent.

## EIC Without a Qualifying Child

interview tips

Probe/Action: Ask the taxpayer:

| | | |
|---|---|---|
| step 1 | Can you (or your spouse, if filing jointly) be claimed as a dependent by another person? | If NO, go to Step 2.<br>If YES, STOP. You cannot claim the EIC. |
| step 2 | Were you (or your spouse, if filing jointly) at least 25 but under age 65 on December 31 of the tax year? Taxpayers born on January 1st are considered to be of age as of December 31st. Taxpayers reaching the age of 65 on January 1st are still considered 64 as of December 31st. | If NO, STOP. You cannot claim the EIC.<br>If YES, go to Step 3. |
| step 3 | Did you (and your spouse, if filing jointly) live in the United States for more than half (at least 183[1] days) of the tax year? | If NO, STOP. You cannot claim the EIC.<br>If YES, compute EIC using the appropriate EIC worksheet. |

[1] More than 183 days in a leap year.

## Qualifying Child of More than One Person

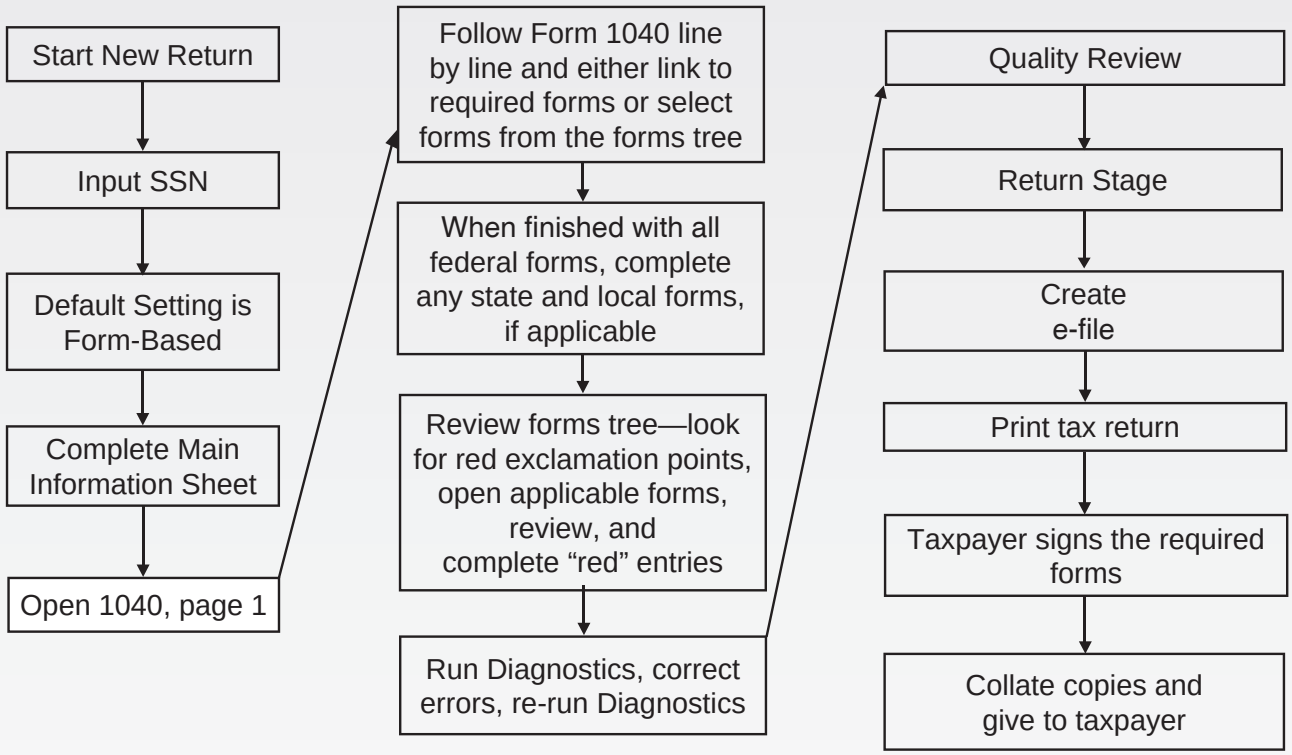
If the child meets the conditions to be the qualifying child of more than one person, only one person can claim the child. The following rules apply:

- If only one of the persons is the child's parent, the child is treated as the qualifying child of the parent.
- If the parents do not file a joint return together but both parents claim the child as a qualifying child, the IRS will treat the child as the qualifying child of the parent with whom the child lived for the longer period of time in 2011. If the child lived with each parent for the same amount of time, the IRS will treat the child as the qualifying child of the parent who had the higher adjusted gross income (AGI) for 2011.
- If no parent can claim the child as a qualifying child, the child is treated as the qualifying child of the person who had the highest AGI for 2011.
- If a parent can claim the child as a qualifying child but no parent does so claim the child, the child is treated as the qualifying child of the person who had the highest AGI for 2011, but only if that person's AGI is higher than the highest AGI of any of the child's parents who can claim the child.

# Notes

# TaxWise® Form-Based Flow Chart

At the time this publication went to print, 2011 TaxWise screen shots were not available. Refer to help screens in the 2011 tax software if additional information is needed on applicable software screens.



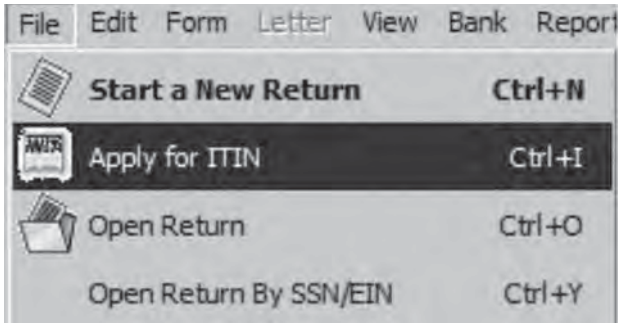

## Electronic Filing of Returns with Valid ITIN

Returns can be electronically filed when the taxpayer has an Individual Taxpayer Identification Number (ITIN) but has a Form W-2 with a social security number (SSN) not belonging to that taxpayer.

1. The taxpayer's ITIN must be entered on the Main Information Sheet in the space provided for the taxpayer's, or if applicable, spouse's social security number.

2. When completing the Form W-2 in TaxWise, enter the SSN shown on the paper W-2. Note: This is a new requirement for electronic filling. The Internal Revenue Service will require the manual key entry of the Taxpayer Identification Number (TIN) as it appears on Form W-2 received from the employer for all taxpayers with Individual Taxpayer Identification Numbers (ITINs) who are reporting wages. The ITIN that was entered when the returns was started will not auto-populate the TIN on Form W-2 for these ITIN fillers.

# Apply for an ITIN




Go to “File” then select “Apply for ITIN” option, TaxWise® will generate a unique identifier that will always begin with ITIN and be followed by 5 numeric characters.

# Creating a Temporary TIN for Returns with No ITIN for Spouses and Dependents

**(These returns cannot be electronically transmitted.)**

Although TaxWise® will create a temporary ITIN for the main taxpayer when you use the “Apply for ITIN” feature in TaxWise®, it will not generate temporary ITINs for the spouse and/or dependents. The ITIN application requires a federal tax return be associated with all Form W-7 applications (with some exceptions as noted in the instructions for Form W-7). Federal tax returns cannot be filed using electronic return preparation software without a TIN (taxpayer identification number). If the taxpayer is working under an erroneous social security number, that social security number should not be used on the return.

1. In the TIN field, enter the number “9” followed by a fourth and fifth digit in the 70-88, 90-92, or 94-99 range and a numerical sequence with the number “1”. A return requiring three temporary TINs will be entered as follows:

   | | |
   |---|---|
   | The taxpayer’s | 900-70-0001 |
   | The spouse’s | 900-70-0002 |
   | The dependent’s | 900-70-0003 |

   Change the last digits of the TIN each time a new spouse or dependent applying for an ITIN needs a return prepared.

2. Print the return package, completely cross-out in **INK** the TIN on each form reflecting the temporary number; and provide the return package to the taxpayer to mail with Forms W-7 to the address shown on the Form.

3. If the taxpayer has a family pack that includes multiple Form W-7’s with one return, or multiple returns with one Form W-7, these forms should be staggered and stapled together to show the entire package as a family pack. This will prevent separation of the forms/returns that could delay the processing time.

# Completing a Return in TaxWise® Desktop (For Taxwise Online instructions see Page 8-8.)

1. Complete the applicable state and local forms .
2. Look in the tree for forms with red exclamation marks.
   - Open the form and look for red entries, then correct or complete.
   - A red block with a zero in it does not necessarily prevent a return's being e-filed. If the diagnostic does not indicate error, then it will not be a problem. Press F3 on the red block to remove the red.
3. Check return. Press F7 to see the Tax Return Summary.
   - Review with the taxpayer. Click **OK** to close the summary.
   - See balance-due issues and payments in Tab 12.
4. If e-filing, the taxpayer must select the PIN method. Return to the Main Information Screen to complete the PIN information as shown in Tab 12.
5. If the return is for paper filing, check that the Main Information Screen has **Paper** selected for Type of return. Check that the state form reflects the taxpayer choice as well.
6. Run Diagnostics.
   - Press F10 twice or right click "Diagnostics" or CTRL+D
   - Review warnings to see if any changes are needed.
   - If there are any filing errors, click the **Next Entry** button in mid-screen (the form to correct will be in the lower screen and cursor will be on error) and make the necessary correction. When there is an error on a Form W-2, clicking **Next Entry** will display only the first Form W-2; if the return has multiple Form(s) W-2, you may have to open them from the tree to find the error. Continue until all errors are corrected. Rerun diagnostics.
7. Quality Review. Volunteers should be encouraged to complete QR using Taxwise and save extra printed files that must be destroyed or sent home to confuse taxpayer. If errors are found, correct, rerun diagnostics, and recreate e-file.
8. Print the return:
9. e-file returns:
   - For Practitioner PIN, Form 8879 is required for taxpayers (s) signature(s). If joint return, both must sign before return can be transmitted.
   - For Self-Select PIN, no additional form is required.
   - After Taxpayer(s) have signed 8879, verify that there are no electronic errors and click the **e-file** button (mid-screen), click **OK** (e-file created). click **CLOSE** to return to tax return.
10. Enter proper "Return Stage" indicator to show correct status of return for ERO...
11. Collate return and review with the taxpayer.
12. For a paper return, advise the taxpayer to:
    - Sign and date the return (federal and state, if applicable).
    - Also have the spouse sign the return, if a joint return.
    - Attach copies of Form(s) W-2 and any Form(s) 1099 with withholding.
    - Attach a copy of the federal form(s), if applicable, to the state return.
13. If a child cannot sign his or her name, the parent or guardian can sign the child's name in the space provided followed by the words: By (parent or guardian signature) parent or guardian for minor child.
14. Follow "Distributing Copies of Return" shown in Tab 12.
15. Complete site log, if applicable.

# *Taxpayer Identification Numbers and Determining the Last Name of Taxpayer*

A name control is a sequence of letters derived from a taxpayer's last name that is used by IRS in processing the tax return filed by the taxpayer. It is important that the combination of name control and taxpayer identification number (TIN) provided on an electronically filed return match IRS's record of name controls and TINs.

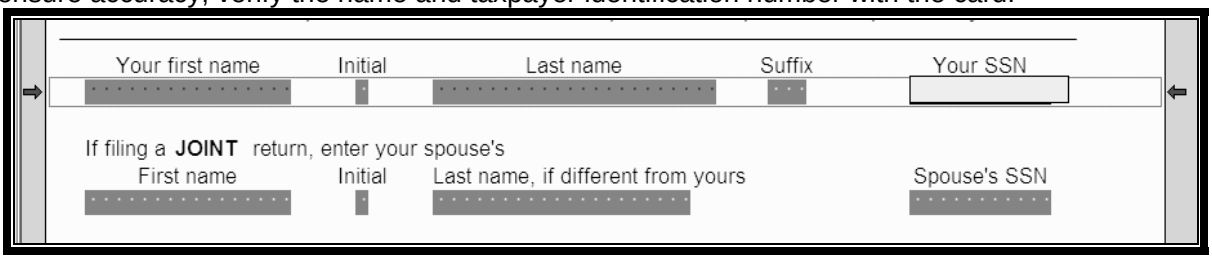
In e-file, a taxpayer's TIN and name control must match the data in the IRS database. If they do not match, the e-filed return will reject and generate an Error Reject Code.

***Per Electronic Filing Error Reject Code (ERC):***

ERC 0006 **The Name Control cannot contain leading or embedded spaces.** The left-most position must contain an alpha character.

***Per Tax Preparation Software Instructions:***

**Tip:** One of the most common reasons that returns are rejected by the IRS is name/TIN inconsistency. To ensure accuracy, verify the name and taxpayer identification number with the card.




Type the primary taxpayer's first name, middle initial, last name and suffix (Jr, Sr, III, etc.). Punctuation is not allowed.

***Per Publication 1346, Electronic Return File Specifications for Individual Income Tax Returns***

**.01 Name Controls for Individual Tax Returns**

1. Primary Name Control (SEQ 0050) of Form 1040/1040A/1040EZ must equal the first four significant characters of the primary taxpayer's last name. **No leading or embedded spaces are allowed.** The first left-most position must contain an alpha character. Omit punctuation marks, titles and suffixes within last name field.

***Examples***:

Individual Name Primary/Secondary Name Control

| Individual Name on SSN/ITIN Card(s) | Enter in TaxWise | | IRS Database Primary/Secondary Name Control |
|---|---|---|---|
| | FirstName Field | LastName Field | |
| John Brown | John | Brown | BROW |
| Walter Di Angelo | Walter | DiAngelo | DIAN |
| Ronald En, Sr. | Ronald | En | EN |
| Thomas Lea Smith | Thomas | Lea Smith | LEA |
| Joseph Corn & Mary Smith | Joseph | Corn | CORN |
| | Mary | Smith | SMIT |
| Roger O'Neil | Roger | ONeil | ONEI |
| Kenneth McCarty | Kenneth | McCarty | MCCA |

2. Consider certain foreign suffixes as part of the last name (i.e., Armah-Bey, Paz-Ayala, Allar-Sid). Particular attention must be given to those names that incorporate a mother's maiden name as a suffix to the last name.

***Examples***:
Individual Name Primary Name Control

| Individual Name on SSN/ITIN Card | Enter in TaxWise | | IRS Database Primary Name Control |
|---|---|---|---|
| | **FirstName Field** | **LastName Field** | |
| Abdullah Allar Sid | Abdullah | Allar Sid | ALLA |
| Jose Alvarado Nogales | Jose | AlvardoNogales | ALVA |
| Juan de la Rosa Y Obregon | Juan | DeLaRosaYObregon | DELA |
| Pedro Paz Ayala | Pedro | Paz Ayala | PAZ |
| Donald Vander Neut | Donald | VanderNeut | VAND |
| Otto Von Wodtke | Otto | VonWodtke | VONW |
| John Big Eagle | John | BigEagle | BIGE |
| Mary Her Many Horses | Mary | HerManyHorses | HERM |
| Ted Smith Gonzalez | Ted | Gonzales | GONZ |
| Maria Acevedo Smith | Maria | Smith | SMIT |
| Robert Garcia Garza Hernandez | Robert | GarzaHernandez | GARZ |

**.01 Name Controls for Individual Tax Returns continued**

3. Below are examples of Indo-Chinese last names and the derivative Name Control. Some Indo-Chinese names have only two characters. Indo-Chinese names often have a middle name of "Van" (male) or "Thi" (female).

***Examples***:
Individual Name Primary/Secondary Name Control

| Individual Name on SSN/ITIN Card(s) | Enter in TaxWise | | IRS Database Primary/Secondary Name Control |
|---|---|---|---|
| | **FirstName Field** | **LastName Field** | |
| Binh To La | Binh | La | LA |
| Kim Van Nguyen | Kim | Nguyen | NGUY |
| Nhat Thi Pham | Nhat | Pham | PHAM |
| Jin Zhang Qui & Yen Yin Chiu | Jin Zhang | Qui | QUI |
| | Yen Yin | Chiu | CHIU |

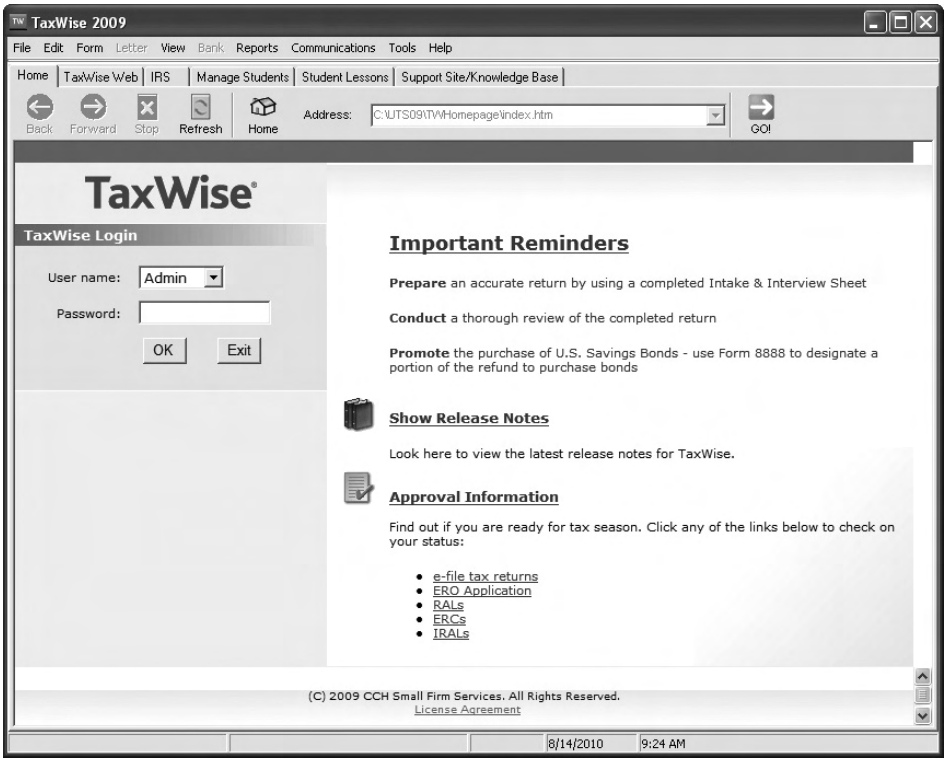
**.02 Name Line 1 Format**

1. Name Line 1 CANNOT CONTAIN **MORE THAN 35 CHARACTERS (this includes both names on the tax return)**.

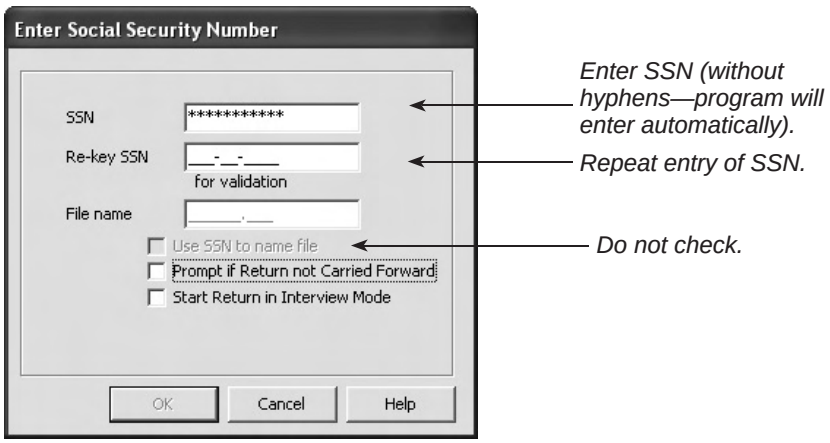
   If information in Name Line 1 exceeds 35 characters, it will truncate using the following priority:
   - Substitute the initial for the second given name.
   - Omit the second initial of the secondary taxpayer**,** if necessary.
   - Omit the second initial of the primary taxpayer, if necessary.
   - Substitute initials for the secondary taxpayer's given name.
   - Substitute initials for the primary taxpayer's given name.

# TaxWise® Log In Screen

Open TaxWise®, select a “User name:,” enter a “Password:,” and click **OK**.



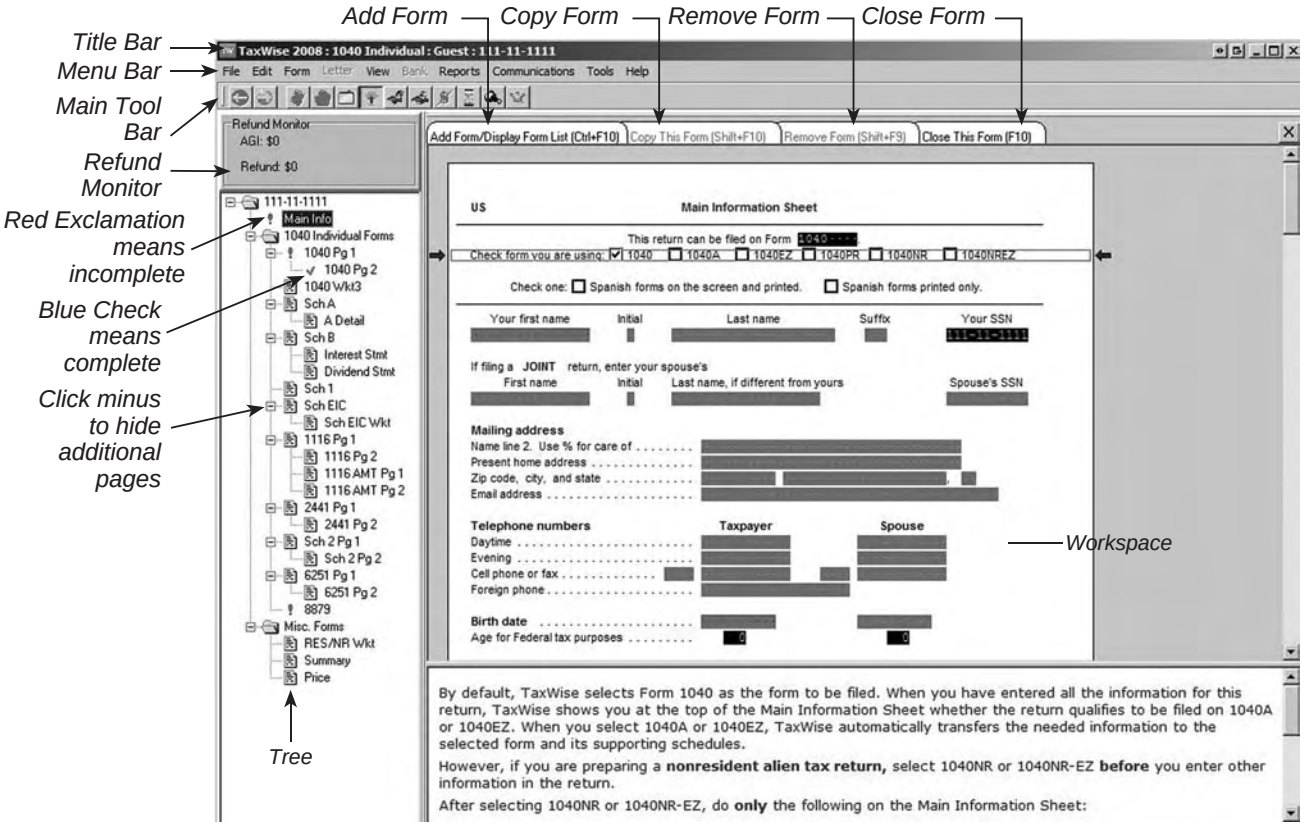

# Starting a New Return




TaxWise® will automatically generate an alpha-numeric filename that will be associated with the SSN. The association will ensure unique file names for each return which will allow the program to show the SSN rather than filename in TaxWise® Explorer and also during Backup and Restore. The option to “Use SSN to name file” will be grayed out.

# TaxWise Desktop Quick Reference

## The TaxWise® Window




## Browser Tool Bar

## Main Tool Bar

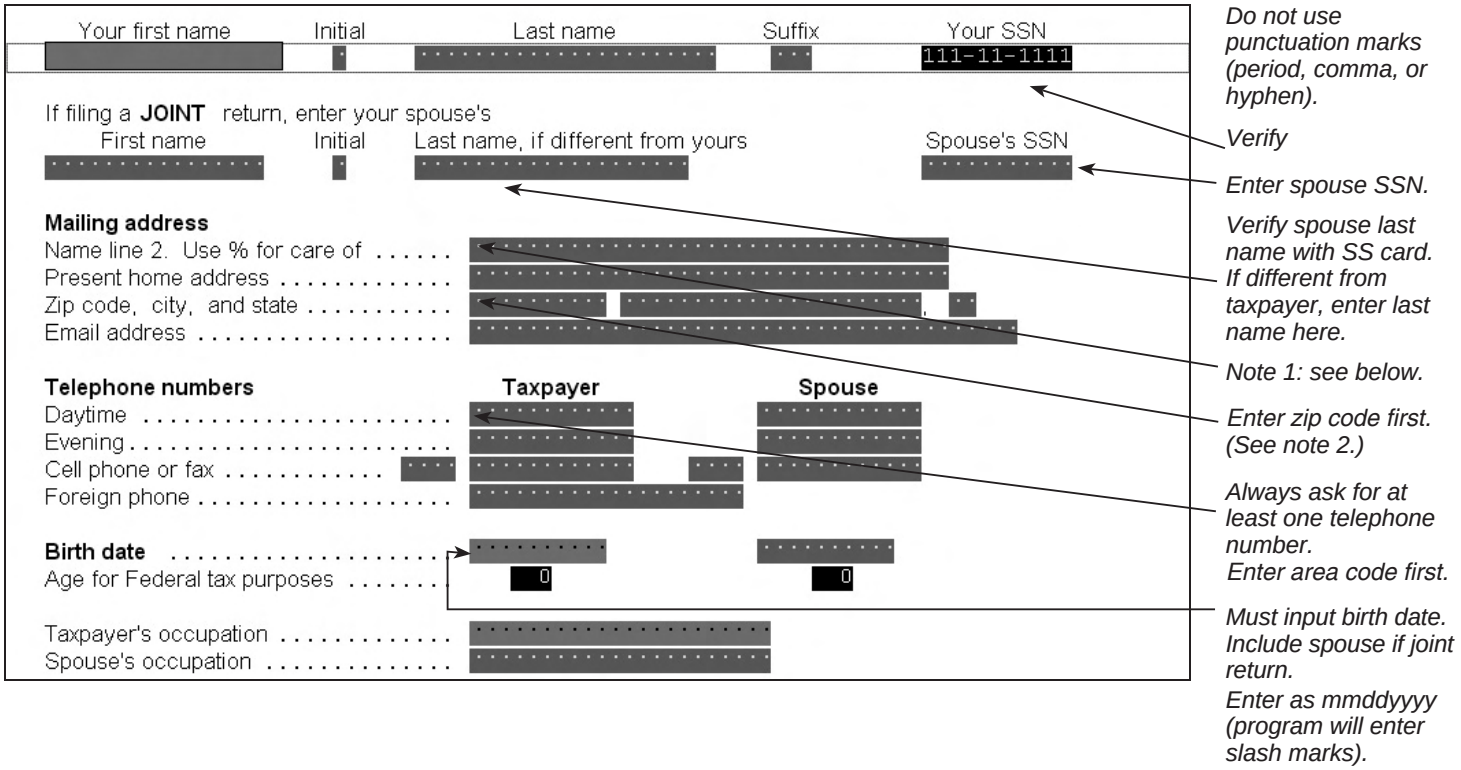
## (Desktop Only)

| Shift | IRS Help | | | | | | | Un-Override | Remove Form | Copy Form | Pause Timer |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | F1 | F2 | F3 | F4 | F5 | F6 | F7 | F8 | **F9** | F10 | F11 |
| No Shift | TW Help | Save Return | Add/ Remove Red | | Calculator | Second Form | Return Status | Override | **Link** | Close Form | Insert Variable |

**COLOR SCREEN**

Yellow ..... Calculated Entries
Green..... Non-calculated Entries
Red Block .....Required Entries
Red on Gray .....Overridden Entries
White on Red..... Estimated Entries
Yellow Block .....Scratch Pad Attached

# Main Information Screen




**Note 1: Use only if an additional name is needed for "in care of," for a two line street address, or in the case of a deceased taxpayer.** Enter the name of the person filing the return for the deceased person. This may be the surviving spouse if the filing status is Married Filing Jointly or a personal representative such as an executor, administrator, or anyone who is in charge of the deceased taxpayer's property. When you print the return, the tax software prints the date of death and DECD next to the deceased person's name in the address area at the top of Form 1040 page 1, as required by the IRS.

**Note 2:** Once the zip code is entered TaxWise® will then auto-fill the city and state. The auto entry can be changed if needed.

# Main Information Screen (continued)

Foreign Address
Foreign street address . . . . . .
Foreign city, state, province, Zip code
Foreign country. Do not abbreviate . . . .

**Taxpayer Information**

Special processing . . . . . .

Are you excluding Puerto Rico income from this tax return? . . . . . ☐ Yes ☐ No
If "Yes", enter the amount of income excluded . . . . . 0.

| | Taxpayer | Spouse |
|---|---|---|
| Check if blind . . . . . | ☐ Yes | ☐ Yes |
| Check if totally and permanently disabled . . . . . | ☐ Yes | ☐ Yes |
| Date of death, ONLY if in 2011 or 2012 . . . . . | | |

This tax return is being filed by ☐ the surviving spouse or ☐ someone else.

| | |
|---|---|
| **Presidential Election Campaign** | Check here if you, or your spouse if a joint return, want $3 to go to this fund . . . . . ☐ You ☐ Spouse |

**Filing Status and Exemptions**

1 ☐ Single
2 ☐ Married filing jointly (even if only one had income)
3 ☐ Married filing separately
Spouse's first name: Last name: SSN:
Did your spouse ever live with you in 2009? . . . . . ☐ Yes ☐ No
If "Yes", did you and your spouse live together at anytime after June 30, 2009? . . . . . ☐ Yes ☐ No
Married filing separately, only. If the state in the address above is a community property state (AZ, CA, ID, LA, NV, NM, TX, WA, or WI), or a return is being filed to one of these states, answer the following questions.
Military. Is this your home of record? . . . . . ☐ Yes ☐ No
If "Yes", fill in the Community Property Allocation Worksheet.
Others. Are you a resident of this community property state? . . . . . ☐ Yes ☐ No
If "Yes", fill in the Community Property Allocation Worksheet and use Form 1040.
If "No", you CANNOT e-file this return.
4 ☐ Head of household (with qualifying person). If the qualifying person is a child but not your dependent, enter the child's name and social security number . A self-supporting child who lives with you IS NOT a qualifying person.
5 ☐ Qualifying widow(er) with dependent child . . . . . Year spouse died (2007 or 2008 only):

6 **Exemptions** a ☒ Yourself b ☐ Spouse Number of boxes checked on 6a and 6b. . . . . 1

Check if
**(a)** you can be claimed on another person's return . . . . . ☐
**(b)** filing status 2 and spouse can be claimed on another person's return . . . . . ☐
**(c)** you are using filing status 4 and claiming nonresident alien spouse . . . . . ☐
Spouse's first name: Spouse's last name:
Spouse's SSN or ITIN:

*Do not use foreign address field for APO/FPO addresses. (See Note 1.)*

*If the taxpayer served in a combat zone during the tax year, click on this box and select the name of the combat zone from the dropdown menu, or choose "Combat Zone." This will identify the return to the IRS, and can avoid certain reject conditions, such as federal withholding exceeding 50% of the wage amount.*

*Defaulted to No.*

*Important for calculation of standard deduction.*

*Complete for deceased taxpayer.*

*Ask taxpayer. Answer does not affect refund or balance due.*

*Hint: Only enter child's name and SSN in this section if not being claimed as a dependent.*

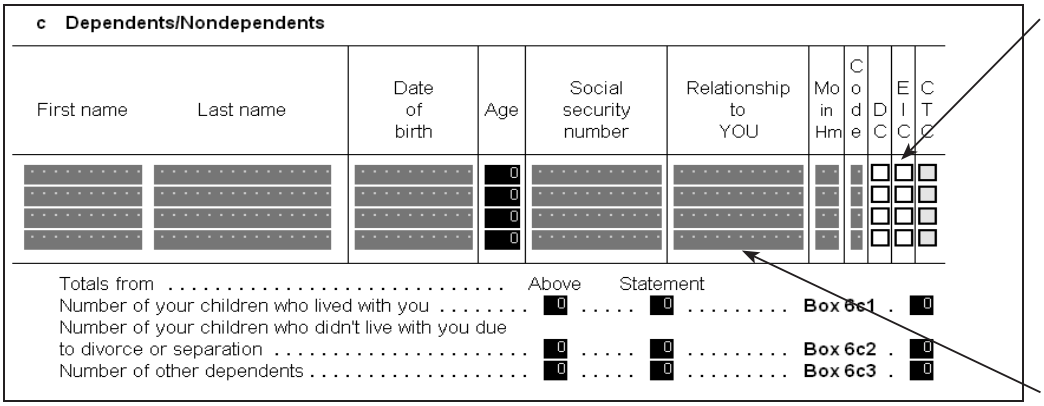
*Verify exemptions. College/high school students or young military personnel who entered the military this tax year may be eligible to be claimed (See Note 2).*

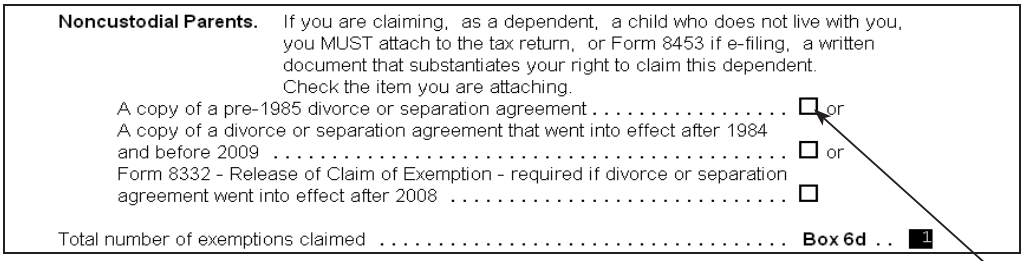
*Hint: Enter year of death and deceased spouse's name on Name line 2.*

**Note 1:** If the return is for a Canadian resident, the address should be put entirely on the foreign street address line. Leave Zip code, city, and state blank.

**Note 2:** If someone else is entitled to claim the taxpayer (or spouse), check the appropriate box on line 6 of the Main Information Sheet. If the taxpayer is filing Head of Household and claiming an exemption for a nonresident alien spouse, check the box on line 6c of the software's main information sheet and enter the spouse's first name, last name and SSN or ITIN...on line 6C and on dependent line, also.

# Main Information Screen (continued)




*Hint: If there is the slightest chance the child will be a qualifying child for EIC purposes, be sure to check the EIC box next to the child's name. TaxWise will not allow the EIC if they do not qualify.*

*Verify names, SSN, and dates of birth with social security card to prevent rejected returns.* ***List children from youngest to oldest.***

***Last name—Enter last name only if different from primary taxpayer.***

*Use down arrow or space bar on [Relationship to YOU], [Mo in Hm], and [Code] columns for valid choices.*

*DC is credit for child and dependent care expenses.*

*EIC is earned income credit.**

*CTC is child tax credit—TaxWise® automatically determines if child is a qualifying child based upon your input.*

*Check applicable box if noncustodial parent or Multiple Support agreement exists.*

Enter number of months each individual lived in the taxpayer's home or use MX if the dependent lived in Mexico or CN if the dependent lived in Canada – type in directly or use the drop-down list.

*** EIC must be checked to bring up the applicable EIC forms. If in doubt, check the box.**

Carefully read the information regarding Dependents/Nondependents, and pay special attention to the codes. If the taxpayer is married filing a separate return and is able to claim his/her spouse's exemption, fill in the spouse's name, SSN, and other information in the software Main Information Sheet, Dependents/Non-Dependents section, showing the relationship as "other" and the Code as "3."

Use the Code box to indicate relationship as follows:

**1** = Your child who lives with you
**2** = Your dependent child who does NOT live with you due to divorce or separation
**3** = All other dependents
**0** (zero) = Nondependents

**If There Are More Than Four Dependents**
If there are more than four dependents to list, enter the first four on the Main Information Sheet. To enter the rest of the dependents, open Form 1040, page 1, link from any field in the dependents section. Link to **NEW Addl Deps - Form 1040 Line 6c**, the Additional Dependents Statement. Last names must be used on the Additional Dependents Statement.

TaxWise® carries the first four dependents from the Main Information Screen to the statement. List the remaining dependents below the first four.

**Note:** Do not list nondependents on the Additional Dependents statement. List nondependents **only** on the Main Information Sheet. Also, children who are qualifying children for EIC or dependent care credit must be entered on the Main Information Sheet.

**Qualifying Child(ren) for Earned Income Credit (EIC):**
If the taxpayer qualifies (or may qualify) for earned income credit (EIC), you MUST enter the birth date and select the EIC check box for qualifying children. This information carries to Schedule EIC. TaxWise® calculates the amount of earned income credit if the client qualifies based on income and other requirements.

**Child Without SSN or ITIN**
If the qualifying child is a resident of the U.S. but does not have a valid SSN or ITIN, you must override the CTC box on the Main Information Sheet.

# Main Information Screen (continued)

**State Information** If you are not preparing a state return, check here ☐ or fill in state information below
Full year resident: ☐ and ☐ Part-year: ☐ and ☐ Nonresident: ☐ ☐ ☐ ☐ ☐

*Check box if not preparing state returns.*

**Type of Return** ☐ Bank products ☒ E-file ONLY ☐ Paper

*Paper or e-file are only choices.*

**Select Your Bank** ☐ Chase ☐ Republic ☐ Santa Barbara ☐ River City ☐ Other

*Do not make entries in this section.*

These products are only available to tax preparers registered to offer them.

*Do not use this section.*

**Audit Shield**
Does the taxpayer want Audit Shield? . . . . . ☐ Yes ☐ No

**Fee Collect**
Does the taxpayer want to have your tax preparation fees deducted from his or her refund? . . . . . ☐ Yes ☐ No

**Bank Account Information**
Direct deposit available for e-filing, paper returns, or RAL/ERC direct deposit refund.
Electronic Funds Transfer (ACH Debit) available for e-filing only.

Routing transit number (RTN) of financial institution . . . . . .
Account number (DAN) including hyphens . . . . . .

*RTN must be 9 characters.*

*Type account number exactly as shown on check.* See "Finishing the Return" section for an example of a check.*

***Note: You will also need to add account information on 1040 page 2. See page 12-5 for additional information.***

## *State Information*

A federal return may have as many as 9 state returns attached, in any combination; for example, two different full-year resident states (one for taxpayer and one for spouse), two different part-year states, and five different nonresident states.

Consult instructions for each state to determine which status applies to the taxpayer. To view instructions for the state individual package, select **Help** from any field in the "State Information" section of the Main Information Screen and scroll to State Information. Select **[click here]** and then select the applicable state of interest.

* **Do not use a preprinted deposit slip.**

# Main Information Screen (continued)

**Self-Select and Practitioner PIN(s)**

ERO PIN for both the Self-Select and Practitioner PIN programs . . . . . 0

Check if using the Practitioner PIN method for e-filing this income tax return or Form 4868 with direct debit . . . . . ☐

*Enter **98765***

*Check for Practitioner PIN.*

What form(s) are you e-filing using PINs?

- The income tax return . . . . . ☐
- Form 4868 without direct debit. No PINs required . . . . . ☐
- Form 4868 with direct debit . . . . . ☐
- * Form 2350 without direct debit . . . . . ☐
- * Form 2350 with direct debit . . . . . ☐
- * Requires date(s) of birth above and 2008 original AGI or 2008 PIN. F8 to change spouse AGI, if incorrect.

Taxpayer's original 2008 AGI: 0. Spouse's original 2008 AGI: 0.

OR taxpayer's 2008 PIN: 0 OR spouse's 2008 PIN: 0

*Only first box should be checked.*

*To use Self-Select PIN, taxpayers must bring their prior year tax return or know their prior year PIN.*

*Last year's AGI or prior year PIN required for Self-Select PIN.*

The following attachments require the submission of Form 8453. Please note that PINs are still required and that Form 8879 must be signed for all e-filed returns.

| | |
|---|---|
| ☐ Form(s) 1098C | ☐ Form 3115 |
| ☐ Form 3468 attachment required | ☐ Form 4136 attachment required |
| ☐ Form 5713 | ☐ Forms(s) 8283, page 2 and / or appraisal |
| ☐ Form(s) 8332 | ☐ Form 8858 |
| ☐ Form 8864 attachment required | ☐ Form 8885 attachments |
| ☐ Schedule D transaction listing | ☐ Copy of divorce or separation agreement |
| ☐ Revenue Procedure 2009-20 (Ponzi loss) | |

The information below, as well as the ERO PIN above, must be filled in for all e-filed returns.

The date must be entered below. This is today's date: 08/14/2010

Do NOT use @Today.

Taxpayer's PIN 0 Enter 5 numbers, other than all zeroes. Date:

I ☐ authorize ☐ do not authorize

ERO firm name . . . . . to enter this PIN as my signature on my tax year 2009 electronically filed income tax return.

Spouse's PIN . . 0 Enter 5 numbers, other than all zeroes. Date:

I ☐ authorize ☐ do not authorize

ERO firm name . . . . . to enter this PIN as my signature on my tax year 2009 electronically filed income tax return.

*For Practitioner or Self-Select PIN signature, taxpayer(s) must enter a five digit number (not starting with zero). If married filing jointly (MFJ), spouse must also enter PIN.*

*Check **do not authorize** for Self-Select PIN.*

*Check **authorize** for Practitioner PIN. (See Note 1)*

**Note 1:** Preparer can enter PIN for Practitioner PIN, and taxpayer will need to sign Form 8879.

# Main Information Screen (continued)

**Third Party Designee**
Do you want to allow another person to discuss this return with the IRS? . . . . . ☐ Yes ☒ No

Designee's name | Designee's telephone | Designee's PIN (cannot be 00000) 0

**Preparer Information** Check to bill as a self-prepared return: ☐

Preparer's ID:
Preparer's name:
Preparer's SSN: PTIN: S 23011111
Firm name:
Address:
Zip code:
Email address:
Non-paid indicator:

Date:
Print as signature: ☐
EIN:
Check if also ERO: ☐
Check if self-employed: ☐
Phone:
Fax:
IRS only: ☒

**Preparer's Use Fields**

1 2 3
4 5 6 7
8 9 10
11 Other than English what language is spoken in your home
12 Are you or a member of your househld considered disabled

**Time in this return:** minutes Tax bracket: 10.0 Price: 0.00

Information below is for the preparer. It will print and proforma. Notes to the client should be listed on the Summary Sheet.

*Usually check No. Cannot be volunteer preparer.*

*The PTIN field should have an entry by default and the **IRS only** box should be checked. If not, please contact your site manager. Do not enter any other information in Preparer Information.*

Use these fields for information that is helpful to your site. For example, these fields could be used to enter the preparer's name and/or new versus returning taxpayers. These fields are used by the military to report rank, grade, enlisted/ retired, etc.

After the end of the tax season a custom report can be created.

Check information on the Main Information Sheet for accuracy and complete any required fields. When complete, close form.

**Note:** Preparer Use Fields are for site's use and are defined by the site coordinator.

# Notes

# Income

**The following are examples of income items to consider in determining entries into TaxWise®:**

| Form | Type | Go to 1040 Line | TaxWise® Entries (See Note 1) |
|---|---|---|---|
| W-2 | Wages & Salaries | 7 | Link and complete Form W-2 |
| 1099-INT | Interest | 8a | Select Interest Stmt from Forms Tree or Link to Schedule B, and then link to the Interest Stmt |
| 1099-DIV | Dividends | 9 | Select Dividend Stmt from Forms Tree or Link to Schedule B, and then link to the Dividend Stmt |
| 1099-G | State Tax Refunds | 10 | Link to State Tax Refund Worksheet |
| 1099-MISC (Box 7) | Miscellaneous Income (Self Employment Income) (See Note 2) | 12 | Link from appropriate 1040 line to 1099-MISC (eg, line 21 for Other Income) or to any required schedule (C, C-EZ, E) and then to 1099-MISC. DO NOT start with the 1099-MISC. See Note 2 regarding Nonemployee Compensation |
| 1099-B | Sale of Stock | 13 | Select Cap Gn Wkt from Forms Tree or Link to Schedule D, and then link Cap Gn Wkt |
| 1099-R | Distributions from IRAs | 15 | Link and complete Form 1099-R |
| 1099-R | Distributions from Retirement Plans | 16 | Link and complete Form 1099-R |
| CSA-1099-R | Civil Service Annuity Paid | 16 | Link and complete Form 1099-R |
| CSF-1099-R | Statement of Survivor Annuity Paid | 16 | Link and complete Form 1099-R |
| RRB-1099-R | Railroad Retirement Benefits (Tier 2) | 16 | Link and complete Form 1099-R |
| Schedule K-1 (Form 1065, 1120S or 1041) | Interest and/or Dividend Income, Capital Gains and Losses, Tax-Exempt Interest Income, Royalties | 17 | See Note 3 |
| 1099-G | Unemployment Compensation | 19 | Link and complete Form 1099-G |
| SSA-1099R | Social Security Benefits | 20 | Link and complete 1040 Wkt 1 |
| RRB-1099 | Railroad Retirement Benefits (Tier 1) | 20 | Link and complete 1040 Wkt 1 |
| W-2G | Gambling Winnings | 21 | Link from “Amount” box to complete line 21, Other Income |
| 1099-MISC (Box 3) | Prizes, Awards, Jury Duty | 21 | Link from “Amount” box to complete line 21, Other Income |

## Other Income

Once the main information data and income statements are entered, TaxWise® automatically makes available all forms and schedules for credits except American Opportunity and Lifetime Learning Credits and Retirement Savings Contribution Credit if there is only a Roth IRA contribution. These credit forms and schedules will be annotated with a red exclamation point.

**Note 1: If the applicable form is in the left-hand tree, it may be selected directly rather than linking from Form 1040.**

**Note 2:** For nonemployee compensation, it is important to link to Schedule C or C-EZ and then from “Gross Receipts” to the 1099-MISC before completing the rest of Schedule (exception is earnings of the newspaper carrier, <18 years of age - in this case, the 1099-MISC is linked from line 21 because earnings are not subject to self-employment tax).

**Note 3:** Enter K-1 information directly without using K-1 worksheet: use Interest or Dividend Stmt and list Payer as Name of Company; enter net capital gain/loss on Schedule D, line 5 for short-term and line 12 for long-term; and for royalties use Schedule E. Enter address and code 6 in the space provided.

**Tip:** To eliminate unnecessary burden on the taxpayer, such as a CP-2000 Notice, the “Regulatory Explanation” or “Election Explanation” form should be added to the return to provide further explanation about an item reported or not reported on the tax return. The “Regulatory Explanation” form is added to the TaxWise forms tree by selecting the “Add Form” option and typing “RegExpl” in the search box. The “Election Explanation” form is added to the TaxWise forms tree by selecting the “Add Form” option and typing “Election” in the search box.

# How/Where to Enter Income

Select “1040 Pg 1” from the tree and press the **Page Down** key twice to go to Form 1040, line 7.

**Note:** Where the type is yellow (calculated entry), link to access the appropriate entry form. Once you link, use existing forms (if applicable) prior to adding a new form.

Income

| | | | |
|---|---|---|---|
| 7 | Wages, salaries, tips, etc. ..... AB ☐ FB ☐ DCB ☐ SNE ☐ SSHIP ☐ | | 30,000. |
| | Taxable scholarship not on Form W2 ..... | 0. | |
| | Household employee income not on Form W2 ..... | 0. | |
| 8 a | Taxable interest ..... | | 0. |
| b | Tax-exempt interest ..... | 0. | |
| 9 a | Ordinary dividends including qualified dividends from Forms 8814, listed on Schedule B 0. ..... | | 0. |
| b | Qualified dividends including qualified dividends from Form 8814, listed on Schedule B 0. Qualified dividends from Schedules K-1 are included on line 9b. Do NOT list these amounts on Schedule B 0. ..... | 0. | |
| | Did you itemize deductions last year and receive state or local tax refunds, credits, or offsets? Answer "No" if you deducted state sales tax instead of state income tax ..... ☐ Yes ☐ No | | |
| 10 | Taxable refunds, credits, or offsets of state and local income taxes. F9 for worksheet ..... | | 0. |
| 11 | Alimony received ..... | | 0. |
| 12 | Business income or (loss) ..... | | 0. |
| 13 | Capital gain or (loss) ..... Schedule D not required: ☐ | | 0. |
| 14 | Other gains or (losses) ..... Form 4684 only: ☐ | | 0. |
| 15 a | IRA distributions ..... Total | 0. | |
| b | Taxable amount ..... Check if rollover: ☐ and F9 to explain: ☐ | | 0. |
| 16 a | Pensions and annuities ..... Total | 0. | |
| b | Taxable amount ..... Check if any amounts were rolled over: ☐ | | 0. |
| 17 | Rental real estate, royalties, partnerships, S corporations, trusts, etc ..... | | 0. |
| 18 | Farm income or (loss) ..... | | 0. |
| 19 | Unemployment compensation ..... | 0. | |
| | Repayment of 2006 unemployment compensation ..... | 0. | 0. |
| 20 a | Social security benefits ..... | 0. | |
| b | Taxable amount ..... D ☐ LSE ☐ | | 0. |
| 21 | Other income. *Type: ..... Amount | 0. | 0. |

*Link to Form W-2.*

Link to Form 4137 to calculate Social Security and Medicare tax on unreported tips.

*Link to 1040 Worksheet 1 to enter taxable portion.*

*Link to 1040 Worksheet 1 to enter income not reported on a Form W-2*

*Input interest on the Interest Statement.*

*Input dividends on the Dividend Statement.*

*Link to state tax refund worksheet.*[1]

*Enter directly.*

*Link to Sch C or Sch C-EZ.*[2]

*Input Capital gains or loss on the Capital Gain or Loss Transactions Worksheet.*

*Link to Form 1099R.*

*Link to Form 1099R.*

*Link to Sch E, page 1.*

*Link to Form 1099-G.*

*Link to Form 1040 wkt 1.*

*To report each source of “other income,” enter the type under line 21 and then link to the appropriate form, worksheet, or scratchpad from “Amount” box. If need to add additional item, link from “Amount” box to Form 1040, line 21, Other Income and then link to other form or worksheet if necessary. TaxWise adds up the other income amounts and displays the total on line 21. Use **Add Form** feature to complete Form 2555 or Form 2555-EZ, if applicable. The exclusion amount will be calculated by TaxWise and entered as a negative number on line 21 of Form 1040.*

[1] List state refund only if taxpayer itemized deductions (on Schedule A) last year and taxes were reduced because of deductions.

[2] For taxpayers with Form 1099-MISC with nonemployee income, link from line 12 to Schedule C or Schedule C-EZ and then link to Form 1099-MISC from line 1. Entering the information this way will automatically calculate self-employment tax.

**Hint:** If taxpayer has income from a foreign employer link from line 7 to Form FEC-Foreign Employer Compensation. Enter the taxpayer’s address at the time the money was earned. For Section e, TaxWise Help can be used to determine the appropriate country code. Enter the foreign employer’s information. List the compensation amount in U.S. dollars. Once you enter the information, TaxWise automatically reports the total on line 7 of Form 1040. If the taxpayer qualifies to claim the Foreign Earned Income Exclusion, Form 2555 or Form 2555-EZ can be filed electronically.

# Form W-2 Instructions

US W-2 Wage and Tax Statement

This W2 statement is for the: ☐ Taxpayer ☐ Spouse

☐ Check if this W2 is handwritten, altered, or appears not to be a true W2.
☐ Check if this is the taxpayer's address shown on the W2 **or**
☐ Check and make changes
This line is used ONLY for a foreign address -

☐ Check if employer was contacted to verify W2 (Bank product only Employer phone:
☐ Check to take calculations off of lines 3, 4, 5, and 6.
☐ Check to take calculations off of line 16, state wages.

a Control number: Corrected W2 (W-2C): ☐

b Employer ID:
Name code:

1 Wages, tips, etc. 0.
2 Federal tax withheld 0.

c Employer's name
Employer's care of name. Use % for care of.
Employer's address
Employer's Zip code, city, and state

3 Social security wages 0.
4 Social security tax withheld 0.
5 Medicare wages 0.
6 Medicare tax withheld 0.

d Employee's social security number: 123-45-6788

7 Social security tips 0.
8 Allocated tips 0.

e Employee's name and address
f Employee's address and Zip code

9 Advance EIC payment 0.
10 Dependent care benefits 0.
11 Nonqualified plans 0.

12 Code Amount YY ->Year for prior year USERRA contribution
0. 0. 0. 0.

14 Other Type Amount Qualifies for Form 8880
0. 0. 0. 0.

13 Statutory employee ☐ Retirement plan ☐ Third party sick pay ☐

RR = Railroad; T = Tier RRT1: 0. RRT2: 0. RRTM: 0.

| 15 State | State ID number | 16 State wages | 17 State tax | 18 Local wages | 19 Local tax | 20 Local name |
|---|---|---|---|---|---|---|
| | | 0. | 0. | 0. | 0. | |
| | | 0. | 0. | 0. | 0. | |
| | | 0. | 0. | 0. | 0. | |
| | | 0. | 0. | 0. | 0. | |

**Note:** If employer has a foreign address, press F1 on address line to get TaxWise instructions on how to enter.

**Tax Tip:** If there is more than one Form W-2, select the **Copy W-2** tab.

Compare this address to Form W-2 address. If same, check second box. If different, check third box and enter address exactly as it appears on Form W-2.

If boxes 3, 4, 5, 6, and/or 16 do not match taxpayer's copy of Form W-2, check fifth and/or sixth box and enter data exactly as it appears on Form W-2.

Review box 2 and box 17 to ensure tax withheld was entered and is correct.

If an ITIN taxpayer, enter invalid SSN shown on original W-2.

Box 9 eliminated for 2011 returns.

If there is an entry in Box 10, Form 2441 must be completed.

Enter codes and amounts in boxes 12 and 14 **exactly** as they appear on the taxpayer provided W-2.

## *Form W-2 ALERT!*

IRS requires that information on electronically filed Form(s) W-2 match the printed Form(s) W-2 exactly.Verify tax year, taxpayer name/SSN and carryforward employer information.

A taxpayer with multiple Forms W-2 could possibly have a different address on several, if not all, of the Forms W-2.

Check them carefully; the change must be made on every Form W-2 that is different from the current address.

**IMPORTANT!**

**The most current address entered in MAIN INFO will not be affected and will remain the current address for the taxpayer(s).**

# How to Enter Tips

US 4137 — Social Security Tax on Unreported Tip Income

Name: JOHN SAMPLE — SSN: 111-11-1111

| 1 | a | b | c | d |
|---|---|---|---|---|
| | Name of employer(s) to whom you were required to, but did not, report your tips | EIN | Total cash and charge tips you received (including unreported tips) | Total cash and charge tips you reported to your employer |
| a | | | 0. | 0. |
| b | | | 0. | 0. |
| c | | | 0. | 0. |
| d | | | 0. | 0. |
| e | | | 0. | 0. |

| | | | |
|---|---|---|---|
| 2 | Total cash and charge tips received this year. Total of line 3 + line 4 | 0. | |
| 3 | Total cash and charge tips reported to your employer. W2 social security tips | | 0. |
| 4 | Unreported tips. Allocated tips from W2 or F8 to enter the amount you wish | | 0. |
| 5 | Cash and charge tips you received but did not report to your employer because the total was less than $20 in a calendar month | | 0. |
| 6 | Unreported tips subject to Medicare tax | | 0. |
| 7 | Maximum amount of wages (including tips) subject to social security tax | 106,800. | |
| 8 | Total social security wages and social security tips, total of boxes 3 and 7 on Forms W2, or railroad retirement tier 1 compensation — 0. | 0. | |
| 9 | Subtract line 8 from line 7. If line 8 is more than line 7, enter -0- here and on line 10 and go to line 12 | | 106,800. |
| 10 | Unreported tips subject to social security tax. Smaller of line 6 or line 9. If you received tips as a Federal, state, or local government employee, see instructions. Tips subject to Medicare tax only | 0. | 0. |
| 11 | Multiply line 10 by .062 | | 0. |
| 12 | Multiply line 6 by .0145 | | 0. |
| 13 | Add lines 11 and 12 | | 0. |

### Allocated Tips:

Allocated tips in box 8 of Form W-2 will carry over to line 4 of Form 4137. If this amount is not correct, verify the amount entered in box 8 of Form W-2.

### How to Enter Unreported Tips:

Link to Form 4137 from line 7 or Line 57 of Form 1040. Form 4137, line 2 will automatically calculate the figures on lines 3 and 4. From Form W-2 the Social Security tips (box 7) will appear on line 3 and the Allocated tips (box 8) will appear on line 4.

If the taxpayer has unreported tips, you may need to override a few entries on Form 4137. Use the override function on the Employer's Name and enter it if it does not appear automatically. If the taxpayer has a tip log that shows a different amount than his or her allocated tips, override line 4 and enter the actual amount received.

If the taxpayer has no allocated tips, then the amount of unreported tips can be entered directly on line 4. If, in any month, less than $20 in tips were received and not reported to the employer, enter the amount on line 5. If the correct occupation doesn't carry from the Main Information Sheet, override the Occupation block and enter it.

Unreported tips will display on line 7 of Form 1040. In TaxWise®, Form 4137 figures the employee portion of social security and Medicare taxes; these will display on line 57.

# Schedule B – Interest

*Name will be red when it is first entered on Sch B. Once an entry is made on line 1b, the red will disappear.*

**Do not make entry directly on line 1b; link to the worksheet.**
*Link to Interest—Stmt-Schedule B, line 1b interest income.*

US Schedule B — Interest and Ordinary Dividends

Name: VANESSA L FRANKLIN — SSN: 111-11-1111

**Part I: Interest**

**1a Seller-financed mortgages**
Interest income from seller-financed mortgages and the buyer used the property as a personal residence. Show the buyer's name, address, and social security number.
Name: ID number:
Address: Amount: 0. 0.

State Information for seller-financed mortgage interest
Joint amount: 0. Spouse amount: 0.

**Other interest**
Payer. If the payer is a brokerage firm, list the firm's name as the payer. Amount

| | | |
|---|---|---|
| b | | 0. |
| c | | 0. |
| d | | 0. |
| e | | 0. |
| f | | 0. |
| * g | | 0. |

*The interest from Schedules K-1 transfers to line g. If you are using the interest statement, check here ☐ AND manually enter: 0. for the taxpayer and 0. for the spouse on the statement as K-1 interest.

**Subtotal** 0.

These amounts reduce taxable interest income.
Nominee distributions (N) 0.
Accrued interest (A) 0.

# Interest Statement for Schedule B, Line 1b Interest Received

**US Schedule B** **Interest Received**

Amounts shown in Box 8 should not be entered in the "Box 1 or 3 amount" column. Instead, enter an "E" in the "NAEOB column" and the amount from Box 8 in the "NAEOB amount" column.

| Payer | Box 1 or 3 amount | TSJ | State adjust +/- | State adjust Amount | NAE OB | NAEOB amount | AMT PAB | Early penalty | Federal withheld |
|---|---|---|---|---|---|---|---|---|---|
| Fully Taxable | 500. | | | 0. | | 0. | 0. | 0. | 0. |
| Fed/State Exempt | 0. | | | 0. | E | 600. | 0. | 0. | 0. |
| My State Exempt | 700. | | - | 700. | | 0. | 0. | 0. | 0. |
| Fed Xmpt/St Taxable | 0. | | + | 800. | E | 800. | 0. | 0. | 0. |
| | 0. | | | 0. | | 0. | 0. | 0. | 0. |

*Enter name of payer, abbreviate as needed to fit on line (approximately 20 characters). Do not use punctuation.*

*Enter amount from Form 1099-INT, box 1 or box 3.*

*Enter from Form 1099-INT, box 8*

*Enter from Form 1099-INT, box 9*

*Enter amount from Form 1099-INT, box 2.*

*Enter amount from Form 1099-INT, box 4.*

**Note:** Use only 1 interest statement to record all interest income.

# Additional Interest, NAEOB, and State Adjustment Entries

TSJ (T= Taxpayer, J=Joint, S=Spouse) column: annotating who received interest is important for state tax purposes.

State Adjustment column: **IMPORTANT—When a state return has been selected on the Main Information Screen, the entries are transferred directly to the state return. If state tax law treats the interest differently, an adjustment has to be made in the State adjust column.**

NAEOB column: Enter:

- N – Nominee interest—Interest transferred to another person
- A – Accrued interest—Interest paid to seller at time of purchase
- E – Federal tax exempt interest
- O – OID – Generally not used since most interest reported on Form 1099-OID is fully taxable and should be entered as ordinary interest.
- B – Amortized bond premium—See IRS Publication 1212 for more details.

*Interest on in-state municipal bonds is NOT taxable on the federal and state returns (second line in screen shot above).*

*Interest on U.S. savings bonds is taxable on the federal return but is NOT taxable on the state return (third line in screen shot above).*

*Interest on out-of-state municipal bonds is NOT taxable on the federal return BUT is taxable on the state return (fourth line in screen shot above).*

***TAX TIP: Always fill in the additional interest form as though there is only a federal return. This entry is transferred directly to the state return. Then, ask the question, "Is the interest treated differently on the state return?" If the interest is treated differently, adjust by entering the appropriate +/- and amount in the State adjust column.***

# Schedule B – Ordinary Dividends

**Do not make entries directly on line 5a; link to the worksheet.**
*Link to Dividend Stmt-Schedule B, line 5 Dividend Income.*

**Part II: Ordinary Dividends**

| 5 Payer. If the payer is a brokerage firm, list the firm's name as the payer. | Amount |
|---|---|
| a MUTUAL FUND | 50. |
| b STOCK | 45. |
| c | 0. |
| d | 0. |
| e | 0. |
| f | 0. |
| g | 0. |
| h | 0. |
| * i | 0. |
| ** j | 0. |
| * The qualified dividends from Forms 8814 transfer to line i. If you are using the dividend statement, check here ☐ AND manually enter in BOTH the ordinary dividends column AND the qualified dividends column: 0. for the taxpayer and 0. for the spouse on the statement. List the payer as Form 8814. | |
| ** The dividends from Schedules K-1 transfer to line j. If you are using the dividend statement, check here ☐ AND manually enter: 0. for the taxpayer and 0. for the spouse on the statement as K-1 dividends. | |
| Subtotal | 95. |
| Nominee distributions (N) | 0. |
| 6 Add the amounts on line 5 | 95. |

# Dividend Statement for Schedule B, Line 5 Dividend Income

**US Schedule B** — **Dividend Income**

| Payer | Ordinary dividends | Qualified dividends | TSJ | State adj +/- $ | N | Capital gain | 1250 gain | 28% gain | Fed. with. | Exempt int. div. | AMT PAB |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Example 1 | 125. | 0. | | - 125. | | 0. | 0. | 0. | 0. | 0. | 0. |
| | 0. | 0. | | 0. | | 0. | 0. | 0. | 0. | 0. | 0. |
| | 0. | 0. | | 0. | | 0. | 0. | 0. | 0. | 0. | 0. |
| | 0. | 0. | | 0. | | 0. | 0. | 0. | 0. | 0. | 0. |
| | 0. | 0. | | 0. | | 0. | 0. | 0. | 0. | 0. | 0. |
| | 0. | 0. | | 0. | | 0. | 0. | 0. | 0. | 0. | 0. |
| | 0. | 0. | | 0. | | 0. | 0. | 0. | 0. | 0. | 0. |
| | 0. | 0. | | 0. | | 0. | 0. | 0. | 0. | 0. | 0. |

*Enter name of payer, abbreviate as needed to fit on line.*

*Enter amount from Form 1099-DIV, box 1a.*

*Enter amount from Form 1099-DIV, box 1b.*

*Enter amount from Form 1099-DIV, box 2a. This amount will automatically flow to Sch D, line 13.*

*Enter amount from Form 1099-DIV, line 2b.*

*Enter amount from Form 1099-DIV, line 2d.*

*Enter amount from Form 1099-DIV, box 4.*

*Enter the amount of exempt interest dividends received from a regulated investment company (mutual fund). Do not enter the amount in any other column.*

**Note:** Use only 1 dividend statement to record all dividend income.

# Additional Dividends Entries

State adjustment: When a state return has been selected on the Main Information Screen, entries made on the Dividend Statement will be treated the same on the state return. If state tax law treats the dividend differently, an adjustment has to be made in the State adj column.

***Example 1:*** *Enter dividends from direct federal government obligations which are fully taxable on the federal return but tax exempt on the state return.* Entering the dividend in the Amount column will result in the dividend showing up as taxable on both the federal and state returns. Therefore, an adjustment has to be made in the State adj column by entering a "-" and the amount. This will result in the dividend showing up as tax exempt on the state return.

***TAX TIP: Always fill in the Dividend Statement as though there is only a federal return. This entry is transferred directly to the state return. Then, ask the question, "Is the dividend treated differently on the state return?" If yes, adjust by entering the appropriate +/- and amount in the State adj column.***

**Note 1:** If Foreign tax paid (box 6) is shown on 1099-DIV, see Tab 5 "Nonrefundable Credits" for Foreign Tax Credit information.

**Note 2:** 1099-DIV, Box 3, Non-dividend Distribution is a return of basis, not taxed until all cost is recovered. Must reduce cost by these distributions at time of sale. Once all costs recovered, report as capital gain.

**Note 3:** 1099-PATR-Rebate/Patronage Dividends issued by co-ops are not taxable for individuals but taxable for a business that uses expenses paid to co-op as business deduction.

# Schedule C–EZ Business Income

**US Schedule CEZ** **Net Profit from Business**

This business or profession is owned by the: ☐ Taxpayer ☐ Spouse

Name of proprietor: SSN: 123-45-6788

**Part I: General Information**

**You may use this form**

**if you** >>
- Had business expenses of $5,000 or less.
- Use the cash accounting method.
- Did not have an inventory at any time during the year.
- Did not have a net loss from this business.
- Had only one business as either a sole proprietor or statutory employee.

**and you** >>
- Had no employees during the year.
- Are not required to file Form 4562, Depreciation and Amortization, for this business. See Schedule C, line 13, instructions.
- Do not deduct expenses for business use of your home.
- Do not have prior year unallowed passive activity losses from this business.

A Principal business or profession, including product or service

B Business code 0

C Business name. If no separate business name, leave blank.

D Employer ID number (EIN)

E Business address including suite or room number.
Not required if the same as the tax return address
Zip code, city or town, and state

If filing Form 1040NR, check here if the taxpayer is required to pay self-employment tax on this income ☐

**Part II: Figure Your Net Profit**
If you are a minister who can only claim a portion of their expenses, F9 on line 2 for the worksheet for allowable deductions.

1 Gross receipts 0.
If this income was reported to you on Form W2 or W2GU and the "Statutory employee" box on that form was checked, or you are a member of a qualified joint venture reporting only rental real estate income not subject to self-employment tax, check here ☐
2 Total expenses. If more than $5,000, use Schedule C 0.
3 **Net profit.** If less than -0-, you MUST use Schedule C 0.

**Part III: Information on Your Vehicle** Complete this part only if you are claiming vehicle expenses.

4 When did you place your vehicle in service for business purposes? (MM/DD/YYYY)
5 Of the total number of miles you drove your vehicle during the year, enter the number of miles you used your vehicle for
a Business: 0 b Commuting: 0 c Other: 0
Business miles at the standard mileage rate of 50.0¢
Include this amount with any other expenses you list on line 2 above 0.

| | Yes | No |
|---|---|---|
| 6 Was your vehicle available for use during off-duty hours? | ☐ | ☐ |
| 7 Do you (or your spouse) have another vehicle available for personal use? | ☐ | ☐ |
| 8a Do you have evidence to support your deduction? | ☐ | ☐ |
| b If "Yes", is the evidence written? | ☐ | ☐ |

*Note: There are new questions on the 2011 Schedule C-EZ -*
***Question F** - Did you make any payments in 2011 that would require you to file Forms 1099?*
*Yes or No boxes*
**Question G** *- If yes, did you or will you file all required Forms 1099*
*Yes or No boxes*

*Note: Schedule C-EZ new questions on gross receipts*
***1a** Gross merchant card and third party receipts (see instructions)*
***1b** Gross receipts not entered above - see instructions*
***1c** Gross income reported on Form W-2 with statutory employee box checked*
***1d** Total of line 1a, 1b and 1c. If line 1 requires an adjustment use Schedule C.*

*Sch C-EZ can be used only if these statements are true. See Note below. Only one Sch C-EZ is allowed per taxpayer.*

*To find appropriate code, go to TaxWise® **Help** and select **Business 1099R and Country Codes.***

*If taxpayer does not have an EIN, leave blank.*

*If taxpayer has Form 1099-MISC for nonemployee compensation, link and select New Miscellaneous Income from 1099-MISC. For cash income, link and select New Scratch Pad.*

*Link to a scratch pad to accumulate & list expenses.*

***If mileage is calculated you must include it in the Scratch Pad used to list other expenses related to this business. It is not automatically included in expenses.***

Any Form 1099-MISC with nonemployee compensation (box 7) must be entered on line 1 by linking to Form 1099-MISC. A separate TaxWise Form 1099-MISC must be completed for each Form 1099-MISC that the taxpayer provides. For cash payments link to a scratch pad and enter the business income. All Forms 1099 and scratch pad income will be totaled on line 1.

Self-employment tax and the adjustment of the deductible portion of the self-employment tax are automatically calculated and carried to the appropriate forms.

Note: Another requirement for the use of Schedule C-EZ - *Did not receive any credit card or similar payments that included amounts that are not includible in your income (see instructions for line 1a, Schedule C-EZ).*

# Schedule C–Business Income, Page 1

(In-scope limited to Schedule C-EZ criteria except allow up to $10,000 in expenses)

**US Schedule C** **Profit or Loss from Business**

This business or profession is owned by the: ☐ Taxpayer ☐ Spouse

Name of proprietor: JOHN SAMPLE SSN: 111-11-1111

**A** Principal business or profession, including product or service

**B** Business code 0

**C** Business name. If no separate business name, leave blank.

**D** Employer ID number (EIN)

**E** Business address including suite or room number

Zip code, city or town, and state

**F** Accounting method (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify):

**G** Did you "materially participate" in the operation of this business during this year? If "No", losses may be limited ☐ Yes ☐ No

**H** If you started or acquired this business this year, check here ☐

For state purposes, check if this business is an LLC ☐

**Part I: Income**

| | | |
|---|---|---|
| 1 | Gross receipts or sales. If this income was reported to you on Form W2 or W2GU and the "Statutory employee" box on that form was checked, or you are a member of a qualified joint venture reporting only rental real estate income not subject to self-employment tax, check here ☐ | 0. |
| 2 | Returns and allowances | 0. |
| 3 | Subtract line 2 from line 1 | 0. |
| 4 | Cost of goods sold from line 42 on page 2 | 0. |
| 5 | **Gross profit.** Subtract line 4 from line 3 | 0. |
| 6 | Other income, including Federal and state gasoline or fuel tax credit or refund | 0. |
| 7 | **Gross income.** Add lines 5 and 6 | 0. |

**Part II: Expenses**

| | | |
|---|---|---|
| 8 | Advertising | 0. |
| 9 | Car and truck expenses | 0. |
| 10 | Commissions and fees | 0. |
| 11 | Contract labor | 0. |
| 12 | Depletion | 0. |
| 13 | Depreciation and section 179 expense deduction | 0. |
| 14 | Employee benefit programs (other than on line 19) | 0. |
| 15 | Insurance, other than health | 0. |
| 16 | Interest | |
| a | Mortgage (paid to banks, etc.) | 0. |
| b | Other | 0. |
| 17 | Legal and professional services | 0. |
| 18 | Office expense | 0. |
| 19 | Pension and profit-sharing plans | 0. |
| 20 | Rent or lease | |
| a | Vehicles, machinery, and equipment | 0. |
| b | Other business property | 0. |
| 21 | Repairs and maintenance | 0. |

*Taxpayer and Spouse can each have one Schedule C.*

*To find appropriate code, go to TaxWise® **Help** and select "**Business 1099R and Country Codes".***

*If taxpayer does not have an EIN, leave blank.*

*Note: There are new questions on Schedule C-*
***Question 1** - Did you make any payments in 2011 that would require you to file Forms 1099? Yes or No boxes*
***Question J** - If yes did you or will you file all required Forms 1099 Yes or No boxes*

*If taxpayer has Form 1099-MISC for nonemployee compensation, link and select New Miscellaneous Income from 1099-MISC. For cash payments, link and select New Scratch Pad.*

*New lines on income section:*
***1a** Gross merchant card and third party network receipts (see instructions)*
***1b** Gross receipts not entered above - see instructions*
***1c** Gross income reported on Form W-2 with statutory employee box checked.*
***1d** Total of lines 1a, 1b, and 1c.*

*Business miles automatically entered from Part IV.*

Following are some of the types of expenses that are in scope for volunteer prepared returns: advertising, car and truck (standard mileage), commissions and fees, insurance, interest, legal and professional services, office, rent or lease, repairs and maintenance, supplies, taxes and licenses, travel, and utilities.

# Schedule C–Business Income, Page 2

**US Schedule C** **Page 2**

Name: SSN: 123-45-6788

**Part III: Cost of Goods Sold**

*Cost of Goods Sold* ***out-of-scope.***

33 Method(s) used to value closing inventory
(a) ☐ Cost (b) ☐ Lower of cost or market (c) ☐ Other

34 Was there any change in determining quantities, costs, or valuation between opening and closing inventory? If "Yes", attach explanation ☐ Yes ☐ No

| | | |
|---|---|---|
| 35 | Inventory at the beginning of the year. If different from last year's closing inventory, attach an explanation | 0. |
| 36 | Purchases less cost of items withdrawn for personal use | 0. |
| 37 | Cost of labor. Do not include any amounts paid to yourself | 0. |
| 38 | Materials and supplies | 0. |
| 39 | Other costs | 0. |
| 40 | Add lines 35 through 39 | 0. |
| 41 | Inventory at the end of the year | 0. |
| 42 | **Cost of goods sold** | 0. |

**Part IV: Information on Your Vehicle.** Complete this part ONLY if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business.

*Complete this section if taxpayer is claiming standard mileage for car or truck expenses.*

43 When did you place your vehicle in service for business purposes? (MM/DD/YYYY)

44 Of the total number of miles you drove your vehicle during the year, enter the number of miles you used your vehicle for

a Business: 0 b Commuting: 0 c Other: 0

Check ☐ to calculate business miles at the standard mileage rate of 50.0¢

This amount will be listed on page 1, line 9 0.

*Remember to check the box under line 44a to calculate business miles at the standard mileage rate. This amount will be listed on page 1, line 9.*

| | | Yes | No |
|---|---|---|---|
| 45 | Was your vehicle available for personal use during off-duty hours? | ☐ | ☐ |
| 46 | Do you (or your spouse) have another vehicle available for personal use? | ☐ | ☐ |
| 47 a | Do you have evidence to support your deduction? | ☐ | ☐ |
| b | If "Yes", is the evidence written? | ☐ | ☐ |

**Part V: Other Expenses** List below business expenses not included on lines 8-26 or line 30.

| Type | Amount |
|---|---|
| | 0. |
| | 0. |
| | 0. |
| | 0. |
| | 0. |
| | 0. |
| | 0. |
| | 0. |
| * | 0. |

*Use this section for other expenses not listed in Part II.*

*Amortization from Form 4562 is transferred to this line.
If you are using the statement, check ☐ AND manually enter: 0.
on the statement.

48 **Total other expenses** 0.

This facsimile form is not approved for filing directly to the IRS.
Print IRS form using "Print Return" or "Print Current Form".

# Schedule D – Capital Gains and Losses, Changes

At the time this publication went to print, screen shots of the new Forms Schedule D (Form 1040), Capital Gains and Losses and new Form 8949, Sales and Other Dispositions of Capital Assets were not available.

**Schedule D (Form 1040), Capital Gains and Losses** - Schedule D was revised to allow for information return matching, including both new Forms 1099B showing basis and securities bought before 2011 that don't show basis. Both the Short and Long sections of Schedule D bring in amounts from new Form 8949 (which replaces Schedule D-1) separating three types of transactions. Individual transactions will no longer be listed on Schedule D.

**Form 8949, Sales and Other Dispositions of Capital Assets** - Form 8949 will contain all capital gain and loss transactions. None will be reported directly on Schedule D. The subtotals from Form 8949 will be carried over to Schedule D (Form 1040), where gain or loss will be calculated in aggregate. Short and long-term transactions are listed by the following categories:

Transactions reported on Form 1099-B that show basis in box 3.

Transactions reported on Form 1099-B that do not show basis in box 3.

Transactions not reported on Form 1099-B

**Form 8949 - Other information**

A checkbox at the top of Form 8949 identifies the type of transaction reported. **A taxpayer with more than one type of transaction must file a separate form for each type.**

Column (b) is for a code that will be used to indicate various adjustments to gain or loss, such as for nondeductible losses, a gain excluded under section 121 (sale of main home), etc. The specific codes are still under development...

The last column is used to indicate the amount of the adjustment to gain or loss. Designating the last column as adjustment to gain or loss allows for adjustments and exclusions to be reported on the same line as the transaction to which they relate, instead of on a subsequent line as reported in previous years.

Instructions for Form 8949 will be covered in the instructions for Schedule D. Form 1099A and Form 1099C (that includes foreclosure info) will fall in the 3rd transaction category "Transactions not reported on Form 1099-B" - Box C on Form 8949 - which would end up on line 3 or 10 of Sch D.

At the time this publication went to print, the Capital Gain or Loss Transactions Worksheet was planned to still be used in TaxWise. The information entered on the Capital Gain or Loss Transactions Worksheet will flow to Form 8949. Please check with your Site Coordinator for the latest information on Schedule D transactions.

# Schedule D – Capital Gain or Loss Transactions Worksheet

*Form 1099-B box 2*

*Form 1099-B box 1a*

*Form 1099-B, box 1b or other description as provided by the taxpayer*

**US Schedule D** **Capital Gain or Loss Transactions Worksheet**

* Check if 28% rate gain or (loss).

| (a) Description of property | (b) Date acquired | (c) Date sold | (d) Sales price | (e) Cost or basis | T S J | * | (f) Gain or loss | S / L |
|---|---|---|---|---|---|---|---|---|
| | | | 0. | 0. | | ☐ | 0. | |
| | | | 0. | 0. | | ☐ | 0. | |
| | | | 0. | 0. | | ☐ | 0. | |
| | | | 0. | 0. | | ☐ | 0. | |
| | | | 0. | 0. | | ☐ | 0. | |
| | | | 0. | 0. | | ☐ | 0. | |
| | | | 0. | 0. | | ☐ | 0. | |
| | | | 0. | 0. | | ☐ | 0. | |
| | | | 0. | 0. | | ☐ | 0. | |

*If not stated on Form 1099-B or brokerage statement, taxpayer will need to provide basis. If cost basis is zero (such as demutualization), go back to Sch D and use the estimate function key to delete red on cost basis.*

**Note 1:** Use VARIOUS for mutual funds. When using various for multiple short-term transactions, the S/L column must be overridden and an S entered. The holding period for long-term transactions is one year and one day.

**Note 2:** Use INHERIT for inherited stock in column B if property was inherited from someone who died before January 1, 2010 and after December 31, 2010. Special rules apply to property inherited from someone who died after 2009 and before January 1, 2011. See Publication 4895 for additional information. Check volunteer in-scope limitations.

**Note 3:** For withholding on Form 1099-B, enter on the Dividend Statement for Schedule B.

**Note 4:** Sales commissions and fees must be added to the basis unless they are reflected in Form 1099-B box 2.

**Note 5:** Net losses greater than $3000 will be shown on TaxWise Sch D Wkt 2. Excess losses will carry-forward to future tax years. Regarding capital loss carryforward, take current year's allowable deduction into account whether or not claimed. Always put Schedule D, Wkt 2, with taxpayer's papers.

# Examples: Capital Loss* on Foreclosure

Form 8949 (2011) Attachment Sequence No. **12A** Page **2**

Name(s) shown on return. Do not enter name and social security number if shown on other side. | **Your social security number**

**Part II** **Long-Term Capital Gains and Losses—Assets Held More Than One Year**

**Note.** Please round and use whole dollars on this form.

Check the box below that describes the transactions listed on this page.

**Caution.** Check only one box. If you have more than one type of transaction, complete a separate Form 8949 for each type.

☐ **(A)** Long-term gains and losses (Form 1099-B, box 3, shows basis) ☐ **(B)** Long-term gains and losses (Form 1099-B, box 3, does not show basis) ☑ **(C)** Long-term gains and losses (Form 1099-B not received)

| 3 (a) Description of property (Example: 100 sh. XYZ Co.) | (b) Code | (c) Date acquired (Mo., day, yr.) | (d) Date sold (Mo., day, yr.) | (e) Sales price (see instructions) | (f) Cost or other basis (see instructions) | (g) Adjustments to gain or loss |
|---|---|---|---|---|---|---|
| MAIN HOME FORM 1099-A | C | 05/15/2002 | 10/01/2011 | $200,000 | $300,000 | $100,000 |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

Draft as of 11/2011

***Loss on personal residence is not deductible.**

**Part II** **Long-Term Capital Gains and Losses—Assets Held More Than One Year**

| **Note:** Please round and use whole dollars on this form. | (e) Sales price from Form(s) 8949, line 4, column (e) | (f) Cost or other basis from Form(s) 8949, line 4, column (f) | (g) Adjustments to gain or loss from Form(s) 8949, line 4, column (g) | (h) Gain or (loss) Combine columns (e), (f), and (g) |
|---|---|---|---|---|
| 8 Long-term totals from all Forms 8949 with box A checked in Part II | | ( ) | | |
| 9 Long-term totals from all Forms 8949 with box B checked in Part II | | ( ) | | |
| 10 Long-term totals from all Forms 8949 with box C checked in Part II | $200,000 | ( $300,000) | $100,000 | 0 |

| | | |
|---|---|---|
| 11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824 | 11 | |
| 12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1 | 12 | |
| 13 Capital gain distributions. See the instructions | 13 | |
| 14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your **Capital Loss Carryover Worksheet** in the instructions | 14 | ( ) |
| 15 **Net long-term capital gain or (loss).** Combine lines 8 through 14 in column (h). Then go to Part III on the back | 15 | 0 |

**For Paperwork Reduction Act Notice, see your tax return instructions.** Cat. No. 11338H **Schedule D (Form 1040) 2011**

**TaxWise Hint:** To exclude debt forgiven on principal residence, select Form 982 from Add Forms. Complete Line 1e and line 2 (1099-C, Box 2, Amount of Debt Canceled) and attach to return. Line 3 and line 10b will be red (estimated), but can unestimate using F3 in TaxWise desktop or Ctrl-Space in TWO. **Special certification is required for Cancellation of Debt.**

# Example: Applying Section 121 Exclusion to Capital Gains on Sale of Main Home

Form 8949 (2011) Attachment Sequence No. **12A** Page **2**

Name(s) shown on return. Do not enter name and social security number if shown on other side. | **Your social security number**

**Part II** **Long-Term Capital Gains and Losses—Assets Held More Than One Year**

**Note.** Please round and use whole dollars on this form.

Check the box below that describes the transactions listed on this page.

**Caution.** Check only one box. If you have more than one type of transaction, complete a separate Form 8949 for each type.

☐ **(A)** Long-term gains and losses (Form 1099-B, box 3, shows basis) ☐ **(B)** Long-term gains and losses (Form 1099-B, box 3, does not show basis) ☑ **(C)** Long-term gains and losses (Form 1099-B not received)

| 3 **(a)** Description of property (Example: 100 sh. XYZ Co.) | **(b)** Code | **(c)** Date acquired (Mo., day, yr.) | **(d)** Date sold (Mo., day, yr.) | **(e)** Sales price (see instructions) | **(f)** Cost or other basis (see instructions) | **(g)** Adjustments to gain or loss |
|---|---|---|---|---|---|---|
| **MAIN HOME Form 1099-A** | **B** | **05/15/2002** | **10/01/2011** | **$200,000** | **$125,000** | **($75,000)** |
| **4 Totals.** Add the amounts in columns (e) and (f). Also, combine the amounts in column (g). Enter here and include on Schedule D, line 8 (if box A above is checked), line 9 (if box B above is checked), or line 10 (if box C above is checked) . . . . . ▶ | **4** | **$200,000** | **$125,000** | **($75,000)** | | |

Form **8949** (2011)

Draft as of 04/21/2011

# Schedule D – Capital Gains and Losses, Page 1

**SCHEDULE D (Form 1040)**

Department of the Treasury
Internal Revenue Service (99)

## Capital Gains and Losses

▶ Attach to Form 1040 or Form 1040NR. ▶ See Instructions for Schedule D (Form 1040).
▶ Use Form 8949 to list your transactions for lines 1, 2, 3, 8, 9, and 10.

OMB No. 1545-0074

2011

Attachment Sequence No. **12**

Name(s) shown on return | **Your social security number**

Draft as of 04/21/2011

**Part I** **Short-Term Capital Gains and Losses—Assets Held One Year or Less**

| **Note:** Please round and use whole dollars on this form. | **(e)** Sales price from Form(s) 8949, line 2, column (e) | **(f)** Cost or other basis from Form(s) 8949, line 2, column (f) | **(g)** Adjustments to gain or loss from Form(s) 8949, line 2, column (g) | **(h) Gain or (loss)** Combine columns (e), (f), and (g) |
|---|---|---|---|---|
| **1** Short-term totals from all Forms 8949 with box A checked in Part I | | ( ) | | |
| **2** Short-term totals from all Forms 8949 with box B checked in Part I | | ( ) | | |
| **3** Short-term totals from all Forms 8949 with box C checked in Part I | | ( ) | | |

| | | |
|---|---|---|
| **4** Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824 | **4** | |
| **5** Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1 | **5** | |
| **6** Short-term capital loss carryover. Enter the amount, if any, from line 8 of your **Capital Loss Carryover Worksheet** in the instructions | **6** | ( ) |
| **7** **Net short-term capital gain or (loss).** Combine lines 1 through 6 in column (h) | **7** | |

**Part II** **Long-Term Capital Gains and Losses—Assets Held More Than One Year**

| **Note:** Please round and use whole dollars on this form. | **(e)** Sales price from Form(s) 8949, line 4, column (e) | **(f)** Cost or other basis from Form(s) 8949, line 4, column (f) | **(g)** Adjustments to gain or loss from Form(s) 8949, line 4, column (g) | **(h) Gain or (loss)** Combine columns (e), (f), and (g) |
|---|---|---|---|---|
| **8** Long-term totals from all Forms 8949 with box A checked in Part II | | ( ) | | |
| **9** Long-term totals from all Forms 8949 with box B checked in Part II | | ( ) | | |
| **10** Long-term totals from all Forms 8949 with box C checked in Part II | **$200,000** | ( **$125,000**) | **($75,000)** | **0** |

| | | |
|---|---|---|
| **11** Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824 | **11** | |
| **12** Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1 | **12** | |
| **13** Capital gain distributions. See the instructions | **13** | |
| **14** Long-term capital loss carryover. Enter the amount, if any, from line 13 of your **Capital Loss Carryover Worksheet** in the instructions | **14** | ( ) |
| **15** **Net long-term capital gain or (loss).** Combine lines 8 through 14 in column (h). Then go to Part III on the back | **15** | **0** |

**For Paperwork Reduction Act Notice, see your tax return instructions.** Cat. No. 11338H **Schedule D (Form 1040) 2011**

# Schedule D – Capital Gains and Losses, Page 2



**Part III** **Summary.** **Note:** Please round and use whole dollars on this form.

| | | | |
|---|---|---|---|
| **16** | Combine lines 7 and 15 and enter the result | **16** | 0 |
| | • If line 16 is a **gain**, enter the amount from line 16 on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 17 below.<br>• If line 16 is a **loss**, skip lines 17 through 20 below. Then go to line 21. Also be sure to complete line 22.<br>• If line 16 is **zero**, skip lines 17 through 21 below and enter -0- on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 22. | | |
| **17** | Are lines 15 and 16 **both** gains?<br>☐ **Yes.** Go to line 18.<br>☐ **No.** Skip lines 18 through 21, and go to line 22. | | |
| **18** | Enter the amount, if any, from line 7 of the **28% Rate Gain Worksheet** in the instructions ▶ | **18** | |
| **19** | Enter the amount, if any, from line 18 of the **Unrecaptured Section 1250 Gain Worksheet** in the instructions ▶ | **19** | |
| **20** | Are lines 18 and 19 **both** zero or blank?<br>☐ **Yes.** Complete Form 1040 through line 43, or Form 1040NR through line 41. Then complete the **Qualified Dividends and Capital Gain Tax Worksheet** in the instructions for Form 1040, line 44 (or in the instructions for Form 1040NR, line 42). **Do not** complete lines 21 and 22 below.<br>☐ **No.** Complete Form 1040 through line 43, or Form 1040NR through line 41. Then complete the **Schedule D Tax Worksheet** in the instructions. **Do not** complete lines 21 and 22 below. | | |
| **21** | If line 16 is a loss, enter here and on Form 1040, line 13, or Form 1040NR, line 14, the **smaller** of:<br>• The loss on line 16 or<br>• ($3,000), or if married filing separately, ($1,500)<br>**Note.** When figuring which amount is smaller, treat both amounts as positive numbers. | **21** | ( ) |
| **22** | Do you have qualified dividends on Form 1040, line 9b, or Form 1040NR, line 10b?<br>☐ **Yes.** Complete Form 1040 through line 43, or Form 1040NR through line 41. Then complete the **Qualified Dividends and Capital Gain Tax Worksheet** in the instructions for Form 1040, line 44 (or in the instructions for Form 1040NR, line 42).<br>☐ **No.** Complete the rest of Form 1040 or Form 1040NR. | | |



Draft as of 04/21/2011

# How to Complete Form 8949, Columns (b) and (g)

| IF . . . | THEN enter in column (b) | AND . . . |
|---|---|---|
| You sold your main home and you can exclude some or all of the gain from the sale . . . | B | Enter the amount of excluded (nontaxable) gain as a negative number (in parentheses) in column (g). |
| You have a nondeductible loss other than a loss indicated by code AR, W or PA . . . | C | Enter the amount of the nondeductible loss as a positive number in column (g). |
| You received a Form 1099-B (or substitute statement) and the type of gain or loss indicated in box 8 is incorrect. . . | H | Leave column (g) blank. Report the gain or loss in the correct Part of Form 8949. |
| You received a Form 1099-B (or substitute statement), the basis shown in box 3 is incorrect, and the correct basis is higher than the basis shown in box 3 of Form 1099-B (or substitute statement). . . | I | Enter the difference between the two amounts as a negative number (in parentheses) in column (g). |
| You received a Form 1099-B (or substitute statement), the basis shown in box 3 is incorrect, and the correct basis is lower than the basis shown in box 3 of Form 1099-B (or substitute statement)… | J | Enter the difference between the two amounts as a positive number in column (g). |
| You have an adjustment not explained above in this column… | N | Enter the appropriate adjustment in column (g). |

# 1099-R Pension and Annuity Income

US 1099-R Distributions from Profit-Sharing, Retirement Plans, IRA's, etc.

This 1099-R is for the: ☐ Taxpayer ☐ Spouse

☐ Check if this 1099-R is handwritten, altered, or appears not to be a true 1099-R. ☐ Corrected

| | | |
|---|---|---|
| Payer's ID: <- F9 for Sub 1099-R<br>Name code: | 1 Gross (RRB line 7)<br>0. | Taxable amount not determined . . . . . ☐ |
| Payer's name<br>Payer's care of name. Use % for care of.<br>Payer's address<br>Payer's Zip code, city, and state | 2 Taxable amount<br>0. | Total distribution . . . ☐<br>Elect 10 averaging . . ☐ |
| | 3 Capital gain in line 2<br>0. | 4 Federal tax withheld<br>0. |
| | 5 Employee contribution or insurance premiums<br>0. | 6 Net unrealized appreciation in employer's securities<br>0. |
| Recipient's social security number: 331-99-1146 | | |
| Recipient's name<br>TAXPAYER SAMPLE<br>Recipient's address<br>6 MATHIS DRIVE<br>Rome GA 30165- | 7 Codes IRA / SEP / Simple . ☐ | 8 Other 0.0 %<br>0. |
| | Check if disability and the taxpayer is disabled . . . ☐<br>Check to force Form 5329 - See F1 Help . . . . . ☐ | |
| Account number (optional) | 9a Percentage of total distribution<br>0.0 % | 9b Total employee contributions<br>0. |

| | | | |
|---|---|---|---|
| See F1 Help on the state return for use of these boxes.<br>Instructions vary by state.<br>Check if applies.<br>Box 1 . . . . . ☐<br>Box 2 . . . . . ☐<br>Box 3 . . . . . ☐<br>Railroad retirement . . . . . ☐ | 10 State tax<br>0. | 11 State and state ID no. | 12 State distribution<br>0. |
| | 0. | | 0. |
| | 13 Local tax<br>0. | 14 Locality name | 15 Local distribution<br>0. |
| | 0. | | 0. |

## Form 1099 Alert

*The dollar value entries in this section must be an exact match of the paper Form(s) 1099-R.*

*Complete TaxWise® version of 1099-R using information from taxpayer's Form 1099-R or Form RRB-1099-R.*

Distribution codes for box 7 can be found in TaxWise® by accessing from box 7 or on the back of Form 1099-R. If Code A in Box 7 (lump sum distribution), it qualifies for special tax treatments and is ***out-of-scope***.

Review box 4 and box 10 to insure tax witheld was entered and is correct.

Check if Code 3 is in box 7—person on disability but under retirement age. This makes the amount go to Wages, line 7 on Form 1040, rather than the pension line.

Some early distributions may be exempt from additional tax. Add Form 5329. Enter the exception code and amount in Part I. Only Part I is in-scope for VITA/TCE.
*See Tab 6, Other Taxes and Payments, for details on Form 5329.*

*With Form 1099-R selected, link to Help screen to bring up 1099-R instructions. Scroll to and select applicable state for state instructions on use of boxes 1, 2, and 3 and Railroad Retirement.*

**1099-R Dollar Value Boxes**

**Box 2:** No amount is entered if the Simplified Method is used. Do not make an entry in Box 2. The entire Box 1 will be taxable unless an amount is calculated/entered in the Exclusion Worksheet or Simplified Method sections on the lower section of this screen.

**Box 3:** Capital Gain will be shown for a Charitable Gift Annuity (Code F). The difference between the Distribution shown in Box 1 and the capital gain shown in Box 3 will appear on Line 15 of the 1040. A schedule D must be completed to report the Capital gain. Describe as "FROM 1099-R". The Gain should be the amount from Box 3 and the gain is Long Term.

**Box 4:** Review Box 4 and Box 10 to ensure tax withheld was entered and is correct.

**Box 5:** If the payer has calculated the taxable amount of the pension in Box 2, generally the difference between Boxes 1 and 2 will appear in Box 5. If Box 5 is the amount of health insurance premiums, you must MANUALLY carry the amount to the Schedule A if the taxpayer is itemizing deductions.

**Box 7: Take care to enter the code shown on the 1099-R.** Refer to Tab 6, other Taxes and Payments, for the more commonly encountered codes or F1 to view a listing of all codes. If the code is not listed,it is considered ***out-of-scope***. This section also includes exemption to remove the penalty on some early distributions exempt from additional tax using Form 5329 if appropriate.

**Box 9b:** This information may alternatively appear in Box 5 although you cannot tell if it was "employee contribution" or "health insurance premiums" unless it states so on the 1099-R. If an amount appears in this box and a taxable amount is not shown in Box 2, the taxable amount box "2" remains blank and red until you complete the "Simplified Method" section of this form, described below (this will also "get the red out").

# 1099-R Exclusion Worksheet
# (lower section of 1099-R screen)

**Exclusion Worksheet**

1 Amount rolled over . . . . . 0.
2 Amount, up to $100,000, paid directly by the trustee of the IRA to a charitable organization. The donor must have been at least 70 1/2 when the distribution was made . . . . . 0.
3 Amount rolled over into an HSA. This election is irrevocable and can only be done once in the recipient's lifetime . . . . . 0.
4 Retired public safety officers - amount, up to $3,000, paid directly from a qualified governmental plan to pay health or qualified long-term care insurance for the taxpayer, spouse, or dependents . . . . . 0.
5 Excludable amount due to a tax-free exchange; as calculated in a previous year; or by law, is specifically tax-exempt . . . . . 0.
* If the distribution is from a traditional, SEP, or SIMPLE IRA and you ever made nondeductible IRA contributions, check . . . . . ☐
* If this is a conversion from a traditional IRA to a Roth IRA, check . . . . . ☐
If PART of this distribution was converted to a Roth IRA, enter the amount converted . . . . . 0.

**Simplified Method**

1 Cost in the plan at the annuity starting date (RRB line 3) . . . . . 0.
2 Check age of primary annuitant at annuity starting date
☐ 55 or under ☐ 56-60 ☐ 61-65
☐ 66-70 ☐ 71 or older
☐ Check if the annuity starting date is after 11/18/1996.
☐ Check if the annuity starting date is after 12/31/1997 **and** this is a joint and survivor annuity. Use table below.
Check combined age of annuitants at annuity starting date
☐ 110 or under ☐ 111-120 ☐ 121-130
☐ 131-140 ☐ 141 or more
3 Exclusion per month . . . . . 0.00
4 Number of months for which payments were received this year . . . . . 0
5 If the annuity started after 1986, enter the amount recovered tax free in prior years . . . . . 0.
6 Exclusion . . . . . 0.
7 Remaining cost in the pension or annuity . . . . . 0.

*This worksheet is used to recover the taxpayer's original contributions. The employee contributions are shown in box 5 or box 9b on Forms 1099-R, CSA-1099-R and CSF-1099-R and box 3 of Form RRB-1099-R. "Partially Taxable-Simplified Method" below*

*Enter the amount paid for qualified insurance premiums paid by a retired public safety officer.*

*Taxpayer should have documentation of the recovered tax-free amounts from previous years or last year's tax return.*

**Rollover – Exclusion Worksheet**
Make sure the Box 7 IRA is checked before starting. TaxWise will transfer the amount to line15 on the 1040. An IRA Rollover may be either:

- **DIRECT** transfer of securities or funds from one financial institution directly to another. If the funds were transferred from a Traditional IRA to another traditional IRA, Box 7 of the 1099-R should be coded "G" and the amount will be shown as non-taxable on line 15b. This Exclusion Worksheet should have no entries.
- **INDIRECT** rollover is when the taxpayer receives a distribution (Box 7 indicates a normal or early distribution) but reinvests it in another IRA within 60 days. The amount rolled over will be non-taxable.
- Sometimes a withdrawal includes both a regular distribution (generally taxable) and a rollover (generally non-taxable). The exclusion worksheet is used to input the amount that will not be taxable or transfer the distribution information to Form 8606 as necessary.

**Line 1**-Enter the full amount of the rollover (not distribution or ROTH conversion)

- This checks the "Check if rollover" box on 1040 line 15b
- Click in the red box on 1040 line 15b and press F9 to link to the "New form 1040 IRA Rollover Explanation worksheet and explain the rollover (e.g. IRA rolled from "bank ABC" to "savings & loan DEF")

**Line 2**-Enter any amounts that are paid directly to a charity if the person was 70-1/2 when donation was made. This makes the distribution non-taxable. The TP does not get a charitable deduction (EXPIRED-may be extended).
**Line 3**-Amount rolled over to an HSA ***out-of-scope***.
**Line 4**-Enter qualified amount (up to $3000) for health and/or LTC insurance paid from the retirement plan. Amount may be in Box 5 of the 1099-R or in a letter from the plan.
**Line 5**-Do not enter an amount as this is ***out-of-scope***. However, do not forget to check any applicable boxes.

- The box: "Ever made nondeductible IRA contributions" would add an incomplete 8606 (red) and would therefore be out-of-scope.
- The box: "conversion from a traditional to a ROTH" would add a completed 8606 (blue)
- If part of the distribution was converted to a ROTH. That part would be taxable and a completed 8606 (blue) will be added.

**Partially Taxable - Simplified Method**
If the taxpayer made after tax contributions toward the pension, a portion of the annuity payment is not taxable; **however, if the starting date of the payments was prior to July 2, 1986, the entire amount of the taxpayer's contribution probably would have been recovered under the "Three Year Rule" and you should enter the entire amount in Box 2.**
**Line 1-*If Box 2 is blank***, enter the total amount of employee contributions from 1099-R, Box 9b on Line 1.
**Line 2-**Check the appropriate box for the primary annuitant's age when the annuity payment started (not his or her current age). Depending on the annuity start date, you MAY have to check one of the two boxes relating to annuity starting date.
**Note:** the second box is used ONLY if this is a joint or survivor annuity, in which case the combined ages at the time the annuity started must also be checked. Errors in checking these boxes WILL result in an incorrect tax-exempt amount.
**Line 3 -** Calculated entry.
**Line 4-**Enter the number of months for which payments were received during the tax year, which will usually be 12 except for the year in which payments started or ended.
**Line 5-**Enter the amount recovered tax free in prior years in the next box; you need to either (1) look at last year's tax return to determine this amount or (2) calculate the amount using the monthly amount computed by TaxWise times the number of months prior to the current tax year.
**Line 6-**The non-taxable amount is calculated by TaxWise and taxable amount is reflected on Form 1040 line 16b. The Taxable Amount box on the TaxWise 1099-R will remain blank.

# Railroad Retirement, Civil Service, and Social Security Benefits

**1: Form RRB-1099-R—Tier 2 (Green form) Non-Social Security Equivalent Benefits (NSSEB)**—NSSEB includes all Tier 1 and Tier 2 Railroad Benefits not included on Form RRB-1099. It should be treated the same as any other qualified employee retirement plan.
Enter RRB-1099-R data on TaxWise® Form 1099-R as follows:

| Box | From RRB-1099-R | To TaxWise® |
|---|---|---|
| 3 | Employee contributions | 1099-R box 9b and line 1 of Simplified Method section |
| 7 | Gross distribution | 1099-R box 1 |
| 9 | Federal income tax withheld | 1099-R box 4 |
| 12 | Medicare premium total | Sch A—Detail—if itemizing deductions |

Complete TaxWise® Form 1099-R as follows:

- Click in box to the right of box 1—"Taxable amount not determined".
- A distribution code (box 7) is required and the code is "7" unless the interview with the taxpayer indicates it is not a normal distribution.
- Complete Simplified Method section, if applicable.
- "X" the **Railroad retirement** box to the left of block 13 for railroad pensions that qualify for subtraction on state returns.

**2: CSA-Form 1099-R—Civil Service Retirement Benefits**—The Office of Personnel Management issues CSA-Form 1099-R for annuities paid or CSF-Form 1099-R for survivor annuities paid. The CSA-Form 1099-R box numbers reflect the standard numbering on a Form 1099-R. If the taxable amount is not calculated in box 2:

- The Simplified Method must be used.
- Enter box 9b on line 1 of the Simplified Method section, if applicable.
- Complete the other required entries of the Simplified Method section.

**3: Form RRB-1099—Tier 1 (Blue form) Social Security Equivalent Benefits (SSEB)**—Treat the benefits reported on this form just like the information reported on SSA-Form 1099. (See below)

**Note: If there is any amount in box 7, 8, or 9 (benefits for previous year), refer your client to a tax professional.**

**4: Form SSA 1099—Social Security Benefit Statement**—The Social Security Administration issues Form SSA 1099 to report benefits paid. Use the following procedures for entering this information into TaxWise®:

- From Form 1040, line 20, link to 1040 Wkt 1.
- Scroll to Social Security and Railroad Tier 1 Benefits section.
- "Social Security Received This Year"—Enter Form SSA 1099, box 5 amount, or Form RRB 1099, box 5 amount. Verify recorded on the proper lines and in the proper columns (if a joint return).
- "Medicare to A"—Enter Form SSA 1099, Medical Premiums (include Part B and Part D) or Form RRB 1099, box 11 amount.
- "Federal Tax Withheld"—Enter Form SSA 1099, box 6 amount, or Form RRB 1099, box 10 amount.
- TaxWise will perform all the calculations to determine the taxable amount based on other information in the return.

# 1099-R Entry Variations

**A. Example 1 (most common)**—An amount is entered in box 1, box 2a is blank or the same amount as box 1, the distribution code in box 7 is [7], and nothing is entered in boxes 5 or 9b.

- The amount in box 1 is fully taxable. TaxWise® will transfer the amount in box 1 to Form 1040 page 1, line 16b. Nothing has to be entered in box 2; use the estimate function to remove red.

**B. Example 2—**An amount is entered in box 1, box 2a is blank, the distribution code is [7], and an amount is entered in box 9b.

- The Simplified Method section will have to be completed to determine the amount in box 9b that will be tax free. TaxWise® will automatically deduct this amount from the amount in box 1 and enter the result on Form 1040 page 1, line 16b. See 4012, Partially Taxable-Simplified Method.
- Do not make an entry to box 2 of Form 1099-R.

**C. Example 3**—An amount is entered in box 1 and the taxable amount (other than zero) is entered in box 2a with a distribution code of [7]. There may or may not be an entry in box 5. Generally, the amount in box 2a is [box 1 minus the amount in box 5].

- The payer has made things easy by providing the taxable amount. TaxWise® will enter the taxable amount on Form 1040 page 1, line 16b.

**D. Example 4**—An amount is entered in box 1, box 2a is blank or zero, an amount is in box 5, and the distribution code is [7].

- Generally, the amount in box 5 should be nontaxable and therefore should be subtracted from line 1 and the result entered on Form 1040 page 1, line 16b. The tax preparer must ascertain from the taxpayer what amount should be nontaxable. In the TaxWise® 1099-R form, enter the tax-exempt amount on line 5 of the *Exclusion Worksheet.* (The *Exclusion Worksheet* is located just below the primary 1099-R form.) TaxWise® will subtract the amount from line 1 and enter the result on Form 1040 page 1, line 16b.

**Note: If zero is entered in box 2 of TaxWise® 1099R, the box will become red and lines 1 and 2 of the *Exclusion Worksheet* will become red.** This indicates that there is a required entry in the *Exclusion Worksheet.* Enter the tax-exempt amount on line 5 of the *Exclusion Worksheet.* TaxWise® will subtract this amount from line 1 and enter the amount on Form 1040 page 1, line 16b. Then the red on line 2 and in the *Exclusion Worksheet* will disappear.

**Social Security Lump Sum Distribution on Form SSA-1099 (if distribution causes a taxable liability).**

**Step 1**-Enter Box 5 total in the Social Security received this year line on 1040 Wkt 1

**Step 2**-Calculate amount paid for current tax year by subtracting prior years from box 5 benefits

**Step 3**-Enter in appropriate box at bottom of worksheet

**Step 4**-Link to Lump Sum Wkt from line, “amounts taxable from previous years”

**Step 5**-Enter pertinent prior year at top of Lump Sum Wkt (eg, 2010) and check appropriate marital status for that year

**Step 6**-On line 1, enter amount of benefits received in prior year and amount for prior year received in current year

**Step 7**-On line 3, enter AGI for prior year

**Step 8**-On lines 4 and 5, enter adjustments/exclusions and tax exempt interest amounts for prior year

**Step 9**-Close worksheet; repeat steps 4-8 for additional prior years

# Schedule E – Rental and Royalty Income and Loss (Limited)

## Rental for Military Only

US Schedule E — Supplemental Income and Loss

Name: TAXPAYER BROWN — SSN: 111-11-1111

**Part I: Income or Loss From Rental Real Estate and Royalties**

**Note:** If you are in the business of renting personal property, use Schedule C. Report farm rental income or loss from Form 4835 on page 2, line 40.

* K-1 royalty information transfers to column C of lines 1 and 4.
In the State column, enter the state in which the property is located, if different from the state of . . .

1 List the kind and location of each rental real estate property.

| | Kind | Location | Check if royalty | TSJ | State |
|---|---|---|---|---|---|
| A | | | ☐ | | |
| B | | | ☐ | | |
| *C | | | ☐ | | |

| | | Yes | No |
|---|---|---|---|
| 2 For each rental real estate property listed, did you or your family use it during the tax year for personal purposes for more than the greater of<br>• 14 days or<br>• 10% of the total days rented at fair rental value? If "Yes", see instructions. | A | ☐ | ☐ |
| | B | ☐ | ☐ |
| | C | ☐ | ☐ |

| Income | Properties A | B | C | Totals |
|---|---|---|---|---|
| Rents received | 0. | 0. | 0. | |
| Royalties received | 0. | 0. | 0. | |
| 3 Rents | 0. | 0. | 0. | 0. |
| *4 Royalties | 0. | 0. | 0. | 0. |

| Expenses | A | B | C | Totals |
|---|---|---|---|---|
| 5 Advertising | 0. | 0. | 0. | |
| 6 Auto and travel | 0. | 0. | 0. | |
| 7 Cleaning and maintenance | 0. | 0. | 0. | |
| 8 Commissions | 0. | 0. | 0. | |
| 9 Insurance | 0. | 0. | 0. | |
| 10 Legal and other professional fees | 0. | 0. | 0. | |
| 11 Management fees | 0. | 0. | 0. | |
| 12 Mortgage interest paid to banks, etc | 0. | 0. | 0. | 0. |
| 13 Other interest | 0. | 0. | 0. | |
| 14 Repairs | 0. | 0. | 0. | |
| 15 Supplies | 0. | 0. | 0. | |
| 16 Taxes | 0. | 0. | 0. | |
| 17 Utilities | 0. | 0. | 0. | |
| Other. | | | | |
| 18 | 0. | 0. | 0. | |
| | 0. | 0. | 0. | |
| | 0. | 0. | 0. | |
| * | 0. | 0. | 0. | |
| ** | 0. | 0. | 0. | |
| Total of line 18 | 0. | 0. | 0. | |
| *Royalty expense from K-1s transfer here. | | | | |
| **Amortization and part-rental worksheet expenses transfer here. If you are using the statement, check ☐ AND manually enter these amounts on the statement | 0. | 0. | 0. | |
| 19 Add lines 5 through 18 | 0. | 0. | 0. | 0. |
| 20 Depreciation expense or depletion | 0. | 0. | 0. | 0. |
| 21 Total. Add lines 19 and 20 | 0. | 0. | 0. | |
| 22 Income or (loss) from rental real estate or royalty properties | 0. | 0. | 0. | |
| 23 Deductible rental real estate loss | 0. | 0. | 0. | |

*Note Schedule E has changed as follows: Questions A and B*
***Question A** - Did you make any payments in 2011 that would require you to file Forms 1099? Yes or No boxes*
***Question B** - If yes, did you or will you file all required Forms 1099? Yes or No boxes*

***Line 1** After entering address you enter the applicable code (shown below) for the item - Example - royalties is code 6*
***Line 2**- enter the number of days the property rented at fair rental and another box for number of days used for personal purposes.*
***Income section***
***Line 3a** - Merchant card and third party payments*
***Line 3b** - payments not reported on line 3a*
***Line 3c** - total (not including amounts on 3a that are not income)*

*Use Schedule E to report rental income **only** when taxpayer is not in the business of renting property.*

*Use separate columns for each rental property.*

*If Form 1099-MISC is recieved with amounts in Box 1 or 2, or a K-1 and no associated expenses, then return is **in-scope.***

*Enter rent received.*

*Link from Form 1040, line 17 to Sch E. On Sch E, complete line A and then go to line 3 or 4 and link to New Miscellaneous Income from 1099-MISC or K-1. Fill in the 1099-MISC. Information will be brought forward to the Sch E and line 17.*

*Can deduct hazard insurance as reported on Form 1098.*

*Most common entries:*
*• homeowners association fee*
*• telephone bills*

*Link to Form 4562.*

**Note:** Income-only sources such as land rent (real estate taxes only: no depreciation), rent/royalty from oil leases, or K-1 net royalties, are in-scope with Advanced Certification.

# Notes

# Form 1040 – Adjustments to Income

**Adjustments to Income**

| | | | | |
|---|---|---|---|---|
| 23 | Educator expenses | | 0. | |
| 24 | Certain business expenses of reservists, qualified performing artists, and fee-based government officials. Form 2106 or 2106-EZ | | 0. | |
| 25 | Health savings account deduction. Form 8889 | | 0. | |
| 26 | Moving expense. Form 3903 | | 0. | |
| 27 | One-half of self-employment tax | | 0. | |
| 28 | Self-employed SEP, SIMPLE, and qualified plans | | 0. | |
| 29 | Self-employed health insurance deduction | | 0. | |
| 30 | Penalty on early withdrawal of savings | | 0. | |
| 31 | Alimony paid. Recipient's SSN: [redacted] and amount | 0. | 0. | |
| 32 | IRA deduction | | 0. | |
| 33 | Student loan interest deduction | | 0. | |
| 34 | Tuition and fees deduction | | 0. | |
| 35 | Domestic production activities deduction. Form 8903 | | 0. | |
| | Other: Reforestation | | 0. | |
| | Sub-pay (Trade Act) | | 0. | |
| | Jury duty pay turned in to your employer | | 0. | |
| | 501(c)18 pension plan | | 0. | |
| | Clean-fuel vehicles | | 0. | |
| | PPR | | 0. | |
| | Form 2555, line 48 | | 0. | |
| | Archer MSA deduction. Form 8853 | | 0. | |
| | [redacted] | | 0. | |
| 36 | **Total adjustments** | | | 0. |
| 37 | **Adjusted gross income** | | | 110. |

*Health Savings Account - link to Form 8889*

*To complete this section:*

*Auto calculated from Sch SE.*

*Flows over from input of 1099-INT in Interest Statement.*

*If the taxpayer paid alimony to more than one person, from Form 1040 line 31a link to the Alimony Paid Worksheet. TaxWise will display the total for all alimony payments on line 31a.*

*Link to 1040-WKT2, Student Loan, Education Worksheet, and insert the amounts of student loan interest paid.*

*Hint: (Must be Certified for Military) Link from line 26 of Form 1040 to access Form 3903, Moving Expenses. Check the box near the top of the form to indicate an Armed Forces PCS move.*

*Hint: If the taxpayer contributed to a Roth or a traditional IRA, whether it is deductible or not, you should link to the IRA worksheet from Line 32 of Form 1040 and enter the amount of the contribution on the appropriate line. (see note)*

**Note:** Taxpayer's age must be 70½ or younger to contribute to a traditional IRA; if married filing separately, **could not** have lived together any time during the year.

# Notes

# Form 1040, Page 2 – Deductions

**Taxable Income and Tax**

| | | | |
|---|---|---|---|
| 38 | Amount from line 37 (adjusted gross income) | | 0. |
| 39 a | Taxpayer ☐ 65 or older ☐ Blind; Spouse: ☐ 65 or older ☐ Blind | | |
| | Total boxes checked 0 | | |
| b | If you are married filing separately and your spouse itemizes deductions, or you are a dual-status alien, check here or F3 ☐ | | |
| 40 | **Itemized deductions or standard deduction.** If you elect to itemize deductions even though the standard deduction is larger, check here ☐ | | |
| | If you were or are a resident of Puerto Rico and are excluding Puerto Rico income, or you are excluding income on Form 4563, check here (section 933) ☐ | | 11,400. |
| 41 | Subtract line 40 from line 38 | | -11,400. |
| 42 | **Exemptions.** Multiply $3,650 by the total number of exemptions on line 6d | | 3,650. |
| 43 | **Taxable income** | | 0. |
| 44 | **Tax.** From ☒ the tax table or schedule ☐ Form 8615 ☐ Schedule D Tax Worksheet ☐ Schedule J ☐ Foreign earned income tax worksheet | 0. | |
| | Check if any tax is from: ☐ Form(s) 8814 ☐ Form 4972 | 0. | |
| | Education credit recapture amount | 0. | 0. |
| 45 | **Alternative minimum tax.** Attach Form 6251 | | 0. |
| 46 | Add lines 44 and 45 | | 0. |

*If itemizing deductions, link to Sch A Itemized Deductions. Complete the blank fields that apply to the taxpayer's situation.*

Note:

- TaxWise will automatically calculate the standard deduction based on the information collected from the approved intake and interview sheet and entered into the Main Information Sheet. If the taxpayer cannot take the standard deduction, TaxWise will prompt the preparer to itemize deductions.
- TaxWise will automatically calculate a dependent's standard deduction, if the box indicating, "the taxpayer can be claimed on another person's tax return", has been checked in the Main Information Sheet.

# Schedule A – Itemized Deductions

**US Schedule A** **Itemized Deductions**

Name: SSN: 123-45-6788

**Medical and Dental Expenses**

| | | | | |
|---|---|---|---|---|
| 1 | Unreimbursed medical and dental expenses | | 0. | |
| 2 | Amount from Form 1040, line 38 | 0. | | |
| 3 | Multiply line 2 by 7.5% | | 0. | |
| 4 | Subtract line 3 from line 1 | | | 0. |

**Taxes You Paid**

| | | | | |
|---|---|---|---|---|
| 5 | State and local taxes. Only one box can be checked. | | | |
| a | ☐ Income taxes | 0. | | |
| b | ☐ General sales tax | 0. | 0. | |
| 6 | Real estate tax remainder from Form 8829 | 0. | | |
| | Real estate tax remainder from part rental worksheets | 0. | | |
| | Real estate taxes on your principal residence, not listed above TSJ: | 0. | | |
| | Other real estate taxes you paid, not listed elsewhere in this tax return TSJ: | 0. | 0. | |
| 7 | New motor vehicle taxes for certain vehicles purchased in 2009. Skip this line if box 5b is checked TSJ: | | 0. | |
| 8 | Other taxes (including personal property tax) | | | |
| | Personal property tax remainder from business vehicle worksheet | 0. | | |
| | Type TSJ: | 0. | 0. | |
| 9 | Add lines 5 through 8 | | | 0. |

**Interest You Paid**

| | | | | |
|---|---|---|---|---|
| 10 | Home mortgage interest remainder from Form 8829 | 0. | | |
| | Home mortgage interest remainder from part rental worksheets | 0. | | |
| | Form 8396 credit, if applicable TSJ: | 0. | | |
| | Home mortgage interest and points from Form 1098, not listed above TSJ: | 0. | 0. | |
| 11 | Home mortgage interest not reported on Form 1098. If paid to an individual, show the person's name, ID number, and address. | | | |
| | Individual's name | | | |
| | ID number | | | |
| | Address | | | |
| | Amount TSJ: | 0. | 0. | |
| 12 | Points not reported on Form 1098 TSJ: | | 0. | |
| 13 | Total mortgage insurance premiums TSJ: | 0. | | |
| | Allowed mortgage insurance premiums | | 0. | |
| 14 | Investment interest. Attach Form 4952, if required TSJ: | | 0. | |
| 15 | Add lines 10 through 14 | | | 0. |

**Gifts to Charity**

| | | | | |
|---|---|---|---|---|
| 16 | Gifts by cash or check | | 0. | |
| 17 | Other than by cash or check | | 0. | |
| 18 | Carryover from prior year | | 0. | |
| 19 | Add lines 16 through 18 | | | 0. |

*Link to Itemized Detail sheet from Sch A, line 1 for breakout of medical expenses. Some senior residences have amount in the monthly cost which is a medical expense.*

*Link to F/S Tax Paid to enter federal and state Estimated Taxes paid.*

*Link to sales tax worksheet*

*If taxpayer purchased home in tax year, cannot deduct Real Estate Taxes (add cost to basis instead) because taxes paid are for prior year when taxpayer did not own home.*

*Enter Vehicle License registration fee based on value under "Other Taxes". Enter "Ad Valorem" in TYPE field and total amount paid in amount field.*

*Enter amount from Form 1098, box 1 (and box 2, if applicable). If there are multiple mortgages, link to scratch pad to enter each interest item.*

*Points from refinancing must be spread over life of mortgage unless used to remodel (see Publication 17, Points).*

*Loan origination fee from closing statement entered here if not included as points in line 10.*

*Link to Itemized Detail sheet from Sch A*

# Schedule A – Itemized Deductions (continued)

**Casualty and Theft Losses**

| | | | | |
|---|---|---|---|---|
| 20 | Casualty or theft loss(es). Attach Form 4684 | | | 0. |

**Job Expenses and Most Other Miscellaneous Deductions**

| | | | | |
|---|---|---|---|---|
| 21 | Unreimbursed employee expenses - job travel, union dues, job education, etc. | | | |
| | Type | | | |
| | *Amount TSJ: | 0. | 0. | |
| | *Forms 2106 and 2106EZ transfer to this line. If you are using a statement, check here ☐ AND manually enter 0. on the statement. | | | |
| | Line 21 amount for state returns | 0. | | |
| 22 | Tax preparation fees TSJ: | | 0. | |
| 23 | Other expenses - investment expense, safe deposit box, etc. | | | |
| | Type / Amount | | | |
| | ** TSJ: | 0. | | |
| | TSJ: | 0. | 0. | |
| | **Schedules K-1 and Forms 4684 and 4797 amounts transfer here. | | | |
| | If you are using a statement, check here ☐ AND manually enter: 0. on the statement. | | | |
| 24 | Add lines 21 through 23 | | 0. | |
| 25 | Amount from Form 1040, line 38 | 0. | | |
| 26 | Multiply line 25 by 2% | | 0. | |
| 27 | Subtract line 26 from line 24 | | | 0. |
| | Line 27 amount for state returns | 0. | | |

*Casualty and Theft Losses **out-of-scope.***

*Link to Form 2106 or Form 2106-EZ.*

*Link to misc deductions Sch A, line 23.*

*Hint: (Military Certification only), On the entry screen for Form 2106 page 1, there is a box at the bottom for "Minister, QPA, FBO, RC, and Impairment Related Work Expenses." On the line to the right of RC, enter the portion of the amount from Line 10 of Form 2106 that is due to reservist travel expenses over 100 miles. You can link from the entry field to a scratch pad to add up the separate items (vehicle expenses, lodging and 50% of food) if you wish. The software will carry the "RC" reservist expenses to line 24 on the front of Form 1040, and the remainder to line 21 of Schedule A.*

## Schedule A Nondeductible Items

- **Medical:** cosmetic surgery; funeral/burial; nonprescription drugs; weight loss program not prescribed; diet food.
- **Taxes:** fees/licenses (drivers, marriage, dog); sales tax; assessments for improvements that increase property value.
- **Contributions:** political; country club/fraternal lodge; raffle, bingo, or lottery tickets; tuition; value of time/services; gifts to lobby groups; civic leagues, social clubs; labor unions.
- **Miscellaneous:** commuting; home repair; rent; loss from sale of home; personal legal expenses; lost/misplaced cash or property; nonprescription drugs; fines/penalties.

# Itemized Deductions Detail Worksheet

**US Schedule A** **Itemized Deduction Detail Worksheet**

Name: JOHN SAMPLE SSN: 111-11-1111

If you need more worksheets, F9 on the additional worksheet entry in each category below.

**Medical Expenses** Prescription medicines, legally obtained drugs, insulin, doctors, dentists, nurses, eyeglasses, health insurance premiums, transportation for medical treatment, and nonprescription medical supplies, such as crutches. Do not list any amounts paid with pre-tax dollars or reimbursed by insurance, HSA, MSA. Use the * field to indicate ownership. T for taxpayer, S for spouse, J for joint.

Medical miles: Taxpayer: 0
Spouse: 0
Total: 0 x .24 = 0.

| | | | | | |
|---|---|---|---|---|---|
| Insurance premiums paid (not pre-tax) health, dental, cancer. Omit amounts used on Form 8885. | | | Medicare from 1040 worksheet . . . . | | 0. |
| Taxpayer . . . . . | 0. | | Remainder from worksheets | | |
| Spouse . . . . . | 0. | 0. | Self-employed health insurance | | |
| Qualified long term care contracts | | | Taxpayer . . . . . | 0. | |
| Enter the amount before limitation. | | | Spouse . . . . . | 0. | 0. |
| Taxpayer . . . . . | 0. | | Self-employed long term care | | |
| Spouse . . . . . | 0. | | Taxpayer . . . . . | 0. | |
| Taxpayer - limited . | 0. | | Spouse . . . . . | 0. | 0. |
| Spouse - limited . . . | 0. | 0. | | | |
| Other medical expenses | * | | | * | |
| | | 0. | | | 0. |
| | | 0. | | | 0. |
| | | 0. | | | 0. |
| | | 0. | F9 for additional worksheets . . . . | | 0. |
| | | 0. | **Total** . . . . . | | 0. |

**Contributions to Charity** If contributions exceed 20% of the AGI: 0., list each contribution in the proper category below (50%, 30%, etc). Otherwise, the only sort required is cash and other than cash contributions. Use the * field to indicate ownership. T for taxpayer, S for spouse, J for joint.
All gifts must be receipted.

**Cash Contributions**

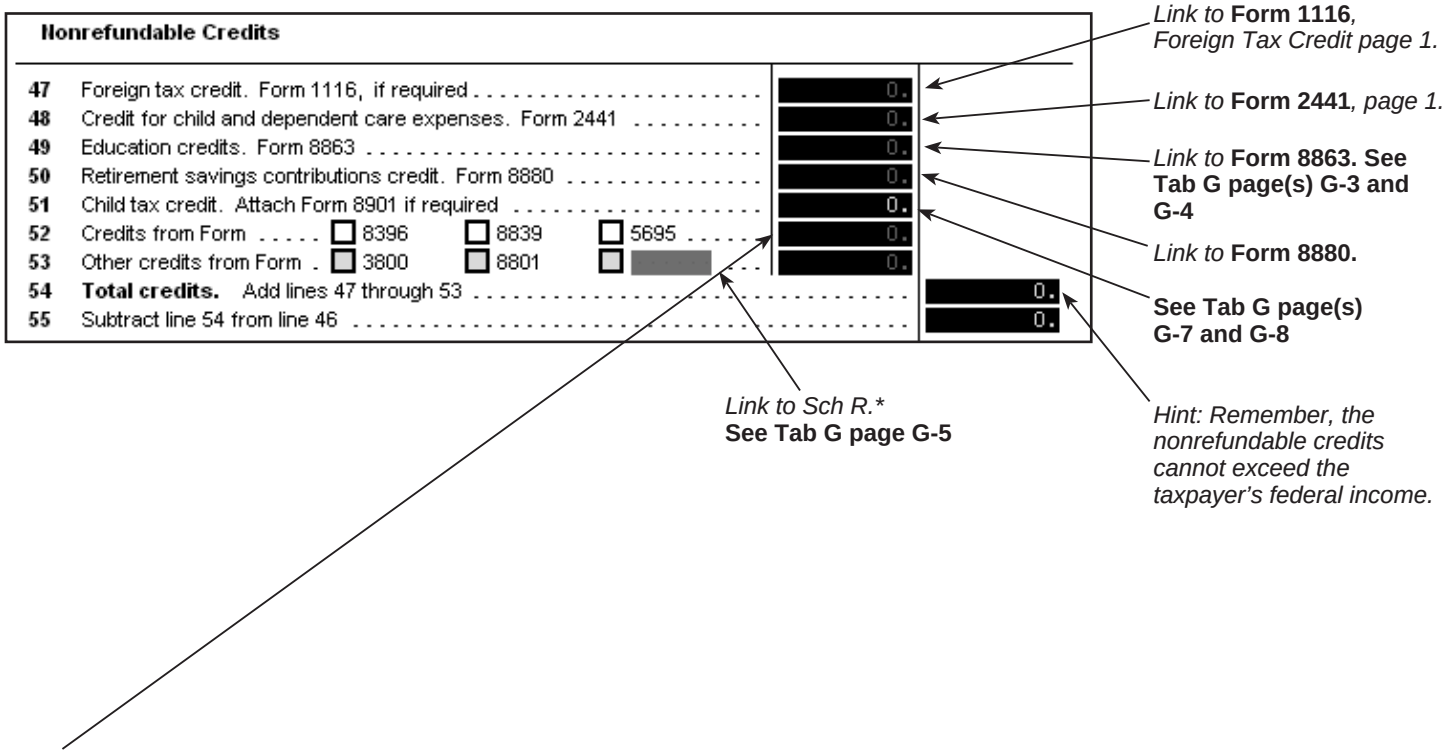
50% Limit Organizations

Charitable miles: Taxpayer: 0
Spouse: 0
Total: 0 x .14 = 0.

| Name of charity | * | Amount | Name of charity | * | Amount |
|---|---|---|---|---|---|
| | | 0. | | | 0. |
| | | 0. | | | 0. |
| | | 0. | | | 0. |
| | | 0. | From Schedules K-1 . . . . . | | 0. |
| | | 0. | F9 for additional worksheets . . . . | | 0. |
| | | 0. | **Total** . . . . . | | 0. |

**Note:** Enter amounts given by cash or check under Cash Contributions for 50% Limit Organizations. Enter the value of noncash items donated under Other Than Cash Contributions from 50% Limit Organizations. Be Careful to list them separately. If noncash contributions are greater than $500, ***out-of-scope***.

# Nonrefundable Credits




**Form 5695** Residential Energy Credits

Link to Form 5695, complete Part I. Maximum credit is limited to $500 claimed for all years since 2005. Part II. is out-of-scope.

## Form 8863

Link to Form 8863 Education Credits. Enter each student's name, SSN, and qualified expenses in the appropriate section of Form 8863. TaxWise does the calculations. You can enter the total amount of qualifying expenses for each student; TaxWise will apply the limitations.

## Caution:

When completing the worksheet for an Education Credit, TaxWise helps you create an accurate claim, however, TaxWise will not catch other errors, such as taking more than one benefit for the same taxpayer.

## Schedule R

If taxpayer qualifies for the credit for the elderly or the disabled, link to Schedule R. If the taxpayer is permanently and totally disabled, check the box in Part II. Otherwise, complete Part III by entering the amount of pensions, annuity or disability benefit that are excluded from income.

# Form 1116 – Foreign Tax Credit

US 1116 Foreign Tax Credit

Name: SSN: 119-56-6900

**Simplified Limitation Election**

The simplified method cannot be used if you file Form 4563 or exclude income from Puerto Rico. If ALL of your foreign source income is from dividends and interest and all of that income is reported to you on Forms 1099-DIV or 1099-INT and your qualified foreign taxes are not more than $300 ($600 if married filing jointly), you do not need to fill out this form.
You can enter the foreign tax amount here: 0. or directly on Forms 1040 or 1040NR.
By making this election, you forego any carryover of excess foreign taxes to or from a taxable year to which this election applies and this election applies to all later tax years and can only be revoked with IRS consent. Enter the amount of foreign income on Schedules B, as applicable and also on line 16 of Form 1116AMT.

*If qualified foreign taxes are $300 ($600 if MFJ) or less and the income is from interest, dividends, royalties, etc., enter exact amount of foreign tax paid here. Do not complete the rest of the form.*

Check only one box. Use a separate Form 1116 for each category of income.

a ☐ Passive category income c ☐ Section 901(j) income e ☐ Lump sum distributions
b ☐ General category income d ☐ Income re-sourced by treaty

f Resident of (name of country):

**Part I: Taxable Income or Loss from Sources Outside United States for Category Above**

g Name of country or possession. Limit to 10 characters for printing.
A B C

| | A | B | C | Total |
|---|---|---|---|---|
| 1a Gross income from sources within country shown above. Type: Income other than capital gains | 0. | 0. | 0. | 0. |
| b Check if line 1a is compensation for personal services as an employee, your total compensation from all sources is $250.000 or more. and | | | | |

***FOR INTERNATIONAL ONLY:***
*If the foreign tax is not passive and is greater than $300 ($600 if MFJ), complete Form 1116. Read each line carefully and enter all applicable information.*

Be sure to link to Form 1116 from Form 1040, and complete the box at the top of the form. TaxWise will automatically include this amount but will not bring up Form 1116 unless it's required.

**Hint: ( FOR INTERNATIONAL ONLY) TaxWise will show the amount of itemized or standard deduction to the left of the entry field, but the amount of the deduction must be manually entered on line 3a, Form 1116. TaxWise will perform all other calculations.**

# Form 2441 – Credit for Child and Dependent Care Expenses

**US 2441** **Credit for Child and Dependent Care Expenses**

Name: JOHN SAMPLE SSN: 111-11-1111

**Part I: Persons or Organizations Who Provided the Care**

| 1(a) Care provider's name | (b) Street address City, state, and Zip code | (c) ID number SSN or EIN | (d) Amount paid |
|---|---|---|---|
| Code: | | EIN? ☐ Type: | 0. |
| Code: | | EIN? ☐ Type: | 0. |
| Total of the line 1 amounts | | | 0. |

**Part II: Credit for Child and Dependent Care Expenses**

2 Information about your qualifying person(s).
To qualify the persons must have shared the same home with you in 2009. If you received dependent care benefits from your employer, fill in page 2 of this form.
Only list below those expenses not excluded on page 2. Total not excluded on page 2 . . 0.

| (a) Qualifying person's name First name | Last name | (b) Social security number | (c) Qualified expenses * See below. |
|---|---|---|---|
| | | | 0. |
| | | | 0. |

* Qualified expenses are those you incurred and PAID in 2009.

Total of the line 2 amounts . . . . . 0.

*Important: Make sure the "DC" column is checked on the Main Information Sheet for the applicable dependents.*

*When the taxpayer has more than two care providers link to the "Providers - Form 2441 Line 1a and 1b."*

*Line 1 should be total paid for all quailifying care.*

*Complete part III of 2441 before part II if TP rec'd dependent care benefits on W2.*

*Line 2 should be total paid minus any dependent care benefits on W-2.*

*If more than 2 children with dependent care expenses, link to new Qualifying Form 2441, line 2 and complete all fields for each qualifying person.*

Total of the line 2 amounts . . . . . 0.

3 Smaller of line 2, $3,000 for 1 qualifying person, or $6,000 for 2 or more persons. If you completed Part III, amount from line 31 . . . . . 0.
4 Your earned income . . . . . 0.
5 If married filing jointly, your spouse's earned income is entered. If your spouse was a student or disabled, see the worksheet below. All others, amount from line 4 . . . . . 0.
6 Smallest of lines 3, 4, or 5 . . . . . 0.
7 Amount from Form 1040, line 38, Form 1040A, line 22, or Form 1040NR, line 37 . . . . . 0.
8 Amount applicable to the amount on line 7 . . . . . 0.30
If you paid, in 2010, dependent care expenses incurred in a prior year, enter the amount of credit based on the rate that applied for that year . . . . 0.
F9 here for a statement to explain the calculation of the credit for prior year expenses. List the qualifying person's name and SSN on the statement . . . . . ☐
9 Multiply line 6 by the decimal amount on line 8, plus prior year amounts shown above . . . . 0.
10 Tax liability limit . . . . . 0.
11 **Credit for child and dependent expenses.** Smaller of line 9 or line 10 . . . . . 0.

*Line 3 should equal total qualified expenses up to maximum allowable minus any dependent care benefit on W-2.*

**Worksheet for Income Considered Earned by Disabled or Student Spouse**

| If you have 1 qualifying person | If you have two or more qualifying persons |
|---|---|
| $250 | $500 |
| x 0 months spouse was a student or disabled | x 0 months spouse was a student or disabled |
| $ 0. | $ 0. |

Check if the care listed above was for a disabled spouse . . . . . ☐

*Important: If spouse is disabled or full-time student, enter the number of months.*

This facsimile form is not approved for filing directly to the IRS.
Print IRS form using "Print Return" or "Print Current Form".

# Form 8863 – Education Credits

*For both Education credits, enter qualified student's name, SSN, and qualified expenses; software will calculate the credit.*

**Part I: American Opportunity Credit**
**Caution:** You cannot take the American opportunity credit for more than 4 tax years for the same student.

| 1 | (a) Student's name as shown on page 1 of this tax return. First name and last name | (b) Student's social security number | (c) Qualified expenses but not more than $4,000 per student | (d) Subtract $2,000 from the amount in column c | (e) Multiply the amount in column d by 25% | (f) If column d is zero, amount from column c. Otherwise, add $2,000 to column e |
|---|---|---|---|---|---|---|
| | | | 0. | 0. | 0. | 0. |
| | | | 0. | 0. | 0. | 0. |
| | | | 0. | 0. | 0. | 0. |
| 2 | **Tentative American opportunity credit** | | | | | 0. |

**Part II: Lifetime Learning Credit**
**Caution:** You cannot take the American opportunity credit and the lifetime learning credit for the same student in the same year.

| 3 | (a) Student's name as shown on page 1 of your tax return. F9 below for a statement if you need to list more than 3 students. First name Last name | (b) Student's social security number | (c) Qualified expenses |
|---|---|---|---|
| | | | 0. |
| | | | 0. |
| | | | 0. |
| 4 | Add the amounts on line 3, column (c) | | 0. |
| 5 | Smaller of line 4 or $10,000 | | 0. |

*If you were under age 24 at the end of the year and meet the conditions in the instructions, you cannot take the refundable American Opportunity credit.*

**Part III: Lifetime Learning Credit**
**Caution:** You cannot take the American opportunity credit or the Hope credit and the lifetime learning credit for the same student in the same year.

| 5 | (a) Student's name as shown on page 1 of your tax return. F9 below for a statement if you need to list more than 3 students. First name Last name | * M W | (b) Student's social security number | (c) Qualified expenses |
|---|---|---|---|---|
| | | ☐ | | 0. |
| | | ☐ | | 0. |
| | | ☐ | | 0. |
| 6 | Add the amounts on line 5, column (c) | | | 0. |
| 7a | Smaller of line 6 or $10,000 | | | 0. |
| b | Students who attended an eligible education institution in a Midwestern disaster area, smaller of $10,000 or qualified expenses included in line 6 | | | 0. |
| c | Subtract line 7b from line 7a | | | 0. |
| 8a | Multiply line 7b by 40% | | | 0. |
| b | Multiply line 7c by 20% | | | 0. |
| c | **Tentative lifetime learning credit** | | | 0. |

To claim this credit:

- Taxpayers cannot file married filing separately or be a nonresident alien (unless married filing jointly with resident)
- Only the taxpayer is eligible if he or she claims the student as a dependent. Only the student is eligible if he or she is **not** claimed as a dependent (even if he or she *can* be claimed)—no matter who pays.
- For the American Opportunity credit only, qualified tuition & related expenses include books, supplies & equipment needed for the course, whether or not they were purchased from the institution as a condition of enrollment. Computers, however, can only be included IF they are a requirement for enrollment or attendance.

**Note:** The following are not qualifying expenses for Education Credits: room and board, insurance, medical, transportation, or personal expenses, even if the amount must be paid to the institution as a condition of enrollment or attendance. If the educational expenses are associated with sports, games, hobbies, or other noncredit courses, see Publication 970 for more information.

# Retirement Savings Contributions Credit

TaxWise® will automatically insert Form 8880, *Credit for Qualified Retirement Savings Contributions,* if the taxpayer meets eligibility criteria and any of the following are true:

1. A traditional IRA or ROTH IRA contribution is entered on IRA worksheet after linking from Form 1040, line 32.
2. The taxpayer or spouse's Form W-2 includes box 12 entries of D, E, F, G, H, S, AA, BB, or box 14 amounts are marked as "Qualifies for Form 8880".

Form 8880 will have a red exclamation mark and will need to be completed prior to return completion.

Verify total contribution amounts with the taxpayer.

## Form 8880 - Credit for Qualified Retirement Savings Contributions

| | | | | |
|---|---|---|---|---|
| **1** Traditional and Roth IRA contributions for 2010. Transfers from the IRA worksheet. | | | 0. | 0. |
| **2** Elective deferrals to qualified plans Forms W2 and W2GU, box 12, using codes D, E, F, G, H, S, AA, BB, and box 14 amounts you marked | 0. | 0. | | |
| Self-employed retirement contributions | 0. | 0. | | |
| Other elective deferrals not included above | 0. | 0. | | |
| Elective deferrals to a 401(k) or other qualified employer plan and voluntary employee contributions, and 501(c)(18)(D) plan contributions for 2010. See instructions | | | 0. | 0. |
| **3** Add lines 1 and 2. If you do not qualify, this line will not total | | | 0. | 0. |
| **4** Total of all Roth IRA distributions, plus all taxable distributions from other qualified retirement plans, that were made after **2007** and before the due date (including extensions) of your 2010 tax return. Forms 1099R with the IRA box marked or has a code of 1, S, J, Q, or T included in this tax return | 0. | 0. | | |
| Other distributions received **2008** distributions | 0. | 0. | | |
| Did the taxpayer and spouse file married filing jointly in 2008? ☐ Yes ☐ No | | | | |
| **2009** distributions | 0. | 0. | | |
| Did the taxpayer and spouse file married filing jointly in 2009? ☐ Yes ☐ No | | | | |
| **2010** distributions before the due date of this tax return, including extensions | 0. | 0. | | |
| Total other distributions. F3 if -0- | 0. | 0. | | |
| Total distributions, taxable and nontaxable. If married filing jointly both spouse's amounts total in both columns, if joint returns were filed in the year of distribution | | | 0. | 0. |

If you entered Form W-2 into TaxWise correctly and completely, Form 8880 will appear in red on the forms tree and will need to be completed. TaxWise will do the credit calculation.

**Note:** Certain distributions received after 2008 and before the due date (including extensions) of your 2011 tax return from any of the following types of plans must be entered on Form 8880, line 4:

- Traditional or Roth IRAs
- 401(k), 403(b), governmental 457, 501(c)(18)(D), SEP, or SIMPLE plans

If taxpayer took no distributions during the testing period, press F3 to eliminate the red in box 4.

**Do not include any:**

- Military pensions
- Distributions not taxable as the result of a rollover or a trustee-to-trustee transfer
- Distributions from your IRA (other than a Roth IRA) rolled over to your Roth IRA
- Loans from a qualified employer plan treated as a distribution
- Distributions of excess contributions or deferrals (and income allocable to such contributions or deferrals)
- Distributions of contributions made during a tax year and returned (with any income allocable to such contributions) on or before the due date (including extensions) for that tax year
- Distributions of dividends paid on stock held by an employee stock ownership plan under section 404(k)

If you are filing a joint return, include each spouse's amounts in the appropriate columns.

# Notes

# Form 1040, Page 2 – Other Taxes and Payments

**Hint:** TaxWise provides all the forms and schedules you need in order to figure and report these taxes and in most cases performs the calculations. You may link to these forms from the applicable line on the Form 1040 TaxWise screen.

**Other Taxes**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 56 | Self-employment tax | ☐ Form 4029 | ☐ Form 4361 | ☐ Exempt Notary | | | 0. |
| 57 | Social security \ Medicare tax from | ☐ Form 4137 | ☐ Form 8919 | ☐ RRTA | | | 0. |
| 58 | Additional tax on IRAs, other qualified retirement plans, etc | | | | | | 0. |
| 59 | Additional taxes | | | | | | |
| a | ☐ Advance earned income credit payments | | | | | | |
| b | ☐ Household employment taxes. Schedule H | | | | | | |
| c | ☐ Repayment of first-time homebuyer credit. Form 5405 | | | | | | 0. |
| | Other taxes UT: | 0. | MSA: | 0. | 72M5: | 0. | |
| | EPP: | 0. | 453A (C): | 0. | S72P: | 0. | |
| | ADT: | 0. | 4255: | 0. | 8828: | 0. | |
| | IECR: | 0. | 8834: | 0. | 8866: | 0. | |
| | MEDMSA: | 0. | 8697: | 0. | 8611: | 0. | |
| | ECCFR: | 0. | HSA: | 0. | NQDC: | 0. | |
| | 453 (I) 3: | 0. | 1260 (B): | 0. | FITPP: | 0. | |
| | HDHP: | 0. | HCTC: | 0. | Cobra: | 0. | |
| | 8936: | 0. | AMVCR: | 0. | | | |
| | Form 8693 attached for Form 8611. Enter date approved: | | | | | | |
| | Write-in: | | | | | 0. | |
| 60 | **Total tax.** Add lines 55 through 59 | | | | | | 0. |

*For those with HSA certification only.*

*Additional taxes for HSA distributions not used for qualified medical expenses may be applicable unless (age 65, disabled, or death) See Form 8889.*

**Line 56** – Self Employment Tax
Entered automatically from Schedule SE. TaxWise calculates the amount using the entries from Schedule C.
**Line 57** – Unreported Social Security and Medicare Tax
Comes from Form 4137 Tip income not reported on Form W-2.
**Line 58** – Additional Tax on IRA's and Other Qualified Plans
A 10% penalty is calculated on Form 5329 for early withdrawal before age 59-1/2. Use F1 to see Form 5329 Line 2 exception codes and possibly eliminate the penalty. Refer to page 6-3, Form 5329 for additional information.

**Line 59b** – Household Employment Taxes (out-of-scope)
**Line 59c** – Repayment of First-Time Homebuyer Credit Form 5405 2008 homebuyers who received the First Time Homebuyer Credit($7,500 loan) must start repayments in 2010 and have to complete Form 5405, Part III.
**Line 60** – Additional Taxes out-of-scope with exception of HSA distribution not used for qualified medical expenses.

**Payments**

| | | | |
|---|---|---|---|
| 61 | Federal income tax withheld | 0. | |
| | Enter Federal withholding from 1099s (1099B, etc) 0. | | |
| 62 | 2010 estimated tax payments and amount applied from 2009 return | 0. | |
| | If estimated tax was paid in joint names and you are now divorced, enter ex-spouse's SSN: and check here ☐ | | |
| 63 | Making work pay credit. Attach Schedule M | 0. | |
| 64 a | Earned income credit No: ☐ | 0. | |
| b | Nontaxable combat pay election 0. | | |
| 65 | Additional child tax credit. Form 8812 | 0. | |
| 66 | American opportunity credit. Form 8863 | 0. | |
| 67 | First-time homebuyer credit. Form 5405 | 0. | |
| 68 | Amount paid with request for extension of time to file | 0. | |
| 69 | Excess social security and tier 1 RRTA tax withheld | 0. | |
| 70 | Credit for Federal tax on fuels. Form 4136 | 0. | |
| 71 | Credits from Form ☐ 2439 ☐ 8839 ☐ 8801 ☐ 8885 | 0. | |
| | From Form 8689 | 0. | |
| 72 | **Total payments.** Add lines 61 through 71 | | 0. |

**Line 62** – Federal Income Tax Withheld
Entered automatically from the entries made on Forms W-2, 1099, SSA 1099, etc. For Form 1099 withholding not listed elsewhere (e.g. 1099-B), enter on the line below "Federal Income Tax Withheld" or if there are multiple amounts link from the "Federal withholding from 1099s" field and enter on a New Scratch Pad.
**Line 63** – 2011 Estimated Tax Payments
Link to F/S Tax Paid Federal Estimate/State Payment for current tax year and enter:

- Any refund amount from last year that was credited toward estimated taxes for the current year.
- Enter payment dates shown on taxpayer's checks.
- Enter actual amount paid in each quarter.

**Line 64a** – Earned Income Credit
TaxWise recognizes EIC eligibility and calculates the credit automatically. When dependents are included on the return, the "EIC" box on the MAIN INFO form must be checked. "Sch EIC Wkt-Earned Income Credit Worksheet" will appear in forms tree with red exclamation mark.
Answer all questions to remove the red on the worksheet. Schedule EIC will be completed automatically. When completing Sch EIC, answer only question 4a OR 4b – answering both causes the return to be rejected by the IRS.
**Line 65** – Additional Child Tax Credit
TaxWise computes this credit automatically if a taxpayer's tax liability is less than the allowable non-refundable Child Tax Credit. The additional CTC is limited to the 15% of any earned income above the current year's limit ($3,000 for 2010). The total of the two credits will be $1000 or less per eligible child.
**Line 66** – Refundable Education Credit (American Opportunity Tax Credit Form 8863)
Link to Form 8863. Completion of the form will enter the appropriate refundable portion automatically.
**Line 68** - Amount Paid with Request for Extension of Time to File
Directly enter any payment made. When preparing a Prior year return, remember to ask if payments have been made.
**Line 69** – Excess Social Security
Calculated automatically if there are multiple W-2s for an individual and the combined wages exceed the maximum subject to Social Security for the year.
**Line 71** – Credits from Form 2439, 4136, 8801, 8885, 8689 (out-of-scope)

# Form 1040, Page 2 – Other Taxes and Payments cont.

**Refund**

| | | |
|---|---|---|
| 73 | **Amount overpaid** | 0. |
| 74 | **Amount to be refunded** | 0. |
| | If Form 8888 is attached, check here ☐ | |
| | **Direct Deposit** Routing number: Checking: ☐ Savings: ☐ Account number: | |
| 75 | Amount to be applied to 2011 estimated tax | 0. |

**Line 73** – Amount Overpaid
Calculated automatically.
**Line 74** – Amount to be Refunded
Calculated automatically. Refer to page 6-6, Form 8888, “Split Refund Option” including Savings Bonds purchases and page 13-6, “Pointers for Direct Deposit of Refunds.”

**Line 75** – Amount to be Applied to 2012 Estimated Tax
Link to New Scratch Pad to designate estimated payment amount.

**Amount You Owe**

| | | | |
|---|---|---|---|
| 76 | **Amount you owe** | | 0. |
| 77 | Estimated tax penalty included on line 76 | 0. | |

**Line 76** – Amount You Owe
If there is a balance due, open 1040-V and click on TaxWise Help for additional information. You may also link to Form 9465 to request an Installment Agreement. On the form, electronic funds withdrawal may
be selected for the taxpayer’s payment.
For electronic funds withdrawal for an electronic return prepared using TaxWise:

- Enter the bank account information on the Main Information Screen.
- Make the selection for an electronic funds transfer on the bottom
  of Form 1040, page 2 or Form 1040EZ, page 1.
- Check the “Yes” box below the Amount You Owe.
- Go to ACH 1040/ES form and complete it.

**Line 77** – Estimated Tax Penalty
Form 2210 will be defaulted in TaxWise and $0 will be reflected on line 9. Inform taxpayers they may receive a penalty notice from the IRS.

# Form ACH 1040/ES
# Direct Debit for Balance Due or Estimated Tax Payment

**US** **Direct Debit for Balance Due or Estimated Tax Payment**

Name: Jane Sample SSN: 111-11-1111

This worksheet is for electronic funds transfer (direct debit) of
2010 income tax balance due: ■ **OR** 2011 estimated tax payment: ■

If you want direct debit for both the balance due on this year's income tax return and one 2011 estimated tax payment or you want direct debit for more than one 2011 estimated tax payment, you must make a separate worksheet for each. Shift F10 will duplicate this worksheet.

**For The Balance Due On Your 201X Tax Return**

Amount of tax due: 0. Amount you want debited: 0.

Routing number: Checking ☐ Savings ☐
Account number:
For accuracy, rekey the routing number and account number on the Main Information Sheet.

Requested payment date . . . . . .
If the return is transmitted on or before April 18, the requested payment date cannot be later than April 18. If the return is transmitted after April 18, the requested payment date must be today's date.
Penalties may be added if the return is filed after April 18

This is today's date: 07/07/2011

**For 2011 Estimated Tax Payment**

If you filled in amounts above to pay your balance due, do NOT fill in any information below. Shift F10 for a new worksheet and fill in the bottom part of that worksheet.

Amount you want debited for this 2011 estimated tax payment . . . . . 0.

Routing number: Checking: ☐ Savings: ☐
Account number:
Account information above is not verified by Taxwise.

Requested payment date . . . . . .
For a first quarter payment, use 04/18/2011.
For a second quarter payment, use 06/15/2011.
For a third quarter payment, use 09/15/2011.
For a fourth quarter payment, use 01/17/2012.

Daytime telephone number: Required!

*Hint: If the taxpayer made estimated payments during the year, link to the estimated tax payments worksheet (F/S Tax Pd) from Line 63 of the Form 1040 and record the date and amount of each payment.*

*Estimated Tax Payments*

**Complete Form ACH 1040/ES, Direct Debit for Balance Due or Estimated Tax Payment.**

- Click 2011 income tax balance due
- Re-enter bank account information
- Enter Requested Payment Date

**Estimated Tax Payments:**

- When *e-filing* a Form 1040 series return, up to four estimated payments can be scheduled for withdrawal on the following dates:
  - April 15, 2012
  - June 15, 2012
  - September 15, 2012
  - January 15, 2013

*When the due date for doing any act for filing a return, paying taxes, etc - falls on a Saturday, Sunday, or legal holiday, the due date is delayed until the next business day.*

# Form 5329

**US 5329** **Additional Taxes on Qualified Plans and Other Favored Accounts**

Name: Jane Sample SSN: 111-11-1111

Check if filing this form by itself and not with your tax return . . . . . ☐

Address: [redacted] Check if amended: ☐

City, state, Zip code: [redacted]

**Part I: Additional Tax on Early Distributions** Part-year resident state:

| | | | |
|---|---|---|---|
| 1 | Early distributions included in income | | 0. |
| 2 | Early distributions on line 1 that are not subject to additional tax. Enter the appropriate exception number (01-12). F3 if highlighted and no exception applies | | 0. |
| 3 | Amount subject to additional tax | | 0. |
| 4 | **Additional tax.** 10% of line 3. SIMPLE plans are taxed at 25% instead of 10%. Distribution from SIMPLE plans shown on Forms 1099R | 0. | 0. |

**Part II: Additional Tax on Certain Distributions From Education Accounts**

| | | |
|---|---|---|
| 5 | Distributions included in income from Coverdell ESAs and QTPs. Transferred from 1040 Worksheet 2 | 0. |

Enter exception code and amount not subject to additional tax

Exception Codes and explanations for Premature Distributions from IRA or Retirement Plans:

| No. | Exception |
|---|---|
| 01 | Qualified retirement plan distributions (does not apply to IRAs) if you separated from service in or after the year you reach age 55 (age 50 for qualified public safety employees). |
| 02 | Distributions made as part of a series of substantially equal periodic payments (made at least annually) for your life (or life expectancy) or the joint lives (or joint life expectancies) of you and your designated beneficiary (if from an employer plan, payments must begin after separation from service). |
| 03 | Distributions due to total and permanent disability. |
| 04 | Distributions due to death (does not apply to modified endowment contracts). |
| 05 | Qualified retirement plan distributions up to (1) the amount you paid for unreimbursed medical expenses during the year minus (2) 7.5% of your adjusted gross income for the year. |
| 06 | Qualified retirement plan distributions made to an alternate payee under a qualified domestic relations order (does not apply to IRAs). |
| 07 | IRA distributions made to unemployed individuals for health insurance premiums. |
| 08 | IRA distributions made for higher education expenses. |
| 09 | IRA distributions made for purchase of a first home, up to $10,000. |
| 10 | Distributions due to an IRS levy on the qualified retirement plan. |
| 11 | Qualified distributions to reservists while serving on active duty for at least 180 days. |
| 12 | Other (see *Other*, below). Also, enter this code if more than one exception applies. * |

| | |
|---|---|
| A | Lump sum distribution that qualifies for special tax treatments (out-of-scope) |
| F | Charitable Gift annuity |
| G | Direct rollover. Not taxable, no penalties apply. Not necessary to complete rollover worksheet portion of the TaxWise 1099-R |
| J | Early distribution from a Roth IRA, no known exception. Penalties may apply. Requires Form 8606 which is out-of-scope |
| P | Excess contributions plus earnings/excess deferrals taxable in prior year. This generally requires an amendment of the taxpayer(s) prior year return |
| Q | Qualified distribution from a Roth IRA. Comparable to 7. No tax or penalty involved |
| T | Early Roth IRA distribution, exception applies. Comparable to 2, 3, 4; no penalty, generally no tax |

*Other: Distributions incorrectly indicated as early distributions by code 1, J, or S in box 7 of Form 1099-R. Include on line 2 the amount you received when you were age 59½ or older. See Form 5329 Instructions for additional exceptions.

For additional exceptions that apply to annuities, see Pub. 575.

# Schedule EIC

**US Schedule EIC** **Earned Income Credit**

Name: Jane Sample SSN: 111-11-1111

**Before you begin** See the requirements and answer the questions on the Schedule EIC worksheet. If you qualify for the credit and have at least one qualifying child, mark the EIC box on the Main Information Sheet for each qualifying child.

If the taxpayer seems to qualify for EIC, but does not, check here for "No" . . . . . ☐

**A qualifying child**

| Is YOUR | | was (on December 31, 2010) | | who |
|---|---|---|---|---|
| son, daughter adopted child, stepchild, grandchild sister, brother, niece, nephew * or foster child | A N D | under age 19 or under age 24 and a full-time student or any age and permanently and totally disabled | A N D | lived with you in your home in the United States for more than 6 months in 2010 |

* **A foster child** is a child placed with you by an authorized placement agency.

**Note:** If the child lived with you for more than half of 2010 but less than 7 months, enter 7 on line 6. If your child was born or died during the year, and your home was the child's home, enter 12 for the number of months lived with you.

**If you have at least one qualifying child, go to line 1.** But if the child was married or is also a qualifying child of another person, see instructions.

**Qualifying Child Information**

| | | Child 1 | Child 2 | Child 3 |
|---|---|---|---|---|
| 1 | Child's first name . . . . . | JOHN | | |
| | Child's last name . . . . . | Sample | | |
| 2 | Child's SSN . . . . . | 111-11-1112 | | |
| 3 | Child's year of birth . . . . . | 2001 | 0 | 0 |

**If the child(ren) was born after 1991 and the child(ren) was YOUNGER THAN YOU (OR YOUR SPOUSE IF FILING JOINTLY), skip lines 4a and 4b; go to line 5.**

| | | Child 1 | Child 2 | Child 3 |
|---|---|---|---|---|
| 4 a | Was the child under age 24 at the end of 2010 a student, and younger than you (or your spouse if filing jointly)? . . . . . If "Yes", go to line 5. | ☐ Yes ☐ No | ☐ Yes ☐ No | ☐ Yes ☐ No |
| b | Was the child permanently and totally disabled during 2010? . . . | ☐ Yes ☐ No | ☐ Yes ☐ No | ☐ Yes ☐ No |
| 5 | Child's relationship to you . . . . . | SON | | |
| 6 | Number of months the child lived with you in the U.S. during 2010 . . . . If the child was a "kidnapped child", enter "KC" in the appropriate column . . . . . | 12 | | |

Caution: Only answer 4a <u>or</u> 4b. DO NOT ANSWER BOTH QUESTIONS.

# Schedule EIC – Worksheet

COMPLETE ONLY THOSE QUESTIONS IN RED

**US Schedule EIC** **Earned Income Credit Worksheet**

Name: Jane Sample SSN: 111-11-1111

**Questions to see if you can claim the earned income credit**

**1** Is the taxpayer's filing status married filing separately?
☐ Yes - STOP. You cannot take the credit . . . . . ☒ No - Go to question 2.

**2** Does the taxpayer, and the taxpayer's spouse if filing jointly, have a social security number that allows him or her to work or is valid for EIC purposes? For purposes of taking the EIC, an SSN issued by the Social Security Administration is not valid if "Not Valid for Employment" is printed on the social security card and the number was issued solely to apply for or receive a federally funded benefit. Any other SSN issued by the SSA is valid for EIC purposes.
■ No - STOP. You cannot take the credit . . . . . ■ Yes - Go to question 3.

**3** Is the taxpayer filing Form 2555 or Form 2555-EZ or excluding foreign income?
☐ Yes - STOP. You cannot take the credit . . . . . ☒ No - Go to question 4a.

**4 a** Was the taxpayer a nonresident alien for any part of the year? Check "Yes" if filing as head of household and claiming an exemption for your nonresident alien spouse.
■ Yes - go to question 4b . . . . . ■ No - Go to question 5.

**b** Is the taxpayer's filing status married filing jointly?
☐ No - STOP. You cannot take the credit . . . . . ☐ Yes - Go to question 5.
If you checked "Yes" on line 4a and "No" on line 4b, STOP; the taxpayer cannot take the EIC.

**5** Is the taxpayer's investment income . . . . 0. more than $3,100?
☐ Yes - STOP. You cannot take the credit . . . . . ☒ No - Go to question 6.

**6** Could the taxpayer, or the taxpayer's spouse if filing jointly, be a **qualifying child** of another person?
■ Yes - STOP. You cannot take the credit . . . . . ■ No - Continue.

If any of the children listed do not qualify based on the answers to 7 through 10, the EIC will not calculate. You will need to go to the Main Information Sheet and uncheck the box for the child(ren) that do not qualify.

| | | | |
|---|---|---|---|
| Qualifying children listed on Schedule EIC . . . | JOHN | | |
| **7** Is either of the following true? • The child is unmarried • The child is married and can be claimed as the taxpayer's dependent and is not filing a 2010 joint return (or is filing it only as a claim for refund) . . . . . | ■ Yes ■ No | ☐ Yes ☐ No | ☐ Yes ☐ No |

***Hint:*** *TaxWise will automatically compute EIC with and without non-taxable combat pay and choose the method that is best for the taxpayer.*

***Hint:*** *Enter income earned while an inmate in a penal institution on the TaxWise EIC Worksheet in the section titled Figure your Credit. TaxWise will subtract this amount from other earned income.*

**Note 1:** If the taxpayer has had their EIC previously denied, you will need to complete Form 8862.

**Note 2:** As with any form, read and answer the questions carefully. Make sure there are no red check marks on Schedule EIC or the Schedule EIC worksheet.

# Split Refund Option

When the taxpayer elects to direct deposit his or her refund into two or three accounts or to purchase saving bonds, you will need to complete Form 8888, *Allocation of Refund (Including Bond Purchases)*. Add the Form 8888 to the forms tree.

**US 8888** **Allocation of Refund (Including Savings Bond Purchases)** **2010**

Name: Jane Sample SSN: 111-11-1111

**Do not use this form if you want the ENTIRE Federal refund directly deposited in to just ONE account. Account information entered below is not verified by Taxwise.**

**Part I: Direct Deposit**
Complete this part if you want a portion of your refund directly deposited to one or more accounts.
If the Western Union MoneyWise card was selected on the Main Information Sheet, enter the amount to be applied to the MoneyWise card on line 1.

| | | |
|---|---|---|
| 1a | Amount to be deposited to first account | 0. |
| b | Routing number | c Checking: ☐ Savings: ☐ |
| d | Account number | |
| 2a | Amount to be deposited to second account | 0. |
| b | Routing number | c Checking: ☐ Savings: ☐ |
| d | Account number | |
| 3a | Amount to be deposited to third account | 0. |
| b | Routing number | c Checking: ☐ Savings: ☐ |
| d | Account number | |

**Part II: U.S. Series I Savings Bond Purchases**
Complete this part if you want to buy paper bonds with a portion of your refund.
**Note:** If a name is entered on line 5c or 6c below, co-ownership will be assumed unless the beneficiary box is checked. See the instructions for more details.

| | | |
|---|---|---|
| 4 | Amount to be used for bond purchases for yourself (and your spouse, if filing jointly) | 0. |
| 5a | Amount to be used to buy bonds for yourself, your spouse, or someone else | 0. |
| b | Enter the owner's name below (First Last) for the bond registration. | |
| c | If you would like to add a co-owner or beneficiary, enter their name below (First Last). If beneficiary, also check here ☐ | |
| 6a | Amount to be used to buy bonds for yourself, your spouse, or someone else | 0. |
| b | Enter the owner's name below (First Last) for the bond registration. | |
| c | If you would like to add a co-owner or beneficiary, enter their name below (First Last). If beneficiary, also check here ☐ | |

**Part III: Paper Check**
Complete this part if you want a portion of your refund to be sent to you as a check.

| | | |
|---|---|---|
| 7 | Amount to be refunded by check | 0. |

**Part IV: Total Allocation of Refund**

| | | |
|---|---|---|
| 8 | Total of lines 1a, 2a, 3a, 4, 5a, 6a, and 7 | 0. |
| | The amount on line 8 MUST equal the Federal refund amount here 2,456. | |

This facsimile form is not approved for filing directly to the IRS.
Print IRS form using "Print Return" or "Print Current Form".

Caution: **Do not** enter the routing or account number on the TaxWise Main Information Screen if using the Form 8888 *Allocation of Refund (Including Bond Purchases).*

Bank account information for: Direct deposit: E-filing, paper returns, RAL/ERC direct deposit refund; or Electronic Funds Transfer (ACH Debit) available for E-filing only.

Routing transit number (RTN) of financial institution
Account number (DAN) including hyphens

# Filing for an Extension Using TaxWise®?

You can help taxpayers file for an extension using TaxWise®, as long as their payment will not include Direct Debit. This option does not require a taxpayer PIN. The steps are outlined below.

1. Complete the client's return as accurately as possible.
2. Go to the PIN section on the TaxWise® *Main Information Sheet,* near the bottom of the form.
3. In the PIN section, select "Form 4868 without direct debit."
4. Open Form 4868 and select for the box at the top of the form labeled "Check here if using this form." TaxWise® overrides and locks lines 4 and 5, "Estimate of total tax liability" and "Total payments."
5. Enter the amount being paid with Form 4868, if any.
6. Close the return.
7. From the Tools menu, select "Make extension e-files."
8. Select the return and click OK. TaxWise® runs Diagnostics and creates the extension e-file.
9. Close the diagnostic screen.

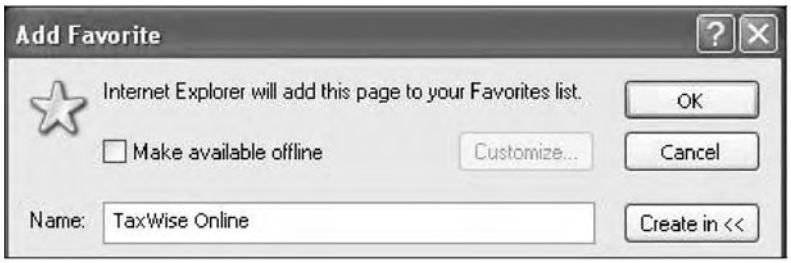
# Notes

## Setting up TWO

To set up TaxWise® Online as a Favorite in Internet Explorer, use the following steps:

1. Open Internet Explorer.
2. Type https://twonline.taxwise.com in the address line. To access prior year software type / and year at the end of the address line.
For example: https://twonline.taxwise.com/10, /09, or/08.

3. Click on the **Favorites** icon.
4. Click **Add**.
5. In Name:, type the name you want the favorites to display.



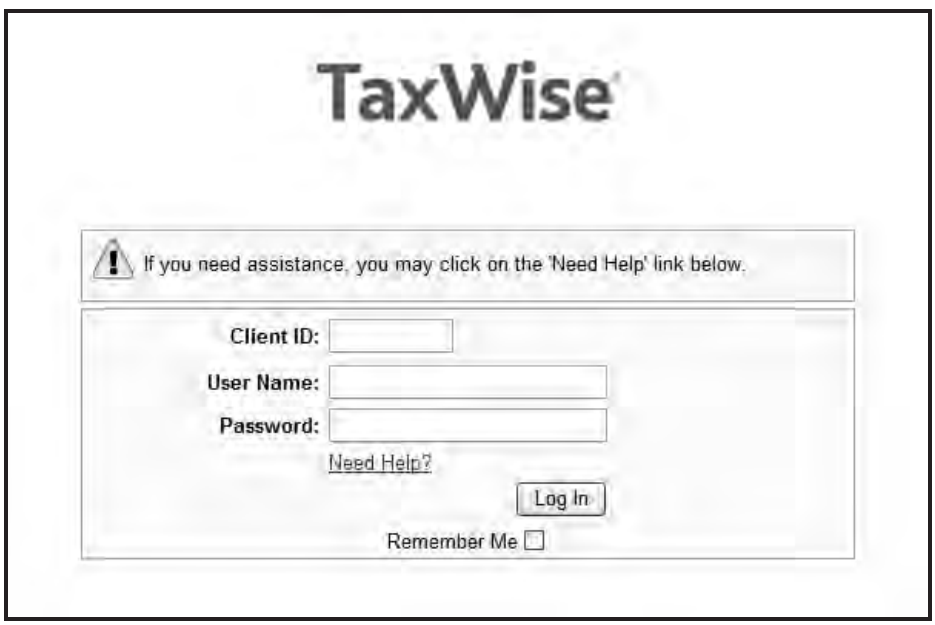

6. Click **OK**.

## Logging on to TWO the first time

- From your Favorites, select **TWO**.

The user name is case sensitive.
To log on to TaxWise® Online, do the following:

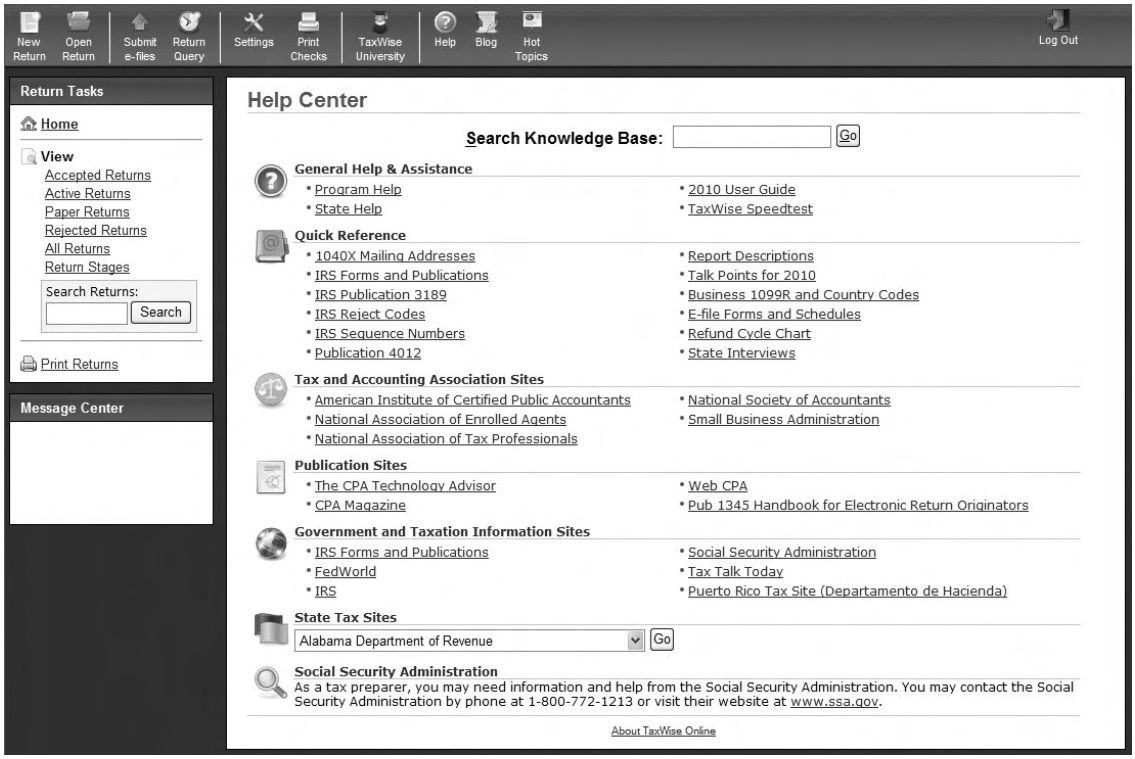
- Enter your **client ID**, **User Name,** and **Password.**




Except for the ADMIN user, your User Name and Password will be the same during this process.

# TWO Homepage

The following illustration depicts the TaxWise® Online **Homepage** while logged in as a return preparer. The user will have access to all returns they have created. The Homepage also serves as the Help Center for TWO.



**New Return**–Select to start a new return.

**Open Return**–Select to open existing return.

**Return Query**–Select to check the status of any tax return.

**Settings**–Select to set your options for users and administrators.

**Print Checks**–Not applicable for VITA/TCE.

**TaxWise® University**–Select to log into TaxWise® University.

**Live Chat**–Select to use Live Chat with CCH.

**Help**–Select when in a return to access the Help Center.

**Blog**–To access Taxwise Blogs

**Hot Topics**–Links to Taxwise Hot Topic Page.

The following table describes the color coding in TaxWise Online:

| Option | Description |
|---|---|
| **Green** | These entries are calculated by TaxWise Online from information on supporting forms. You cannot type data directly into a calculated entry or delete the calculated value unless you override the calculation. |
| **Black** | These entries are non-calculated, and you can type data directly into them. |
| **Red** | These entries are required for e-filing. TaxWise Online marks certain entries as required to assist you with preparing a complete and accurate tax return. You must complete entries for TaxWise to check off the form as "complete" on the list of forms in the Tree. When you type data in a required entry, TaxWise Online displays the text in green and converts the entry to a non-calculated entry when you refresh the return. |
| **Blue** | These entries are calculated entries that have been overridden by the preparer. |

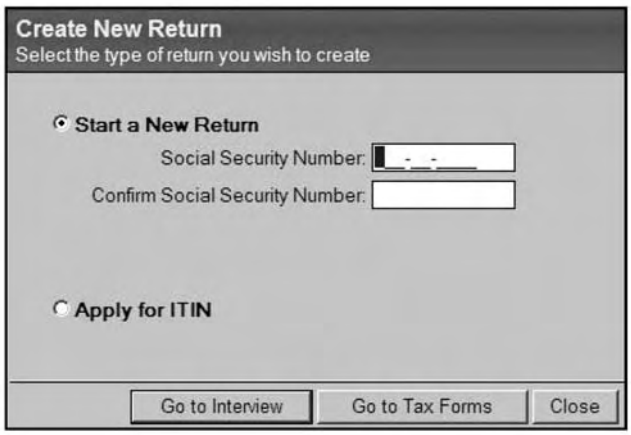
The following table details the shortcut keys available in TaxWise Online:

| Command | Description |
|---|---|
| **F11** | Minimizes the Internet Explorer toolbar |
| **F9** | Creates a link |
| **Ctrl+Enter** | Overrides an entry (Override rights must be enabled) |
| **Ctrl _R** | Refreshes the page |
| **Ctrl+Spacebar** | Estimates and un-estimates an entry |
| **Ctrl+E** | Jumps to Next Required Entry |
| **Ctrl+I** | Insert row on a multi-line statement or worksheet |
| **Ctrl+R** | Remove row on a multi-line statement or worksheet |

# Creating a New Return

To start a new return, use the following steps:

1. Click on the **New Return** icon on the toolbar and the following dialog box is displayed:




2. Enter the taxpayer's SSN in the Social Security Number box.
3. Re-key the taxpayer's SSN in the Confirm Social Security Number box.

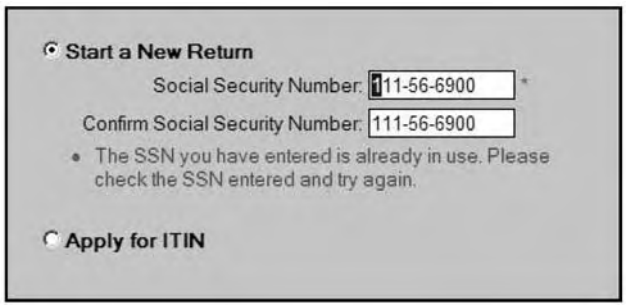
TWO has two methods for input of the tax return, Interview and Forms based.

- The TaxWise Online Interview allows you to gather information that determines which tax forms must be included in each return. Based on the answers to the questions, the program will load needed tax forms and will determine when some additional information is needed. Many questions require the user to make decisions using information already collected from the client through the Intake and Interview Process.
- The "Go to Tax Forms" method is similar to TaxWise® Desktop. The preparer completes the Main Information Sheet, opens Form 1040, page 1 and adds the appropriate forms as the Form 1040 is completed.

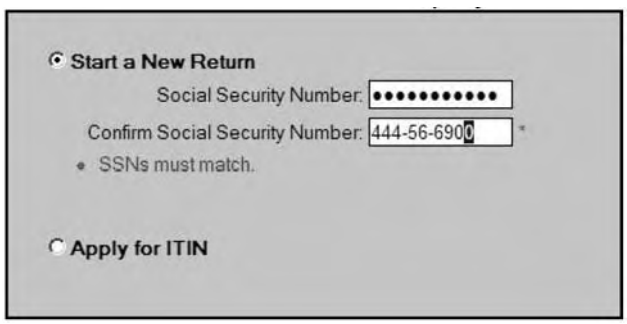
**Note:** The user may toggle between interview completion and forms completion at any time.

- Click the **Close** button to cancel the process and return to the **TaxWise® Online Homepage.**

If the SSN is already in use, TWO displays the following:

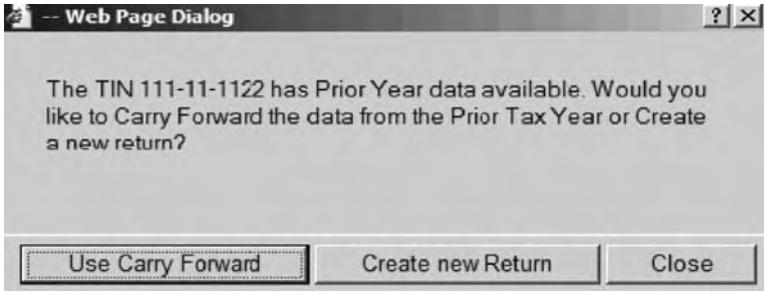



If the SSN does not match, TWO displays the following:



### Using the Carry Forward Function

In TWO Online there are no preliminary steps needed to perform the Carry Forward function. Click on the **New Return** button and enter the SSN for the taxpayer you wish to carry forward the information. You will receive the message below with the option to use carry forward, create a new return, or close this window.

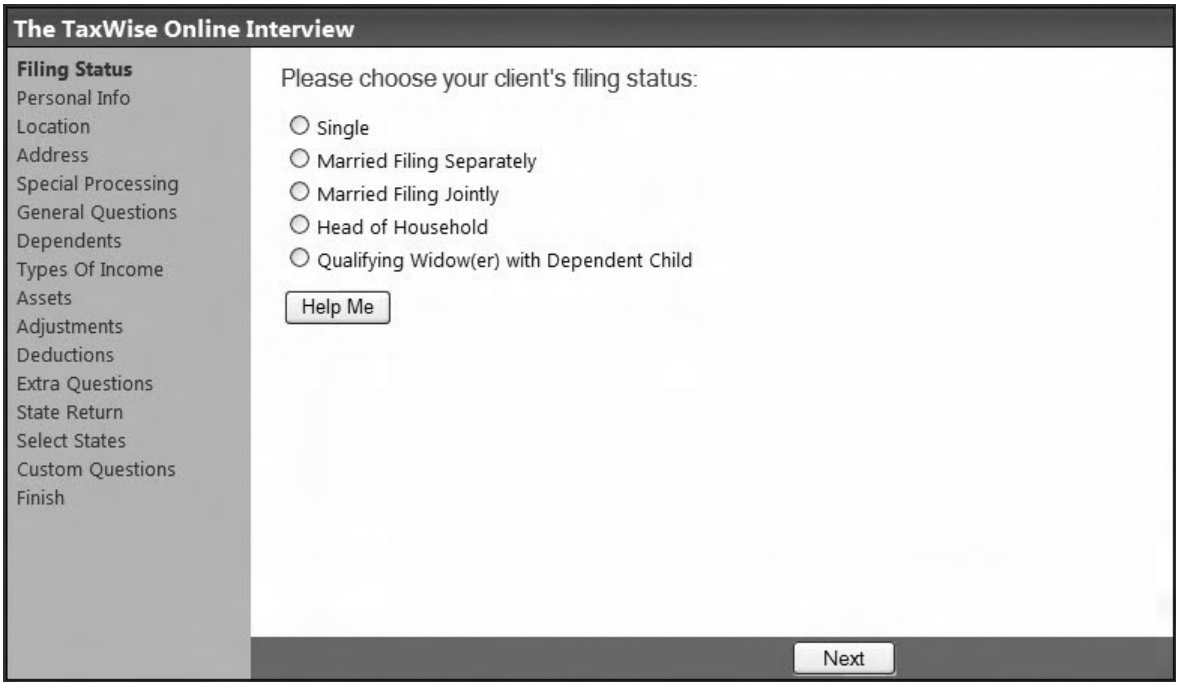



If you elect to use the Carry Forward function, the return will open with the prior year's information, and there are no further steps to take. Information to be verified will be underlined in red, simply verify, remove the red and complete the return as normal. **Caution - Be sure to verify that all EIN's on Forms W-2 are still the same as the prior year when using carryforward.**

## The TaxWise® Online Interview

- On each page you have the options of **Next** to continue or **Previous** to go back one page.
- The **Help Me** button displays a Filing Status Wizard to assist you in determining filing status.

After collecting necessary information from Form 13614-C, Intake/Interview & Quality Review Sheet and properly applying the tax law, you should choose your client's filing status.



After filing status the next screen is an input screen that gathers client's personal information.

**The TaxWise Online Interview**

Filing Status
**Personal Info**
Location
Address
Special Processing
General Questions
Dependents
Types Of Income
Assets
Adjustments
Deductions
Extra Questions
State Return
Select States
Custom Questions
Finish

Now let's collect your client's personal information.

Taxpayers Name? First Name MI Last Name
Taxpayer's Social Security Number
Taxpayer's Date of Birth
Taxpayer's Occupation
Taxpayer's date of death
Email Address:
Is the taxpayer a US Citizen or Resident Alien? ○ Yes ○ No
Was EITC previously disallowed? ○ Yes ○ No

Previous Next

Some interview screens have preset answers that may need to be changed. For example, if this customer were permanently disabled, you would need to select the **Yes** option.

**The TaxWise Online Interview**

Filing Status
Personal Info
Location
Address
Special Processing
General Questions
**Dependents**
Types Of Income
Assets

Dependents

Now let's look at dependents. Generally a dependent is someone whom you support.
Not sure whether someone qualifies as a dependent? Help Me
Are there any dependents? ○ Yes ◉ No

Some interview screens have questions that require additional information. For example, answering Yes to this question about dependents causes a new screen to appear asking for more information about the dependent(s).

NOTE: Be sure to list dependents in order of youngest to oldest

**The TaxWise Online Interview**

Filing Status
Personal Info
Location
Address
Special Processing
General Questions
Dependents
**Dependent List**
Types Of Income
Assets
Adjustments
Deductions
Extra Questions

Dependents

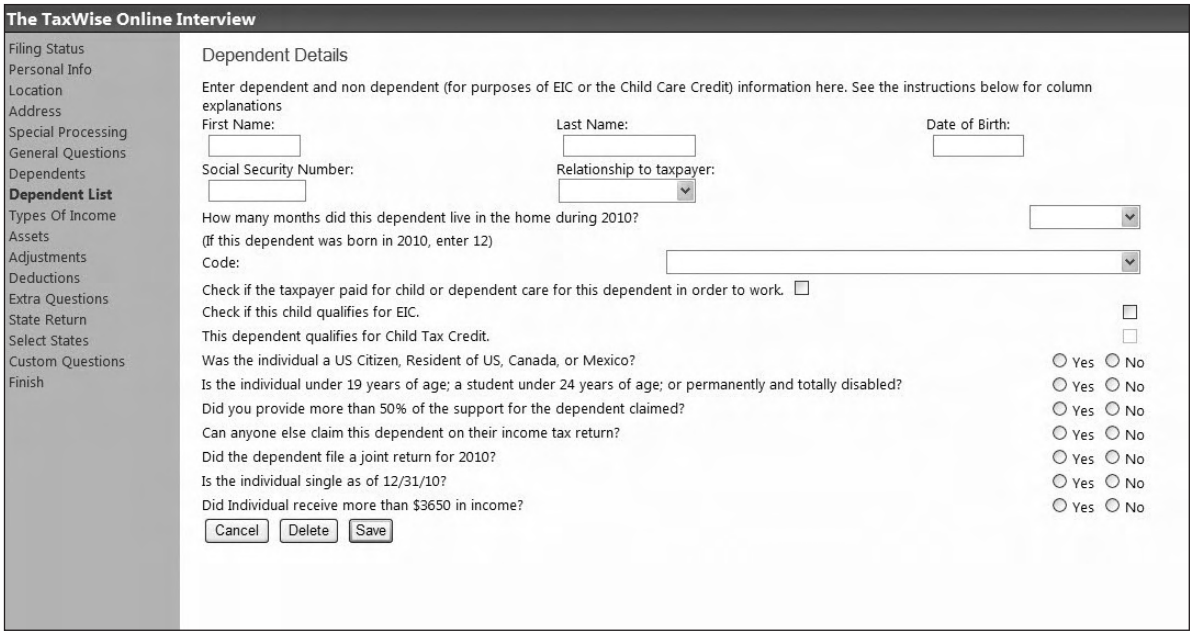
In the interview process you can enter up to 4 dependents. Help Me

| Action | First name | Last name | Date of birth | Social security number |
|---|---|---|---|---|
| Edit | | | | |
| Edit | | | | |
| Edit | | | | |
| Edit | | | | |

* Click on "EDIT" button to add/modify dependent information

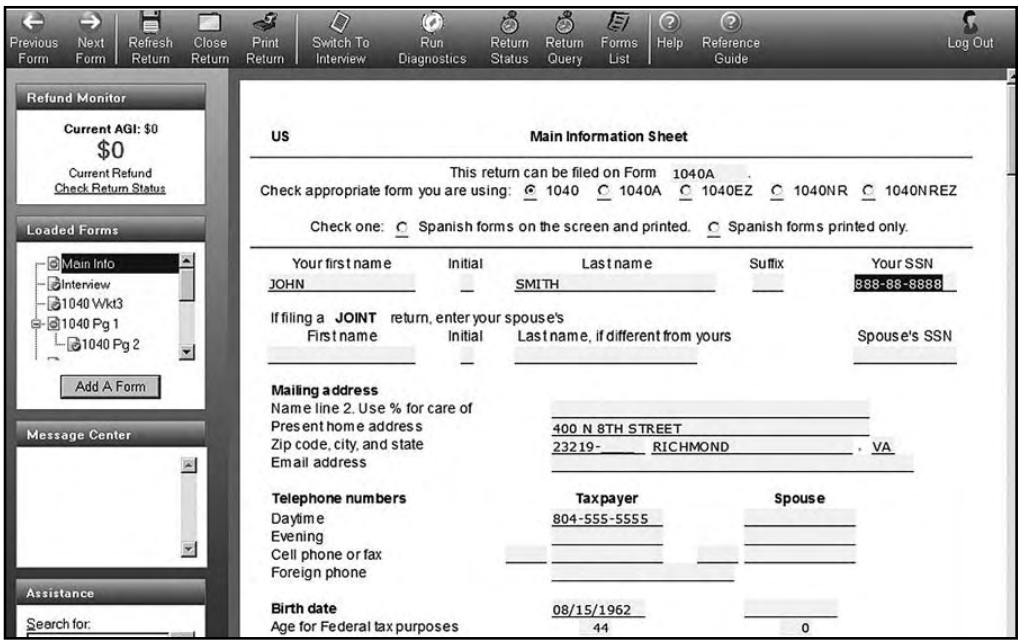
This screen requires you to click an Edit button and input additional information about each dependent.

Clicking the Edit button causes this screen to appear. After collecting the Intake and Interview information from the client, it is imperative that you input all the required information correctly.




If there is the slightest chance the child will be a qualifying child for EIC purposes, be sure to check the EIC box next to the child's name. TaxWise will not allow the EIC if they do not qualify.

Remember to complete all questions in the interview Mode, then Click **Finish** to continue. Complete the return by inputting any additional information directly into the tax return. Your screen will look something like the following:



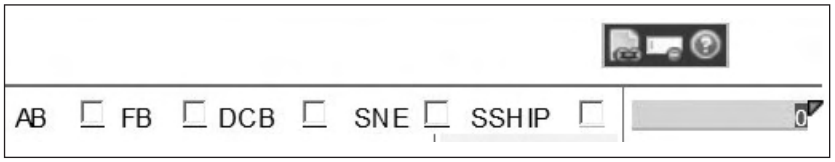
# Navigating the Tax Return

**Color coding:**

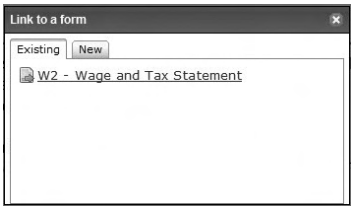
| Underline Color | Function |
|---|---|
| • Red | • Required Entry or Required Verification |
| • Green | • Calculated Entry |
| • Black | • Direct Entry |
| • Blue | • Overridden Entry |

# Linking to a Form

To link to a supporting or additional form, you will click on the **Link** icon to access the window where you can select the form you need. For an example if your cursor is on Form 1040, line 7, click the Link icon to open the window to show any forms that will carry income to this line.




In the screen shot below, the **New** button is the active window (lighter gray). Clicking on the **Existing** button will list any forms that are already associated with the active field (Form 1040, line 7).



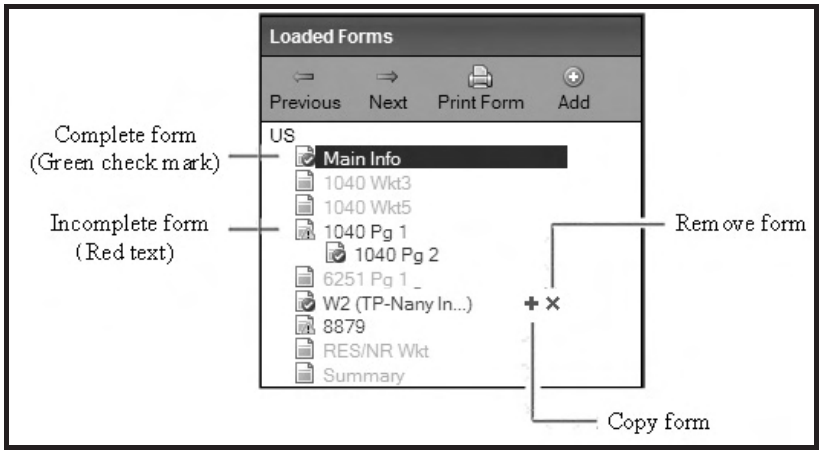

You can also use the **Link** icon to link worksheets or scratch pads to entries. For example, while on Schedule A, line 1, the **Link** icon will open the window where you can select the *Itemized Deduction Detail Worksheet*.

# The TaxWise® Online Tax Forms

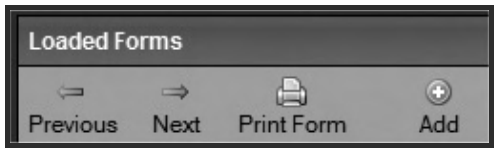
**Go to Tax Forms** allows the preparer to complete the tax return using the forms-based method.

This option is very similar to TaxWise® Desktop. Preparers complete the Main Information Sheet, open Form 1040, page 1, and add the appropriate forms as they go down Form 1040.

The Forms Tree to the left of the return shows all the forms that are currently loaded for the active return. The icons next to the forms indicate whether a form has been loaded, is complete, needs completion, or is not used.

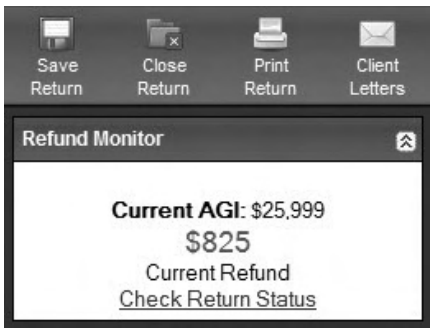



To navigate the tax return, it is better to use the navigational buttons located above the Loaded Forms tree. The following describes these buttons when completing a return:




| Option | Description |
|---|---|
| **Previous** | Opens the previous form on the active screen. |
| **Next** | Opens the next form on the active screen. |
| **Print Form** | Prints the active tax form. |
| **Add** | Adds a single form to the active return. |

The Refund Monitor, shown to the left of the return, displays the current AGI and the refund amount or balance due for the active return. These figures change as return data is added.




The Refund Monitor can be hidden from display by clicking the Show/Hide Details button.

# TaxWise® Online Toolbar Icons

The following illustration shows the available toolbar icons when completing a return:

| Icon | Description |
|---|---|
| Save Return | **Saves the active return** |
| Close Return | **Closes the active return** |
| Print Return | **Prints the active return** |
| Client Letters | **Allows you to create and print client letters** |
| Switch To Interview | **Changes to interview process** |
| Run Diagnostics | **Checks the return for electronic errors to prior to creating the electronic file** |
| Return Summary | **Checks the status of the active return** |
| Return Query | **Checks the status of any return** |
| Forms List | **Displays the list of available forms to be added to the active tax return** |
| Live Chat | **Allows you to interact with CCH or TaxWise Customer Support** |
| Help | **Provides a link to the Homepage and the help functions** |
| Log Out | **Closes the software and all returns** |

# Basic Steps in Preparing a Tax Return Using TaxWise® Online

**Start the Return**

- Click New Return link on the Homepage.
- Enter the primary taxpayer's SSN.
- Retype the SSN for validation.
- Go to Tax Forms.

**Main Information Sheet**

- Complete Main Information Sheet.
- Verify and enter in the "Dependents/Nondependents" section any dependents. Ensure that the Child and Dependent Care Credit, Earned Income Credit, or Child Tax Credit, are checked, as appropriate.
- Refresh (Ctrl + R) or Save the information.
- Direct Deposit information, if any, is also entered on the Main Information Sheet.

**Add Form W-2 Information**

- Link to Form W-2 from Line 7 of the Form 1040.
- Click the box next to Taxpayer or Spouse, whichever applies.
- Complete all entries exactly as printed on the paper copy of Form W-2.
- Verify that the electronic W-2 matches exactly with the taxpayer's paper copy.
- Enter other Forms W-2, if applicable.

**Add Other Types of Supporting Documents**

- Pension, Form 1099-R
- Interest, Form 1099-INT
- Dividends, Form 1099-DIV
- Unemployment, Form 1099-G
- Other Income, Form 1099-Misc
- Gambling, Form W-2G
- Dependent Care, Form 2441
- All tax documents from taxpayer should be entered before working the tree.

**Working the Tree/Completing the Return**

- Review the return tree for incomplete forms (Remember to check BOTH federal and state returns).
- Each incomplete form will have a yellow exclamation mark and print will be in red.
- Click on the incomplete form and complete only the remaining red entries.
- Refresh (Ctrl + R) or Save the information.
- Repeat this process until no forms in the tree are red or have exclamation marks.
- Run Diagnostics.

**Finishing the Return**

- Review by clicking Return Summary on Toolbar.
- Correct any errors from Quality Review process.
- You must verify each overridden entry.
- Click link to enter PIN for taxpayer(s).
- Run Diagnostics.
- Click create Efiles button.
- Change Return Status to Ready to Transmit.

**Printing the Return**

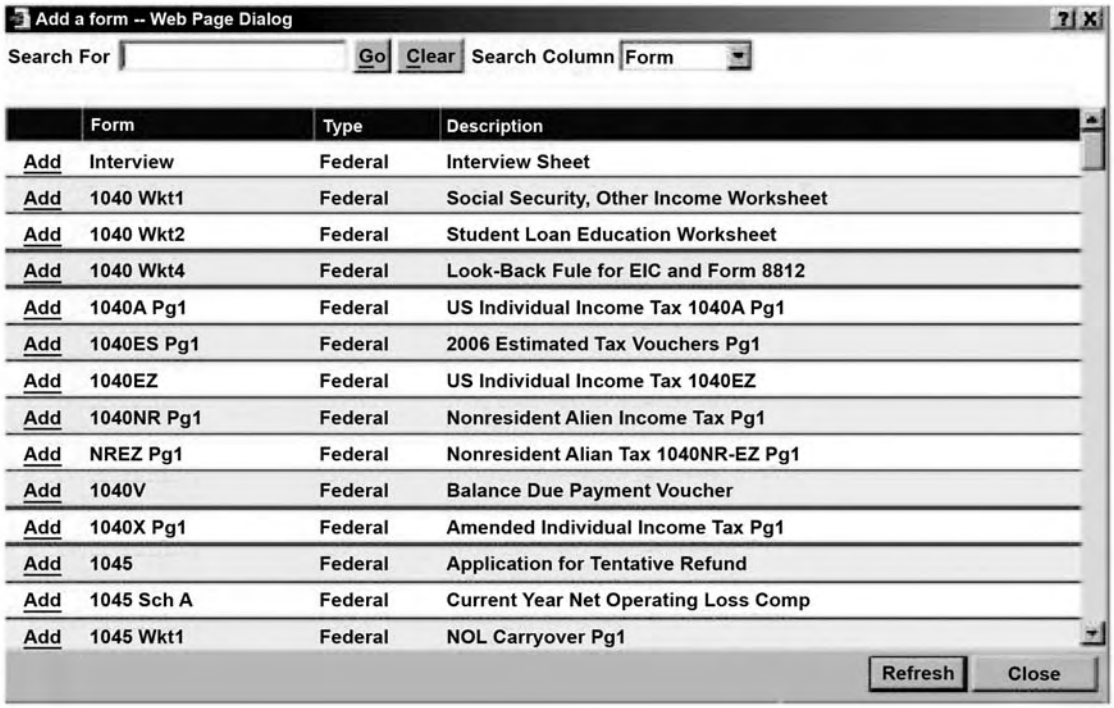
- Click Print Return Button.
- Open PDF File and Print Return.
- Taxpayer must sign both copies of Form 8879.

# Adding Forms to a Return

There are two ways to **Add a Form** to the active tax return:

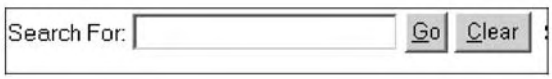
- From the Loaded Forms tree, click the **Add a Form** icon, or
- Select the **Forms List** icon.

The following illustration shows the Add a Form window for “Show All Forms”:




| | Form | Type | Description |
|---|---|---|---|
| Add | Interview | Federal | Interview Sheet |
| Add | 1040 Wkt1 | Federal | Social Security, Other Income Worksheet |
| Add | 1040 Wkt2 | Federal | Student Loan Education Worksheet |
| Add | 1040 Wkt4 | Federal | Look-Back Fule for EIC and Form 8812 |
| Add | 1040A Pg1 | Federal | US Individual Income Tax 1040A Pg1 |
| Add | 1040ES Pg1 | Federal | 2006 Estimated Tax Vouchers Pg1 |
| Add | 1040EZ | Federal | US Individual Income Tax 1040EZ |
| Add | 1040NR Pg1 | Federal | Nonresident Alien Income Tax Pg1 |
| Add | NREZ Pg1 | Federal | Nonresident Alian Tax 1040NR-EZ Pg1 |
| Add | 1040V | Federal | Balance Due Payment Voucher |
| Add | 1040X Pg1 | Federal | Amended Individual Income Tax Pg1 |
| Add | 1045 | Federal | Application for Tentative Refund |
| Add | 1045 Sch A | Federal | Current Year Net Operating Loss Comp |
| Add | 1045 Wkt1 | Federal | NOL Carryover Pg1 |

- Enter the Form Name, Form Number, or part of the form description in the **Search For** box:




- Select **Clear** to remove your search criteria.
- Click the **Add** link next to the appropriate form.

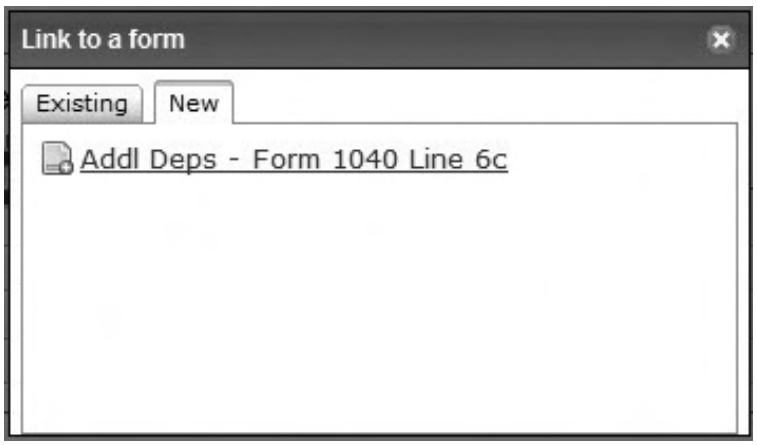
# Additional Dependent Worksheet

If there are more than four dependents to list, enter the first four dependents on the Main Information and the remaining dependents on the Additional Dependent Statement by **linking from the first dependent on page 1 of Form 1040.**

- Nondependents must be listed on the Main Information Sheet—they cannot be listed on the statement.
- Children who are qualifying children for EIC or Dependent Care must be listed on the Main Information Sheet.

1. Click on the first name in the list.
2. Click on the Link icon.

The following illustration shows the Entry Links window:




- Click on the New tab.
- The Entry Links window defaults to Existing forms.
- Click on the Add icon next to “Addl Deps – Form 1040 Line 6c”

The following illustration shows the Additional Dependent Worksheet:

**US 1040** **Line 6c: Additional Dependents** **2010**

Do not skip lines. Delete blank lines by using the ALT and DELETE keys.

Code = Dependent code. Enter 1, 2, or 3.

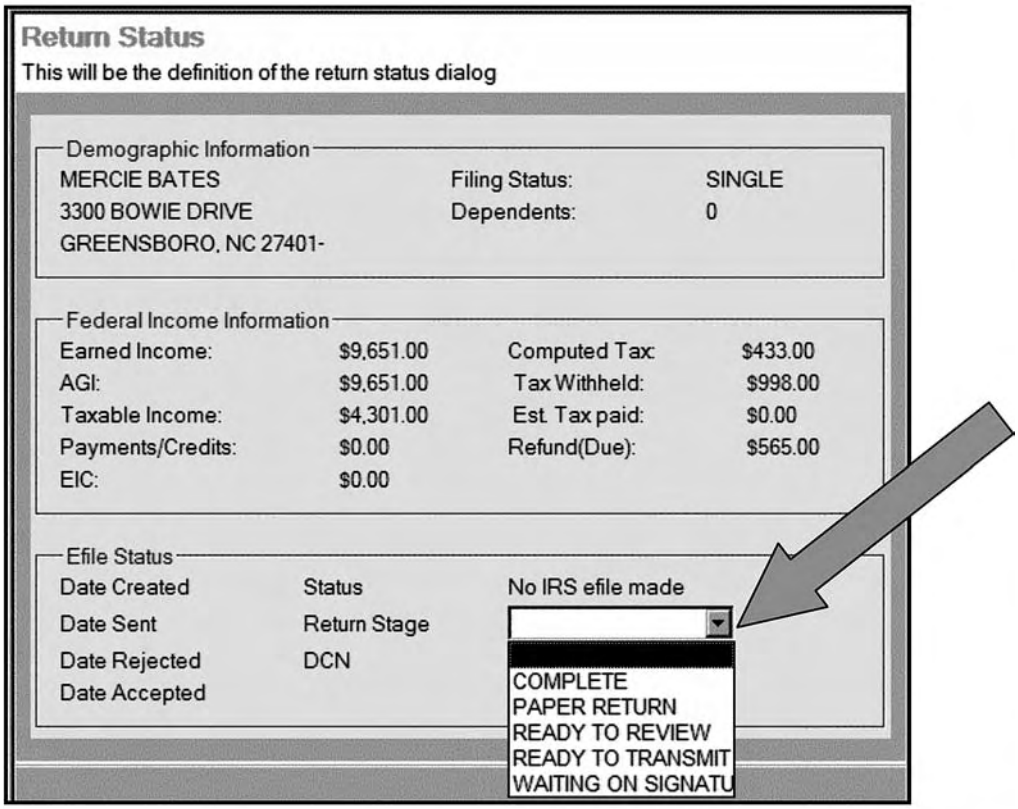
| Dependent Information First name | Last name | Name code | Date of birth | Age | Social security number | Relationship to you | Mo in Hm | Code | CTC |
|---|---|---|---|---|---|---|---|---|---|
| FIRST | CHILD | CHIL | 02/20/2007 | 3 | | SON | 12 | 1 | ☑ |
| SECOND | CHILD | CHIL | 04/18/2006 | 4 | | DAUGHTER | 12 | 1 | ☑ |
| THIRD | CHILD | CHIL | 01/01/2005 | 5 | | SON | 12 | 1 | ☑ |
| FOURTH | CHILD | CHIL | 12/12/2004 | 6 | | DAUGHTER | 12 | 1 | ☑ |
| FIFTH | CHILD | CHIL | 02/02/2003 | 7 | | SON | 12 | 1 | ☑ |
| SIXTH | CHILD | CHIL | 02/20/2002 | 8 | | DAUGHTER | 12 | 1 | ☑ |
| | | | | 0 | | | | 0 | ☐ |
| | | | | 0 | | | | 0 | ☐ |

Note: There is no column for Dependent Care or Earned Income Credit.

# Setting the Return Stage

***Setting the return stage from inside the tax return:***

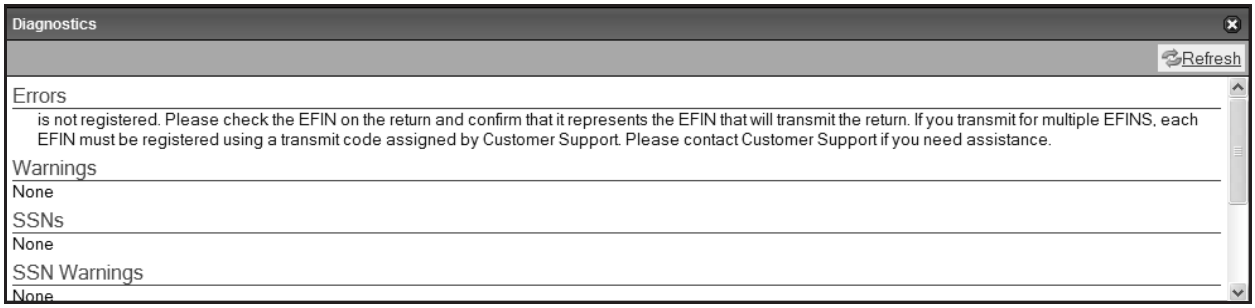
1. Open the return.
2. Select the **Return Summary** icon.
3. Select the appropriate stage from the drop down box in the Efile Status section. See your Site Coordinator for further information on selecting return stages.



# Running Diagnostics and Creating an Electronic File

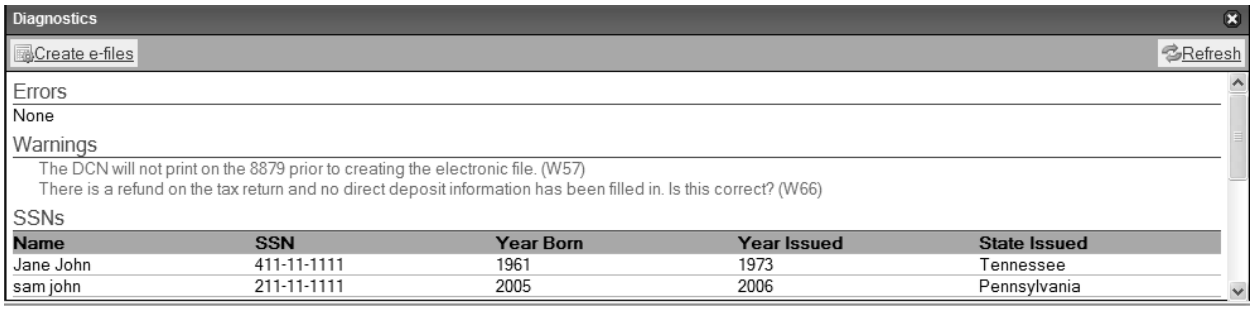
- Select the **Run Diagnostics** icon for the active return.

The following illustration shows the diagnostics details:




- Correct all e-file errors.
- Select the **Run Diagnostics** icon again.

The following illustration shows the diagnostics details after all e-file errors have been corrected:

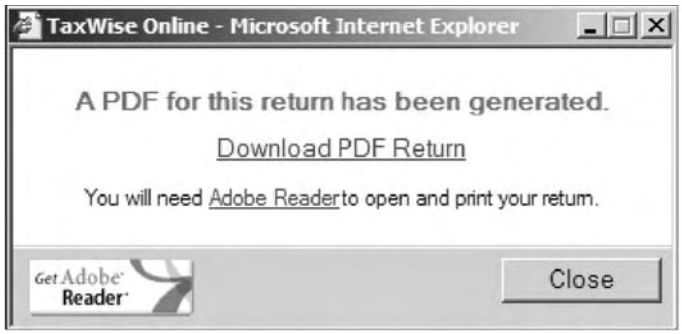



- Select the **Create Efiles** checkbox.
- Close the return.
- Complete this step prior to printing the return. This will print the DCN on Form 8879.

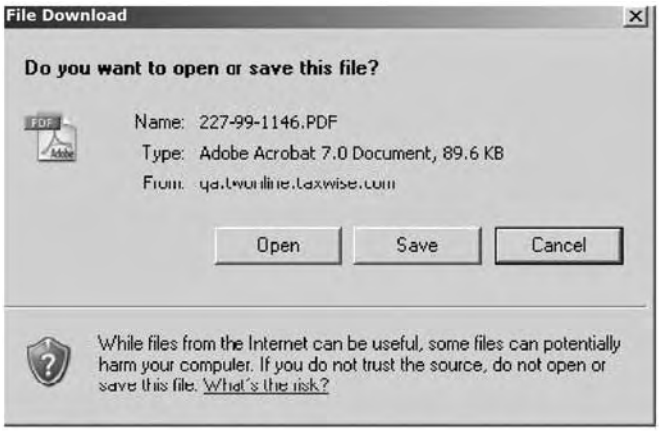
# Printing the Active Tax Return

- The pop-up blocker must be disabled.
- Adobe Reader 7.0 or higher is required to print returns.

To print a return while you have the return open, you can click the task bar's **Print Return** button. In the pop-up box, click on the **Download PDF Return** link.

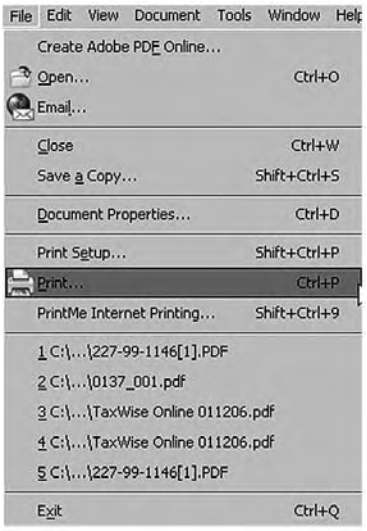



When you click on this link, you may see the File Download box shown below. Click the **Open** button on this box.




**Note:** Be sure to select **Open** and not **Save**. Selecting **Save** will cause an error and will have to resubmit your print request. Also, see **TWO Printing Security Requirements** in Publication 3189 for important information.

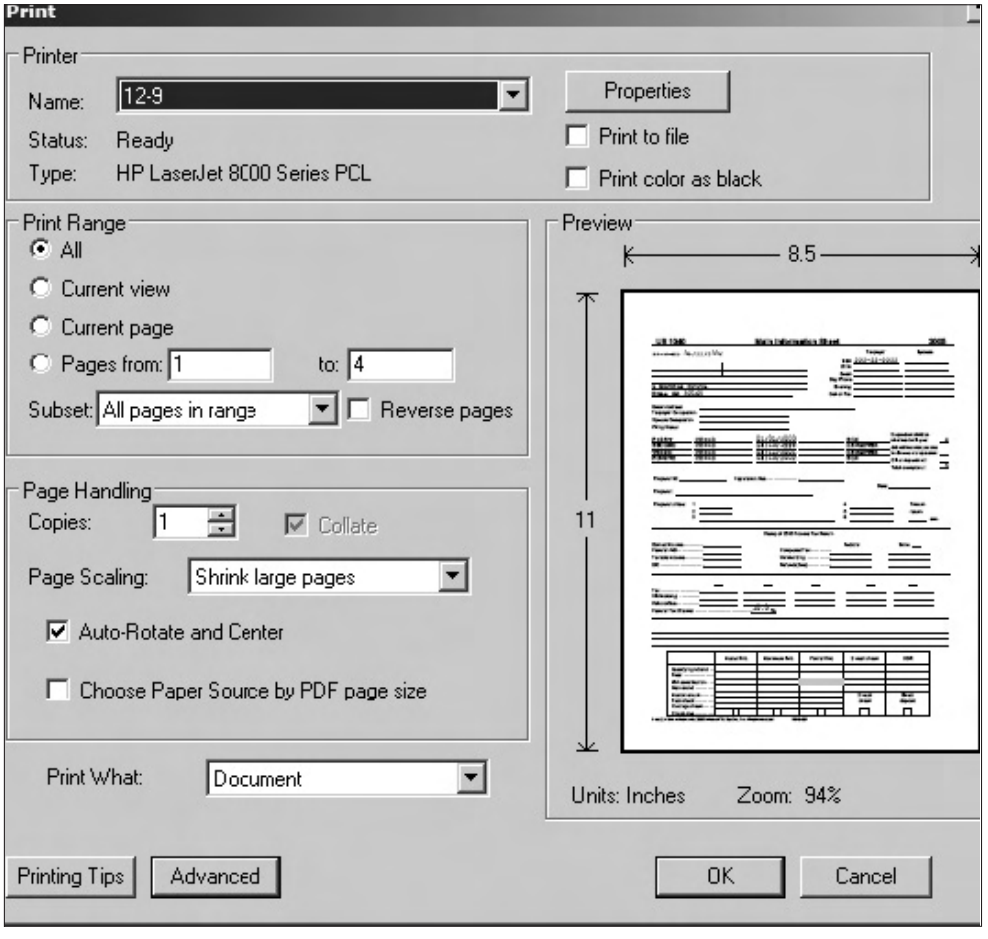
Once the PDF file opens, you can select To Print by clicking on the **Print Return** icon on the task bar or Open the file menu and select Print.




**Note:** This will print the entire return. To print a specific page, identify the page number, change the print range, and increase the number of copies for that page.

- Select **Cancel** to cancel the printing process.

The following illustration shows the Adobe Reader Print dialog box:

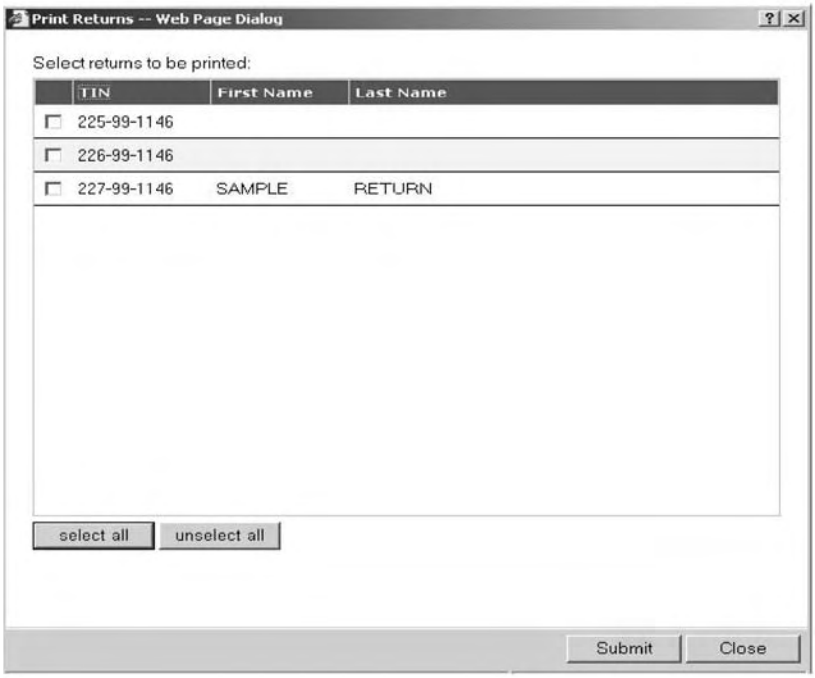



Defaults to your Windows default printer.

# Printing from the User Homepage

- Select the **Print Return** icon found on left Return Task box.

The following illustration shows the **Print Returns** dialog box:




- Select the appropriate returns to print.
- Click on the **Submit** button.
- Click **OK** to confirm the selected returns to print.

# Notes

# PIN Guidelines

There are two signature methods for *e-file* returns: Practitioner PIN and Self-Select PIN. The Practitioner PIN method is the preferred electronic signature method for taxpayers.

## Practitioner PIN Guidelines

***What?*** The PIN can be any five numbers except all zeros. If filing a joint return, a PIN is needed for the taxpayer and their spouse. The Practitioner PIN option requires the completion of Form 8879, IRS *e-file* Signature Authorization, or Form 8878 if filing Form 4868 with electronic funds withdrawal. The taxpayers may authorize the volunteer to enter their PIN on their behalf using Form 8879.

## How to use the Practitioner PIN option in TaxWise® (all can be set as a default)

- In the Main Information Sheet, "Self-Select and Practitioner PIN'(s)" section, enter the ERO PIN.
- Check the box below the PIN field to select the Practitioner PIN method.
- Tab to "The Income Tax Return" and place an "X" in the box.
- In Part III, of Form 8879, the EROs signature should be defaulted with the site name, address, and SIDN.

## Taxpayer PIN Entry

- After return has been quality reviewed and taxpayer(s) agree(s) with the return, enter PIN(s) on Main Info Sheet.

## Self-Select PIN Guidelines

The Self-Select PIN method is an additional electronic signature method for taxpayers.

It eliminates the requirement for Form 8879, *IRS e-file Signature Authorization.*

***What?*** The Self-Select PIN method allows taxpayers to electronically sign their *e-filed* return by entering **their own** five-digit PIN. The PIN can be any five numbers except all zeros. If filing a joint return, a PIN is needed for the taxpayer and his or her spouse. The taxpayer does not need to register the PIN with the IRS before filing or contact the IRS to get a PIN. If this confuses the taxpayer, suggest that they consider entering their Zip code as their PIN.

***What are the guidelines for entering the original adjusted gross income (AGI)?***

When taxpayers sign their electronic tax return using the Self-Select PIN method, they must provide their original prior year AGI or prior year PIN for the IRS to validate their identity. The prior year AGI is the amount from the taxpayer's prior year originally filed return as accepted by the IRS; it is not the amount from an amended return or a math error correction made by the IRS. In some cases the prior year AGI may have unique features as follows:

- If the prior year return was filed as married filing jointly with the same spouse, enter the same prior year total AGI amount for each taxpayer. Do not divide the amount between the taxpayers.
- If the prior year return was filed as married filing jointly with a different spouse, enter the prior year total AGI amount from the joint return filed with the ex-spouse.
- If the taxpayer did not file a prior year tax return, the prior year return was filed after December 9, 2011, the prior year AGI was zero, or the taxpayer **did not need to file a prior year tax return but filed a return anyway,** the taxpayer must enter "Zero" for the original prior year AGI amount. **Do not leave this field blank;** the return will be rejected if the field is left blank for a zero amount.
- If the taxpayer's AGI is negative, the negative amount should be entered.
- If the taxpayer is unsure of his or her original prior year AGI, he or she may call IRS Customer Service at 1-800-829-1040.

## How to Use the Self-Select PIN Option in TaxWise®

- Go to the "Main Information Sheet."
- Scroll to the "Self-Select and Practitioner PIN(s)" section. For ERO PIN, enter "98765." (This is the designated ERO PIN for volunteer sites and can be set as a default.) **Do not** check the box below it.
- Tab to "Income Tax Return" and place an "X" in the box. (This can be set as a default.)
- After the return is completed and reviewed, return to the "Main Information Sheet."
- If the taxpayer(s) chooses to use the Self-Select PIN, let the taxpayer(s) enter their PIN. Enter the date and the taxpayer(s) prior year AGI or PIN.

**Removal of Form 8879 from the Print Packets:** The following procedures should be taken only when the Self-Select PIN option is used. TaxWise® software is programmed to print Form 8879 each time the Self-Select PIN or Practitioner PIN method is used. To eliminate the automatic print of Form 8879 when the Self-Select PIN is used, edit Print Packets by taking the following steps:

1. Go to **Tools.**
2. Select **Utilities/Setup Options.**
3. Select **Setup.**
4. Select **View/Edit Print Packets.**
5. Highlight the "Pin Auth form" on the right side under "Selected Forms to Use."
6. Right-click and choose **Remove.**

**Note:** TaxWise® software users—Do not delete Form 8879 from your TaxWise® Tree. The information contained in this form must be included in the *e-file.*

## Form 8453, U.S. Individual Income Tax Transmittal for an IRS *e-file* Return

Form 8453 will be used to transmit specific supporting documents that cannot be *e-filed.* Those paper forms, schedules and supporting documents include:

- Form Appendix A, Statement by Taxpayer Using the Procedures in Rev. Proc. 2009-20 to Determine a Theft Loss Deduction Related to a Fraudulent Investment Arrangement
- Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes (or equivalent contemporaneous written acknowledgement)
- Form 2848, Power of Attorney and Declaration of Representative (or POA that states the agent is granted authority to sign the return)
- Form 3115, Application for Change in Accounting Method
- Form 3468 - attach a copy of the first page of NPS Form 10-168a, Historic Preservation Certification Application (Part 2—Description of Rehabilitation), with an indication that it was received by the Department of the Interior or the State Historic Preservation Officer, together with proof that the building is a certified historic structure (or that such status has been requested)
- Form 4136 - attach the Certificate for Biodiesel and, if applicable, Statement of Biodiesel Reseller or a certificate from the provider identifying the product as renewable diesel and, if applicable, a statement from the reseller
- Form 5713, International Boycott Report
- Form 8283, Noncash Charitable Contributions, Section A, (if any statement or qualified appraisal is required) or Section B, Donated Property, and any related attachments (including any qualified appraisal or partnership Form 8283)
- Form 8332, Release / Revocation of Release of Claim to Exemption for Child by Custodial Parent (or certain pages from a divorce decree or separation agreement, that went into effect after 1984 and before 2009) (see instructions)
- Form 8858, Information Return of U.S. Persons With Respect to Foreign Disregarded Entities
- Form 8864 - attach the Certificate for Biodiesel and, if applicable, Statement of Biodiesel Reseller or a certificate from the provider identifying the product as renewable diesel and, if applicable, a statement from the reseller
- Form 8885, Health Coverage Tax Credit, and all required attachments
- Form 8949, Sales and Other Dispositions of Capital Assets, (or a statement with the same information), if you elect not to report your transactions electronically on Form 8949

# PIN Guidelines (continued)

The Form 8453 is only to be used when additional forms or supporting documents are required to be attached to the return. Form 8453 is to be mailed to the Austin Submission Processing Center within three business days.

## State Return

State rules may differ; contact your state Volunteer *e-file* Coordinator for instructions on the handling of any state signature documents for record keeping requirements, or contact your local SPEC office.

# Return Signature

A return is not considered valid unless it is signed. Both spouses must sign if the return is filed jointly. The return should be dated and the occupation lines should be completed.

**Child's Return**
If a child cannot sign his or her name, the parent, guardian, or another legally responsible person must sign the child's name in the space provided followed by the words "By (parent or guardian signature), parent or guardian for minor child."

**Deceased Taxpayer**
If a taxpayer died before filing the return, the taxpayer's spouse or personal representative may have to file and sign a return for the person who died. A personal representative can be an executor, administrator, or anyone who is in charge of the decedent's property.

If the taxpayer did not have to file a return but had tax withheld, a return must be filed to get a refund.

**Filing Returns of Deceased Taxpayers**
If filing a paper return, write "Deceased," the decedent's name, and the date of death across the top of the tax return.

If the spouse died during the year and the surviving spouse did not remarry, a joint return can be filed. If the spouse died before signing the return, the executor or administrator must sign the return for the deceased spouse. If the surviving spouse or anyone else has not yet been appointed as executor or administrator, the surviving spouse can sign the return for the deceased spouse and enter "Filing as surviving spouse" in the area where the return is signed.

**Filing Returns for Deceased Taxpayers—Using TaxWise®**
If the taxpayer or spouse died in 2011 or 2012, the "Name line 2" must be completed on the Main Information Sheet. Type the name of the person filing the return for the deceased person. Do **not** type the percent (%) sign; type only the name. This may be the surviving spouse if the filing status is married filing jointly, or a personal representative such as an executor, administrator, or anyone who is in charge of the deceased taxpayer's property. Name typed in on Name Line 2, combined with surviving spouse name, must not exceed 30 characters (TaxWise adds "DECD" to both names internally and rejects if too many characters - see Tab 1).

In the Taxpayer Information section of the Main Information Screen, the date of death for the taxpayer must be entered.

**Claiming a Refund for a Deceased Person**
If a surviving spouse is filing a joint return with the decedent, file the tax return to claim the refund. Court-appointed representatives should file the return and attach a copy of the certificate that shows their appointment. All other filers requesting the decedent's refund should file the return and attach Form 1310.

# Power of Attorney

**Deceased Taxpayer**

**1**. Read Pub 17 on Power of Attorney & Signatures. For additional details, see Pub 470 and Pub 947.

**2**. In TaxWise, click on Add Forms.

**a**. Double Click on POA (Form 2848) Check the box at the top of the POA, “using this form”.

**b**. On Line 2, fill in information about representative (if no CAF number, enter “None”).

**c**. On Line 3, Tax Matters, list “Type” as Income Tax Return.

**d**. On line 8, check box to retain TP’s original POA (not revoke).

**e**. Fill in red highlighted info (page 2 designation codes are listed above in red box) in Part II.

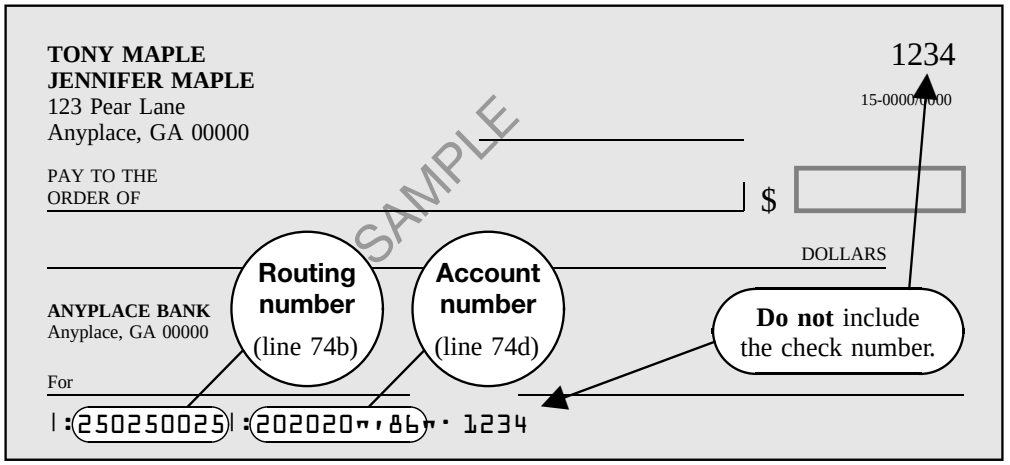
**3**. Attach a copy of the taxpayer’s original paper POA to a copy of Form 8453 for the site to send to the IRS once the return is accepted. Even when the TP’s agent is using a POA different than Form 2848, follow the same process.

# Pointers for Direct Deposit of Refunds

1. Using a check as proof of account, verify:
   - Routing Transit Number (RTN). The RTN must contain 9 digits and begin with 01 through 12 or 21 through 32.
   - Depositor Account Number (DAN). The DAN can be up to 17 characters. Include hyphens but omit spaces and special symbols.
     Do not include the check number or the dollar amount on canceled checks. On the sample check below, the account number is 20202086.
2. For direct deposit into savings accounts: Routing numbers and account numbers for savings accounts may not be the numbers on the deposit slip or the monthly statement. Obtain a statement from the financial institution to verify the routing number and account number for savings accounts used for direct deposits.
3. Entering the incorrect RTN and/or DAN will result in a 4–6 week delay of the refund. If the direct deposit is voided, a paper check will automatically be mailed to the address on the electronic tax form.
4. Double-check the RTN of the financial institution before the return is transmitted if:
   - You are unfamiliar with the financial institution. (Some types of accounts that exist through brokerage firms cannot accept direct deposits.)
   - The RTN is for a credit union, which is payable through another financial institution. The taxpayer should contact his or her credit union for the correct RTN.
5. Savings Bonds - Taxpayers can buy U.S. savings bonds with their federal tax refund. Even if the taxpayer does not have a bank account or a Treasury account they can elect this option. Taxpayers can make bond purchases for themselves, add beneficiaries or co-owners, and make bond purchases for someone other than themselves. Refer to Form 8888 or www.IRS.gov for more details.
6. Remember the split refund option: If a taxpayer chooses to direct deposit his or her refund into two or three accounts, you will need to complete Form 8888, *Allocation of Refund (Including Savings Bond Purchases).*

CAUTION **Caution:** Financial institutions generally do not allow a joint refund to be deposited into an individual account. The IRS is not responsible if a financial institution refuses a direct deposit.

CAUTION **Caution:** Direct deposit of a taxpayer's refund is to be made to an account (or accounts) only in the taxpayer's name. Advise taxpayers their refund may only be deposited directly into his/her own account(s).




**Note:** The routing and account numbers may be in different places on the check.

**Tax Software Hint:** For direct deposit for **only** one account, the information is entered on the Main Information Sheet **and** the Refund section of page 2 of Form 1040. If the taxpayer chooses to split the refund into more than one account, the information is entered only on the Form 8888. In addition enter the information on the applicable line on state forms.

**Note:** Do not use a checking account deposit slip as proof of account because the routing number may be different than on a check.

# Balance Due Returns (amount owed on return)

**(See Form 1040, 1040A, or 1040EZ Instructions for additional information)**

## General Information

- Taxpayers do not have to pay if balance due is less than $1.
- Payment in full is due by the April filing due date, to avoid interest and penalties.
- Taxpayer should file his or her return by the April filing due date, to avoid a failure-to-file penalty.
- There are separate penalties for filing late and paying late. The late filing penalty is higher.
- Advise taxpayers to file the return on time, even if they cannot pay the full amount owed. They should pay as much as they can with the return to reduce penalties and interest.

## Payment Methods

1. **Check or money order payments**
   - Do not attach the payment to the return.
   - Make check or money order **payable to "United States Treasury."**
   - On checks, write "2011 Form 1040" in the memo or "For" section.
   - Write name, address, daytime phone number, and SSN/ITIN on the payment.
   - If filing a joint return, enter the SSN/ITIN shown first on the return.
   - Submit the payment with a properly completed Form 1040V, *Payment Voucher.*
   - No cash payments
2. **Credit card payments**
   - American Express, Discover, Mastercard, or Visa cards are accepted.
   - A convenience fee will be charged by the service providers:

| |
|---|
| Official Payments Corporation<br>1-888-UPAY-TAX™ (1-888-872-9829)<br>1-877-754-4413 (Customer Service)<br>www.officialpayments.com/fed |
| Link2Gov Corporation<br>1-888-PAY-1040™ (1-888-729-1040)<br>1-888-658-5465 (Customer Service)<br>www.PAY1040.com |
| RBS WorldPay, Inc.<br>1-888-9-PAY-TAX™ (1-888-972-9829)<br>1-877-517-4881(Customer Service)<br>www.payUSAtax.com |

   - Visit IRS.gov or call service provider for details.
3. **Electronic Funds Withdrawal**

   E-filing allows taxpayers to file their return early and schedule their payment for withdrawal from their **checking** or **savings** account on a future date up to the **April filing due date.** (See Tab 6, **Other Taxes and Payments** in the Volunteer Resource Guide for details.)
4. **EFTPS (Electronic Federal Tax Payment System)**

   Taxpayers can use EFTPS to pay their federal taxes, but they must **enroll** first. EFTPS is a fast, easy, convenient and secure service provided free by the Department of Treasury. For more information you can visit IRS.gov. Click on the e-file logo and look for "Electronic Payment Options" and the EFTPS logo. To enroll, visit EFTPS.gov or call EFTPS Customer Service at 1-800-316-6541 (for individual payments). TTY/TDD help is available by calling 1-800-733-4829.

## What if the taxpayer cannot pay?

- The taxpayer can request a ***Full Pay Within 60 or 120 day Agreement.*** There is no user fee, but penalty and interest are charged for any amount paid after the April filing due date.
- The taxpayer may ask to make monthly installment payments by completing Form 9465, ***Installment Agreement Request.*** Penalty and interest are charged on any amount paid after the April filing due date. A fee is charged if the request for an installment agreement is granted. Form 9465 can be e-filed with the tax return. For more information taxpayers can go online to the IRS website at www.irs.gov for the Online Payment Agreement (OPA), Enter keyword search: OPA.

# Balance Due Returns (amount owed on return)
## (continued from previous page)

- The taxpayer can request an extension of time to pay if paying the tax by the due date will be an undue hardship. For details see Form 1127.

### How can a taxpayer avoid a balance due in the future?

- If the taxpayer did not have enough withheld from his/her paycheck or pension income and there is amount owed on the current return:
  - Advise the taxpayer to review Publication 919, How Do I Adjust My Tax Withholding? or on the internet the taxpayer can access the Withholding Calculator at IRS.gov.
  - On the **Form W-4/Form W-4P**, the taxpayer can reduce the number of allowances or request an additional amount to be withheld.
  - Advise the taxpayer to submit a revised **Form W-4** to the employer. For pension income taxpayers should submit a revised **Form W-4P** to the pension payer.
- If the taxpayer had income that was not subject to withholding (such as self-employment, interest income, dividend income, or capital gain income):
  - Explain estimated taxes to the taxpayer. If possible, download Form 1040-ES, Estimated Tax for Individuals, and provide assistance in completing the form.
  - Advise the taxpayer to review Publication 505, Tax Withholding and Estimated Tax.

Forms or Publications can be obtained from www.irs.gov or by calling the IRS at 1-800-829-3676.

# Distributing Copies of Returns

**Taxpayer**

- Form 1040 with all forms/schedules including signed Form 8879 and Form 8453, if applicable
- Form 8332, if applicable
- Original Power of Attorney, if applicable
- State forms/schedules, as applicable
- All other taxpayer documents including Form(s) W-2 and Form(s) 1099

**Mail the following to:**

IRS Processing Center (for e-filed return—after acknowledgement received)

- Form 8453, if applicable, along with the following:
  - Copy of Form 8332, if applicable
  - Copy of Power of Attorney, if applicable
  - Any other required attachments

**Important Note:** Tax packages are no longer being mailed out to individuals by IRS. Forms and publications may be accessed via the Internet at www.irs.gov/formspubs.

# Check Your Work – The Quality Review

- Ensure each return you file is accurate prior to obtaining taxpayer signatures.
- Follow your site's review process which may include the following:

***The Volunteer Preparer***

1. **Advise** the taxpayer of the importance of this final step and their role in the process.
2. **Compile** the taxpayer supporting documents and their intake and interview sheet (including notes taken during the intake and interview process).
3. **Introduce** the taxpayer to site's quality reviewer and provide him/her the items in # 2 above. (NOTE: You may put the source document in the taxpayer's record keeping envelope, Publication 730.)

***The Quality Reviewer***

1. **Answer** any questions the taxpayer may have and make sure all their questions are answered.
2. **Review** the taxpayer documents and tax return along with their completed Form 13614-C
3. **Conduct** the review by reviewing (at a minimum):
   - Identification documents, including verification of taxpayer birth date and address
   - Social Security Number/Individual Tax Identification Number
   - Banking information for direct deposits or debits
   - Forms W-2, including a cross-check of tax year, EIN, addresses, and all data entered
   - Forms 1099 income statements (types of income include miscellaneous, interest, dividend, retirement, real estate transactions, state refunds, etc.)
   - Any income not reported on W-2, or other documents (ask if any other income received)
   - Form 1098 Mortgage Interest/Taxes Paid
   - Childcare statement from the provider which includes the provider's EIN or SSN
   - Charitable Contribution statements
   - Student loan interest statements
   - Education/tuition payments (confirm that preparer checked best of Form 8863 or adjustment or Schedule C-EZ/C expenses, if applicable)
   - If EIC checked "NO" on the Form 1040, page 2, confirm that this is correct.
   - Estimated tax payments (amounts and dates paid)
   - If return requires paper filing, verify that the default PIN information is deleted and "paper" is checked on Main Info Sheet and the state return, if applicable
   - On Main Info Sheet, if site requires entries in Preparer Use Field, verify entry
   - Verify there are no blank Forms W-2 or 1099 or duplicate worksheets

**If there are errors:**

- Make other information on income and expenses the correction(s) on Form 13614-C
- Correct the return and (if applicable) review again with the taxpayer.
- Obtain the appropriate taxpayer's signature(s) and e-file the return. (See closeout below.)

**If there are no errors:**

- Obtain the appropriate taxpayer's signature(s) and e-file the return. (See closeout below.)

**The Closeout:**

- Place the copy of the taxpayer's return and supporting documents (including Form 8879, IRS e-file Signature Authorization, if applicable) in Publication 730 (Record Keeping Envelope), if available.
- Advise the taxpayer to bring his/her completed tax return with schedules and worksheets back next year.

# Amended Returns

This information presumes you have the original return in TaxWise®. Amended returns cannot be electronically filed.

- Open the original return in TaxWise®. If the return was previously adjusted by the IRS, modify the original return to match the changes the IRS made before opening Form 1040X.
- Using the process for adding a form, select 1040X Pg 1 from the list. Add the state amended return forms if the taxpayer is required to correct that return as well.
- On the Form 1040X and the state's amended return form, if applicable, check the box at the top to override the original refund or balance due before making changes to any forms.
- Starting with the Main Information Sheet, confirm the address, filing status and exemptions from the original return and make any appropriate changes such as adding or removing dependents. Add additional Forms W-2, other income documents or credit information as if you are preparing the original return.
- TaxWise® will complete the Form 1040X Part I based on changes to the tax return. In Part III, provide an explanation for filing Form 1040X such as receiving another Form W-2 after filing the original return or forgetting to claim the child tax credit. Identify the line numbers that changed in Part I as well. In the state amendment, press on the space bar on each line of the explanation to copy the explanation from the federal amendments.
- Review the forms tree on the left for any red marks and fix them.
- Secure the taxpayer's signature on this form and provide them with the appropriate mailing address from the Form 1040X Instructions.
- When mailing the amended return to the IRS, do **not** include copies of the original return. **Do** include copies of any revised schedules or additional Forms W2 or 1099. If taxable Social Security changes, also include the Form 1040 with "Amendment" written across it. The state amendment should include a copy of everything sent with the federal amended return.
- Taxpayer should receive a copy of all documents to retain for their records.

**TaxWise® Hint:** To Open the original read-only version of the return, click on [File,Return Version]. You can then close the current version (as revised) or a previous version by date completed.

# Notes

## Highlights of Education Tax Benefits for Tax Year 2011

*This chart highlights some differences among the benefits discussed in this publication. See the text for definitions and details.* **Do not rely on this chart alone.**
***Caution:*** *You generally cannot claim more than one benefit for the same education expense.*

| | **Scholarships, Fellowships, Grants, and Tuition Reductions** | **American Opportunity Credit** | **Lifetime Learning Credit** | **Student Loan Interest Deduction** | **Tuition and Fees Deduction** |
|---|---|---|---|---|---|
| **What is your benefit?** | Amounts received may not be taxable | 40% of credit may be refundable (limited to $1,000) | Credits can reduce amount of tax you must pay | Can deduct interest paid | Can deduct expenses |
| **What is the annual limit?** | None | $2,500 credit per student | $2,000 credit per tax return | $2,500 deduction | $4,000 deduction |
| **What expenses qualify besides tuition and required enrollment fees?** | Course-related expenses such as fees, books, supplies, and equipment | Course-related books, supplies, and equipment | None | Books<br>Supplies<br>Equipment<br><br>Room & board<br><br>Transportation<br><br>Other necessary expenses | None |
| **What education qualifies?** | Undergraduate & graduate<br><br>K – 12 | 1st 4 years of undergraduate (postsecondary) | Undergraduate & graduate<br><br>Courses to acquire or improve job skills | Undergraduate & graduate | Undergraduate & graduate |
| **What are some of the other conditions that apply?** | Must be in degree or vocational program<br><br>Payment of tuition and required fees must be allowed under the grant | Can be claimed for only 4 tax years (which includes years Hope credit claimed)<br><br>Must be enrolled at least half-time in degree program<br><br>No felony drug conviction(s) | No other conditions | Must have been at least half-time student in degree program | Cannot claim both deduction & education credit for same student in same year |
| **In what income range do benefits phase out?** | No phaseout | $80,000 – $90,000<br><br>$160,000 – $180,000 for joint returns | $50,000 – $61,000<br><br>$100,000 – $122,000 for joint returns | $60,000 – $75,000<br><br>$120,000 – $150,000 for joint returns | $65,000 – $80,000<br><br>$130,000 – $160,000 for joint returns |

# Useful Publications and Forms

## Tax Publications for Individual Taxpayers

**General Guides**

- **1** Your Rights as a Taxpayer
- **17** Your Federal Income Tax For Individuals
- **334** Tax Guide for Small Business (For Individuals Who Use Schedule C or C-EZ)
- **509** Tax Calendars for 2010
- **910** IRS Guide to Free Tax Services

**Specialized Publications**

- **3** Armed Forces' Tax Guide
- **54** Tax Guide for U.S. Citizens and Resident Aliens Abroad
- **225** Farmer's Tax Guide
- **463** Travel, Entertainment, Gift, and Car Expenses
- **501** Exemptions, Standard Deduction, and Filing Information
- **502** Medical and Dental Expenses (Including the Health Coverage Tax Credit)
- **503** Child and Dependent Care Expenses
- **504** Divorced or Separated Individuals
- **505** Tax Withholding and Estimated Tax
- **514** Foreign Tax Credit for Individuals
- **516** U.S. Government Civilian Employees Stationed Abroad
- **517** Social Security and Other Information for Members of the Clergy and Religious Workers
- **519** U.S. Tax Guide for Aliens
- **521** Moving Expenses
- **523** Selling Your Home
- **524** Credit for the Elderly or the Disabled
- **525** Taxable and Nontaxable Income
- **526** Charitable Contributions
- **527** Residential Rental Property (Including Rental of Vacation Homes)
- **529** Miscellaneous Deductions
- **530** Tax Information for Homeowners
- **531** Reporting Tip Income
- **535** Business Expenses
- **536** Net Operating Losses (NOLs) for Individuals, Estates, and Trusts
- **537** Installment Sales
- **541** Partnerships
- **544** Sales and Other Dispositions of Assets
- **547** Casualties, Disasters, and Thefts
- **550** Investment Income and Expenses (Including Capital Gains and Losses)
- **551** Basis of Assets
- **554** Tax Guide for Seniors
- **555** Community Property
- **556** Examination of Returns, Appeal Rights, and Claims for Refund
- **559** Survivors, Executors, and Administrators
- **561** Determining the Value of Donated Property
- **564** Mutual Fund Distributions
- **570** Tax Guide for Individuals With Income From U.S. Possessions
- **571** Tax-Sheltered Annuity Plans (403(b) Plans) For Employees of Public Schools and Certain Tax-Exempt Organizations
- **575** Pension and Annuity Income
- **584** Casualty, Disaster, and Theft Loss Workbook (Personal-Use Property)
- **587** Business Use of Your Home (Including Use by Daycare Providers)
- **590** Individual Retirement Arrangements (IRAs)
- **593** Tax Highlights for U.S. Citizens and Residents Going Abroad
- **594** The IRS Collection Process
- **596** Earned Income Credit (EIC)
- **721** Tax Guide to U.S. Civil Service Retirement Benefits
- **901** U.S. Tax Treaties
- **907** Tax Highlights for Persons with Disabilities
- **908** Bankruptcy Tax Guide
- **915** Social Security and Equivalent Railroad Retirement Benefits
- **919** How Do I Adjust My Tax Withholding?
- **925** Passive Activity and At-Risk Rules
- **926** Household Employer's Tax Guide For Wages Paid in 2010
- **929** Tax Rules for Children and Dependents
- **936** Home Mortgage Interest Deduction
- **946** How To Depreciate Property
- **947** Practice Before the IRS and Power of Attorney
- **950** Introduction to Estate and Gift Taxes
- **967** The IRS Will Figure Your Tax
- **969** Health Savings Accounts and Other Tax-Favored Health Plans
- **970** Tax Benefits for Education
- **971** Innocent Spouse Relief
- **972** Child Tax Credit
- **1542** Per Diem Rates (For Travel Within the Continental United States)
- **1544** Reporting Cash Payments of Over $10,000 (Received in a Trade or Business)
- **1546** Taxpayer Advocate Service – Your Voice at the IRS

**Spanish Language Publications**

- **1SP** Derechos del Contribuyente
- **17SP** El Impuesto Federal sobre los Ingresos Para Personas Fisicas
- **547SP** Hechos Fortuitos Desastres y Robos
- **594SP** El Proceso de Cobro del IRS
- **596SP** Crédito por Ingreso del Trabajo
- **850** English-Spanish Glossary of Words and Phrases Used in Publications Issued by the Internal Revenue Service
- **1544SP** Informe de Pagos en Efectivo en Exceso de $10,000 (Recibidos en una Ocupación o Negocio)

## Commonly Used Tax Forms

**Form Number and Title**

- **1040** U.S. Individual Income Tax Return
  - **Sch A** Itemized Deductions
  - **Sch B** Interest and Ordinary Dividends
  - **Sch C** Profit or Loss From Business
  - **Sch C-EZ** Net Profit From Business
  - **Sch D** Capital Gains and Losses
  - **Sch E** Supplemental Income and Loss
  - **Sch EIC** Earned Income Credit
  - **Sch F** Profit or Loss From Farming
  - **Sch H** Household Employment Taxes
  - **Sch J** Income Averaging for Farmers and Fishermen
  - **Sch L** Standard Deduction for Certain Filers
  - **Sch R** Credit for the Elderly or the Disabled
  - **Sch SE** Self-Employment Tax
- **1040A** U.S. Individual Income Tax Return
- **1040EZ** Income Tax Return for Single and Joint Filers With No Dependents
- **1040-ES** Estimated Tax for Individuals
- **1040X** Amended U.S. Individual Income Tax Return
- **2106** Employee Business Expenses
- **2106-EZ** Unreimbursed Employee Business Expenses

**Form Number and Title**

- **2210** Underpayment of Estimated Tax by Individuals, Estates, and Trusts
- **2441** Child and Dependent Care Expenses
- **2848** Power of Attorney and Declaration of Representative
- **3903** Moving Expenses
- **4562** Depreciation and Amortization
- **4868** Application for Automatic Extension of Time To File U.S. Individual Income Tax Return
- **4952** Investment Interest Expense Deduction
- **5329** Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts
- **6251** Alternative Minimum Tax—Individuals
- **8283** Noncash Charitable Contributions
- **8582** Passive Activity Loss Limitations
- **8606** Nondeductible IRAs
- **8812** Additional Child Tax Credit
- **8822** Change of Address
- **8829** Expenses for Business Use of Your Home
- **8863** Education Credits (American Opportunity, Hope, and Lifetime Learning Credits)
- **8949** Sales and Other Dispositions of Capital Assets
- **9465** Installment Agreement Request

# Frequent Taxpayer Inquiries

Taxpayers normally ask questions during the interview process about the topics covered in this section. Visit www.irs.gov-keyword: 1040 Central or see Publication 17 for additional topics and information.

**Installment Payment**
Publication 594, The IRS Collection Process, explains taxpayers' rights and responsibilities regarding payment of federal taxes.

**Copies of Prior-Years' Returns**
Taxpayers should complete Form 4506, Request for Copy of Tax Return, and mail it, with the required fee, to the IRS campus where the return was filed.

A transcript of a prior-year return may be obtained, also using Form 4506-T. There is no charge for the transcript which shows most line items from the original return, including accompanying forms and schedules.

**Amended Returns (See Tab 12)**
Form 1040X, Amended U.S. Individual Income Tax Return should be used by taxpayers to amend their return. Many mistakes are corrected in processing by the IRS and a letter of explanation is mailed at the time an error is identified or when a refund is issued. In these cases, taxpayers are not required to file an Amended Return as the corrections have already been made.

Preparation of amended returns has a narrow scope in the VITA/TCE program. Volunteers can assist taxpayers with an amended return if both of these statements are true.

1. The 1040X is for the current year or one of the 3 years immediately prior.

2. The original return was prepared at that same site or recreated based on the latest return submitted to the IRS.

**Taxpayer Address Changes**
Taxpayers should use Form 8822, Change of Address, to notify the IRS of any change of address. If taxpayers move after filing the return and before a refund is received, they should notify their old post office and the IRS of their new address.

**Recordkeeping**
Taxpayers should keep their tax documents until the statute of limitations runs out for the return. Usually, this is three years from the date the return was due or filed, or two years from the date the tax was paid, whichever is later. Refer taxpayers to Publication 552, Recordkeeping for Individuals or at www.irs.gov – keyword: Recordkeeping.

**FREE Tax Preparation Locations**
Consult your Site Coordinator for information about the location of other VITA/TCE sites in your area. Taxpayers may call 1-800-829-1040 or visit AARP's website at www.aarp.org/taxaide or call 1-888-227-7669 for this information.

**Problems Navigating the IRS**
Taxpayers may contact the Taxpayer Advocate if their attempts to deal with an IRS problem are unsuccessful.

Taxpayers can visit www.irs.gov/advocate or see Publication 1546, for details on what the Taxpayer Advocate Service provides. Also suggest Publication 910, Guide to Free Tax Services.

**Refund Information**
Taxpayers should be directed to www.irs.gov to obtain information about their refund. Specific information is available by clicking on "Where's My Refund?"

**Innocent Spouse Relief**
Taxpayers who file a joint tax return are jointly and individually responsible for the tax and any interest or penalty due on the joint return even if they later divorce. In some cases, a spouse (or former spouse) will be relieved of the tax, interest, and penalties on a joint tax return. Spousal relief is granted in certain situations when a taxpayer can prove he/she is not liable for amounts due in joint filing situations.

Taxpayers should see Publication 971, Innocent Spouse Relief which explains the types of relief, who may qualify for them, and how to get them. Married persons who did not file joint returns, but who live in community property states, may also qualify for relief. (Out of scope for VITA/TCE prepared returns.)

**Injured Spouse Relief**
An injured spouse claim is different from an innocent spouse relief request. An injured spouse can request the division of tax overpayment attributed to each spouse. The injured spouse must file Form 8379, Injured Spouse Allocation, to request his or her portion of a joint refund.

**Married Filing Separately**
Unless required to file separately, married taxpayers may want their tax figured on a joint return and on separate returns, to make sure they are receiving the most advantageous filing status. Generally, however, married taxpayers pay more combined tax on separate returns than they would on a joint return. See Publication 17, Filing Status, for Special Rules (which outlines the disadvantages).

# NOTES

# NOTES

# NOTES

# Index

## Tax Law


**Adjustments**
- Alimony Requirements ..... E-3
- Health Saving Accounts (HSA) ..... E-1, E-2
- MAGI and IRA Deductions—with No Retirement Plan E-4
- MAGI and IRA Deductions—with Retirement Plan ..... E-4
- MAGI and Student Loan Interest Deduction ..... E-5
- Student Loan Interest Deduction ..... E-5

**Amended Returns** ..... 12-9

**Balance Due Returns** ..... 12-7

**Credits**
- Child and Dependent Care Expenses ..... G-1
- Child & Dependent Care ..... G-2
- Education Credits ..... G-3
- Credit for the Elderly or Disabled ..... G-5
- Retirement Savings Credit ..... G-6
- Child Tax Credit & Additional Child Tax Credit ..... G-7
- Energy Credit ..... G-9

**Deductions**
- 50% Limits ..... F-3
- Entertainment Expenses ..... F-2
- Itemized Deduction ..... F-8
- Record Keeping ..... F-5
- Standard Deduction ..... F-6
- Transportation Expenses ..... F-4
- Travel Expenses ..... F-1

**Direct Deposits** ..... 12-5

**Distributing Copies of Returns** ..... 12-7

**Earned Income Credit**
- Common Filing Errors ..... H-1
- Disallowance ..... H-2
- Earned Income Defined ..... H-1 , H-2
- General Eligibility Rules ..... H-3
- With Qualifying Child ..... H-4
- Without Qualifying Child ..... H-5
- Qualifying Child of More Than One Person ..... H-5

**Exemptions/Dependency**
- Children of Divorced/Separated Parents ..... C-7
- Claiming a Dependency Exemption ..... C-3
- Exemption Amounts ..... C-1
- Personal Exemption ..... C-2
- Qualifying Child ..... C-4
- Qualifying Relative ..... C-5
- Qualifying Child of More Than One Person ..... C-3
- Determining Support Worksheet ..... C-8

**Filing Requirements**
- Who Must File—For Most People ..... A-1
- Who Must File—Dependents ..... A-2
- Who Must File—Other Situations ..... A-3
- Who Should File ..... A-3
- Determining Residency ..... A-4

**Filing Status**
- Determination of Filing Status ..... B-1
- Interview Tips—Filing Status ..... B-2
- Head of Household Considerations ..... B-3

**Frequent Taxpayer Inquiries** ..... 13-3

**Income**
- Armed Forces Gross Income ..... D-2
- Cancellation of Debt ..... D-4
- Scholarship and Fellowship Payments ..... D-3
- Taxable/Non-Taxable Income ..... D-1

**Form 13614-C Job Aid** ..... 8, 9, 10, 11

**Quality Review Guidance** ..... 12-8

**Refund Cycle Chart** ..... Back Cover

**Scope of Service** ..... 4,5

**Qualifying Child of More Than One Person** ..... C-3, H-5

**Useful Publications and Forms** ..... 13-2

# Index

## TaxWise® Software


**Adjustments to Income** ....3-1

**Amended Returns**....12-9

**Balance Due Returns** ....12-6

**Contact Information for Volunteers**.... Inside Back Cover

**Credits**
- Child and Dependent Care Expenses....5-3
- EIC ....6-5
- Education Credits....5-4
- Foreign Tax Credit ....5-2
- Nonrefundable Credits ....5-1

**Direct Deposit of Refunds** ....12-5

**Finishing the Return**
- Electronic Funds Withdrawal....6-3
- Completing a Return in TaxWise® ....1-3
- Distributing Copies ....12-7
- Return Signatures ....12-3
- PIN Guidelines ....12-1

**Income**
- Form 1099-R ....2-17
- Form W-2 ....2-3
- How/Where to Enter....2-2
- Sch B—Dividends ....2-6
- Sch B—Interest ....2-4
- Sch C-EZ Business Income ....2-7
- Schedule C Business Income ....2-8
- Sch D—Capital Gains/Losses....2-10
- Sch E—Rental (Military Only) ....2-21

**Itemized Deductions**
- Sch A....4-2
- Sch A Detail ....4-4

**Keyboard Quick Reference**
- Log In Screen....1-6
- Main Information Screen ....1-8

**Return Preparation Process**
- Flow Chart....1-1
- Starting a Return ....1-6
- Toolbars ....1-7

**Refund Cycle Chart** .... Back Cover


## TaxWise® Online (TWO)


**Adding Forms**
- Adding Forms to a Return ....9-1
- Additional Dependent Worksheet....9-2

**Creating Returns**
- Create a New Return ....8-1
- Completing the Interview....8-2
- Creating a New Return—Tax Forms....8-6
- Online Toolbar Icons ....8-7
- Preparing a Tax Return....8-8

**Diagnostics**
- Setting the Return Stage....10-1
- Running Diagnostics ....10-2

**Printing the Return**
- Printing the Active Tax Return ....11-1
- Printing from the User Homepage....11-3

**Starting TWO**
- Setting up TWO....7-1
- Logging on to TWO the First Time ....7-1
- The TWO Homepage ....7-2

**TWO Short Cuts**....7-2

# Contact Information for Volunteers

## TaxWise

| | |
|---|---|
| TaxWise Volunteer Support | 1-800-411-6391(do not give to the public) |
| TaxWise Toll-Free Transmission | 1-800-829-5945 |
| TaxWise via E-Mail | customer.support@taxwise.com |
| TaxWise Website | www.taxwise.com |

## Internal Revenue Service

| | |
|---|---|
| VITA/TCE Hotline (for volunteer use only) | 1-800-829-8482 (800-TAX-VITA) |
| Foreign Student/Scholar Issuses | 1-800-829-1040 |
| or to e-mail a question | www.irs.gov/taxlaw – select Alien issues |
| IRS SPEC Territory Office | _____ |
| Enterprise Service Desk (Help Desk) | 1-866-7HELP4U (1-866-743-5748) |
| Identity Theft | 1-800-908-4490 |
| VolTax | 1-877-330-1205 |

## State Department of Revenue

| | |
|---|---|
| State Volunteer Hotline | _____ |
| State e-file Help Desk | _____ |
| State General Information | _____ |
| State Tax Forms Distribution Center | _____ |
| State Website | _____ |
| Partner Point of Contact | _____ |

## Contact Information for Taxpayers

| | |
|---|---|
| IRS Tax-Help | 1-800-829-1040 |
| IRS Refund Hotline | 1-800-829-1954 |
| Where's My Refund Website | www.irs.gov |
| IRS Forms and Publications | 1-800-829-3676 |
| IRS Taxpayer Advocate | 1-877-777-4778 |
| IRS Tax-Help for Deaf (TDD) | 1-800-829-4059 |
| Social Security Administration | 1-800-772-1213 |
| Refund Offset Inquiry (Financial Management System) | 1-800-304-3107 |

www.irs.gov/efile

# 2012 IRS *e-file* Refund Cycle Chart

Based on when your return was accepted by the IRS, the **projected date** your refund will be direct deposited or mailed is shown on the chart below. This date is based on normal processing and assumes your return does not require further review. If your return does require review and additional information is needed, you will receive a notice. For the most up-to-date information on your refund, go to *www.irs.gov* and click on *Where's My Refund?* to check on any changes to the projected date shown below.

| IRS accepts your return between… | Projected Direct Deposit Sent* | Projected Paper Check Mailed* |
|---|---|---|
| Jan 13 and Jan 19, 2012 | Jan 26, 2012 | Jan 30, 2012 |
| Jan 20 and Jan 26, 2012 | Feb 2, 2012 | Feb 6, 2012 |
| Jan 27 and Feb 2, 2012 | Feb 9, 2012 | Feb 13, 2012 |
| Feb 3 and Feb 9, 2012 | Feb 16, 2012 | Feb 20, 2012 |
| Feb 10 and Feb 16, 2012 | Feb 23, 2012 | Feb 27, 2012 |
| Feb 17 and Feb 23, 2012 | Mar 1, 2012 | Mar 5, 2012 |
| Feb 24 and Mar 1, 2012 | Mar 8, 2012 | Mar 12, 2012 |
| Mar 2 and Mar 8, 2012 | Mar 15, 2012 | Mar 19, 2012 |
| Mar 9 and Mar 15, 2012 | Mar 22, 2012 | Mar 26, 2012 |
| Mar 16 and Mar 22, 2012 | Mar 29, 2012 | Apr 2, 2012 |
| Mar 23 and Mar 29, 2012 | Apr 5, 2012 | Apr 9, 2012 |
| Mar 30 and Apr 5, 2012 | Apr 12, 2012 | Apr 16, 2012 |
| Apr 6 and Apr 12, 2012 | Apr 19, 2012 | Apr 23, 2012 |
| Apr 13 and Apr 19, 2012 | Apr 26, 2012 | Apr 30, 2012 |
| Apr 20 and Apr 26, 2012 | May 3, 2012 | May 7, 2012 |
| Apr 27 and May 3, 2012 | May 10, 2012 | May 14, 2012 |
| May 4 and May 10, 2012 | May 17, 2012 | May 21, 2012 |
| May 11 and May 17, 2012 | May 24, 2012 | May 28, 2012 |
| May 18 and May 24, 2012 | May 31, 2012 | Jun 4, 2012 |
| May 25 and May 31, 2012 | Jun 7, 2012 | Jun 11, 2012 |
| Jun 1 and Jun 7, 2012 | Jun 14, 2012 | Jun 18, 2012 |
| Jun 8 and Jun 14, 2012 | Jun 21, 2012 | Jun 25, 2012 |
| Jun 15 and Jun 21, 2012 | Jun 28, 2012 | Jul 2, 2012 |
| Jun 22 and Jun 28, 2012 | Jul 5, 2012 | Jul 9, 2012 |
| Jun 29 and Jul 5, 2012 | Jul 12, 2012 | Jul 16, 2012 |

| IRS accepts your return between… | Projected Direct Deposit Sent* | Projected Paper Check Mailed* |
|---|---|---|
| Jul 6 and Jul 12, 2012 | Jul 19, 2012 | Jul 23, 2012 |
| Jul 13 and Jul 19, 2012 | Jul 26, 2012 | Jul 30, 2012 |
| Jul 20 and Jul 26, 2012 | Aug 2, 2012 | Aug 6, 2012 |
| Jul 27 and Aug 2, 2012 | Aug 9, 2012 | Aug 13, 2012 |
| Aug 3 and Aug 9, 2012 | Aug 16, 2012 | Aug 20, 2012 |
| Aug 10 and Aug 16, 2012 | Aug 23, 2012 | Aug 27, 2012 |
| Aug 17 and Aug 23, 2012 | Aug 30, 2012 | Sep 3, 2012 |
| Aug 24 and Aug 30, 2012 | Sep 6, 2012 | Sep 10, 2012 |
| Aug 31 and Sep 6, 2012 | Sep 13, 2012 | Sep 17, 2012 |
| Sep 7 and Sep 13, 2012 | Sep 20, 2012 | Sep 24, 2012 |
| Sep 14 and Sep 20, 2012 | Sep 27, 2012 | Oct 1, 2012 |
| Sep 21 and Sep 27, 2012 | Oct 4, 2012 | Oct 8, 2012 |
| Sep 28 and Oct 4, 2012 | Oct 11, 2012 | Oct 15, 2012 |
| Oct 5 and Oct 11, 2012 | Oct 18, 2012 | Oct 22, 2012 |
| Oct 12 and Oct 18, 2012 | Oct 25, 2012 | Oct 29, 2012 |
| Oct 19 and Oct 25, 2012 | Nov 1, 2012 | Nov 5, 2012 |
| Oct 26 and Nov 1, 2012 | Nov 8, 2012 | Nov 12, 2012 |
| Nov 2 and Nov 8, 2012 | Nov 15, 2012 | Nov 19, 2012 |
| Nov 9 and Nov 15, 2012 | Nov 22, 2012 | Nov 26, 2012 |
| Nov 16 and Nov 22, 2012 | Nov 30, 2012 | Dec 4, 2012 |
| Nov 23 and Nov 29, 2012 | Dec 6, 2012 | Dec 10, 2012 |
| Nov 30 and Dec 6, 2012 | Dec 13, 2012 | Dec 17, 2012 |
| Dec 7 and Dec 13, 2012 | Dec 20, 2012 | Dec 24, 2012 |
| Dec 14 and Dec 20, 2012 | Dec 28, 2012 | Jan 2, 2013 |
| Dec 21 and Dec 27, 2012 | Jan 4, 2013 | Jan 8, 2013 |

## Refund Inquiries

You can check the status of your refund 72 hours after IRS acknowledges receipt of your e-filed return. For the fastest information go to *www.irs.gov* and click on where's my refund? Or, call 1-800-829-1954 or 1-800-829-4477.

***This is the projected date that the refund will be direct deposited or mailed. It may take up to 5 additional days for the financial institution to post the refund to your account, or for mail delivery.**