



**Tax Year 2021**  
**TAX LAW**  
**PROGRAM TRAINING**  
**Session 2**

*City of Phoenix VITA Network 2021*

# Taxes are Fun!

- ✓ Paying taxes may not be fun but doing taxes for others is fun!
- ✓ Most tax returns may appear complicated, but they are not! Even a high School student can prepare a return and we are training students at Metro Tech High School in Phoenix.

✓ You may feel like this at times:



1. Review
2. Intake & Quality Review
3. Intake Test
4. Filing Status
5. Dependents
6. Income - Salaries & Tips
7. Income - Business
8. Homework Assignment



KEEP  
CALM  
AND  
PARTY LIKE  
IT'S APRIL 16

# **Intake & Quality Review**

# Intake/Interview & Quality Review Training

Form 13614-C, *Intake/Interview & Quality Review Sheet*, is a tool designed to help the volunteer ask the right questions. When used properly, this form effectively contributes to accurate tax return preparation.

# Intake/Interview & Quality Review Training

- Form 13614-C, *Intake/Interview & Quality Review Sheet*
- Publication 4012, *Volunteer Resource Guide* (Line-by-Line Job Aid for Form 13614-C)
- Publication 17, *Your Federal Income Tax (For Individuals)*



# Intake/Interview & Quality Review Sheet

- You will need:**
- Tax information such as Forms W-2, 1099, 1098, 1095.
  - Social security cards or ITIN letters for all persons on your tax return.
  - Picture ID (such as valid driver's license) for you and your spouse.
- Please complete pages 1-4 of this form.  
 • You are responsible for the information on your return. Please provide complete and accurate information.  
 • If you have questions, please ask the IRS-certified volunteer preparer.

**Volunteers are trained to provide high quality service and uphold the highest ethical standards.  
 To report unethical behavior to the IRS, email us at [wi.voltax@irs.gov](mailto:wi.voltax@irs.gov)**

**Part I - Your Personal Information** (If you are filing a joint return, enter your names in the same order as last year's return)

1. Your first name	M.I.	Last name	Daytime telephone number	Are you a U.S. citizen? <input type="checkbox"/> Yes <input type="checkbox"/> No
2. Your spouse's first name	M.I.	Last name	Daytime telephone number	Is your spouse a U.S. citizen? <input type="checkbox"/> Yes <input type="checkbox"/> No
3. Mailing address		Apt #	City	State ZIP code
4. Your Date of Birth	5. Your job title	6. Last year, were you:		a. Full-time student <input type="checkbox"/> Yes <input type="checkbox"/> No
		b. Totally and permanently disabled <input type="checkbox"/> Yes <input type="checkbox"/> No		c. Legally blind <input type="checkbox"/> Yes <input type="checkbox"/> No
7. Your spouse's Date of Birth	8. Your spouse's job title	9. Last year, was your spouse:		a. Full-time student <input type="checkbox"/> Yes <input type="checkbox"/> No
		b. Totally and permanently disabled <input type="checkbox"/> Yes <input type="checkbox"/> No		c. Legally blind <input type="checkbox"/> Yes <input type="checkbox"/> No
10. Can anyone claim you or your spouse as a dependent? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Unsure				
11. Have you, your spouse, or dependents been a victim of tax related identity theft or been issued an Identity Protection PIN? <input type="checkbox"/> Yes <input type="checkbox"/> No				

**Part II - Marital Status and Household Information**

1. As of December 31, 2020, what was your marital status?

Never Married (This includes registered domestic partnerships, civil unions, or other formal relationships under state law)

Married a. If Yes, Did you get married in 2020?  Yes  No

Divorced b. Did you live with your spouse during any part of the last six months of 2020?  Yes  No

Legally Separated Date of final decree \_\_\_\_\_

Widowed Date of separate maintenance decree \_\_\_\_\_

Year of spouse's death \_\_\_\_\_

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

**To be completed by a Certified Volunteer Preparer**

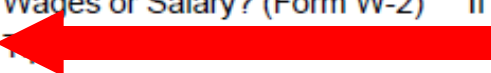
Name (first, last) Do not enter your name or spouse's name below	Date of Birth (mm/dd/yy)	Relationship to you (for example: son, daughter, parent, none, etc)	Number of months lived in your home last year	US Citizen (yes/no)	Resident of US, Canada, or Mexico last year (yes/no)	Single or Married as of 12/31/20 (S/M)	Full-time Student last year (yes/no)	Totally and Permanently Disabled (yes/no)	Is this person a qualifying child/relative of any other person? (yes/no)	Did this person provide more than 50% of his/her own support? (yes,no,n/a)	Did this person have less than \$4,300 of income? (yes,no,n/a)	Did the taxpayer(s) provide more than 50% of support for this person? (yes/no/n/a)	Did the taxpayer(s) pay more than half the cost of maintaining a home for this person? (yes/no)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)					

# Intake/Interview & Quality Review Training

Review Intake Sheet (Form 13614-C, Pub. 4012)

## The Intake/Review Process and Volunteer Certification Levels:

1. (B) for Basic
2. (A) for Advanced
3. (M) for Military

Yes	No	Unsure	Part III – Income – Last Year, Did You (or Your Spouse) Receive
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1. (B) Wages or Salary? (Form W-2) If yes, how many jobs did you have last year? <input type="text"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2. (A) 
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3. (B) Scholarships? (Forms W-2, 1098-T)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	4. (B) Interest/Dividends from: checking/savings accounts, bonds, CDs, brokerage? (Forms 1099-INT, 1099-DIV)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5. (B) Refund of state/local income taxes? (Form 1099-G)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6. (B) Alimony income or separate maintenance payments?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7. (A) Self-Employment income? (Form 1099-MISC, cash)

# Intake/Interview & Quality Review Training

## Intake Process Completing Form 13614-C (Pub. 4012)

- Taxpayers are asked about income received and should check the appropriate line item “Yes”, “No”, or “Unsure”.
- As you discuss each of the questions, the volunteer must ensure that the answers correlate with the documents provided by the taxpayer.

# Intake/Interview & Quality Review Training

## Intake Process Completing Form 13614-C (Pub. 4012)

- The volunteer must change the original answer on Form 13614-C with any updated information.

Page

Yes	No	Unsure	Check appropriate box for each question in each section
<b>Part III – Income</b> – Last Year, Did You (or Your Spouse) Receive			
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1. (B) Wages or Salary? (Form W-2) If yes, how many jobs did you have last year? <input type="text"/>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	2. (A) Tip Income?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3. (B) Scholarships? (Forms W-2, 1098-T)
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	4. (B) Interest/Dividends from: checking/savings accounts, bonds, CDs, brokerage? (Forms 1099-INT, 1099-DIV)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5. (B) Refund of state/local income taxes? (Form 1099-G)

This has to be changed.

# Intake/Interview & Quality Review Training

## Intake Process Completing Form 13614-C (Pub. 4012)

- Methods for completing Form 13614-C may vary from site-to-site. In most cases, the taxpayer completes pages 1 thru 3 of the Form 13614-C before meeting with a tax preparer.
- At all sites, volunteers will complete the form with the taxpayer if they require assistance.

# Intake/Interview & Quality Review Training

## Intake Process Completing Form 13614-C (Pub. 4012)

**Note:** Form 13614-C is printed by IRS in English and Spanish. It is also available to be downloaded from [irs.gov](https://irs.gov) in the following languages: Chinese, Chinese Traditional, Creole, Korean, Polish, Tagalog, Portuguese and Vietnamese.

There is also an electronic, fillable form for taxpayers with access to a computer.

# Intake/Interview & Quality Review Training

Review Intake Sheet (Form 13614-C)-1

**Do not** begin entering taxpayer information into the software until you have completed a thorough interview with the taxpayer because you may find at any point in this interview process that...



# Intake/Interview & Quality Review Training

## Review Intake Sheet (Form 13614-C)-2

- 1. The tax return is above the volunteer's certification level, or...**
- 2. The taxpayer does not have all needed information or documentation, or**
- 3. The tax return is outside the scope of the VITA Program**



# Intake/Interview & Quality Review Training

## Scope of Service

The IRS provides the training materials & software while the partner, City of Phoenix, provides the volunteers and sites in which to perform the service as long as we do only those things we have been trained to do.

# Intake/Interview & Quality Review Training

## Out of Scope Situations for VITA Programs

If a taxpayer has any of the conditions listed for 2021 as found in Pub. 4012 (pp. iv – xv), then VITA will not be able to provide TAX PREPARATION and the client would be better served by a professional tax preparer.

# Intake/Interview & Quality Review Training

Review Intake Sheet (Form 13614-C)

## The Interview Process:

- The volunteer should update or correct the intake sheet with any changes identified during the interview with the taxpayer.

# Intake/Interview & Quality Review Training

Review Intake Sheet (Form 13614-C)

## The Interview Process (1):

You may need to clarify the questions with the taxpayer, to assist them in providing accurate answers. Clarifying information while reviewing Form 13614-C during the Interview is a very effective way to gather all needed information.

# Intake/Interview & Quality Review Training

Review Intake Sheet (Form 13614-C)

## The Interview Process (2):

You may need to clarify the questions with the taxpayer.

- “I see that no one else lives in your home?”
- “So you only had income from your pension?”
- “So no one else can claim you as a dependent?”

# Intake/Interview & Quality Review Training

[Review Intake Sheet](#) (Form 13614-C)

## The Interview Process (3):

- Be alert for conflicting information. Sometimes an entry on one part will raise a question on another part of Form 13614-C.

For example:

# Intake/Interview & Quality Review Training

## Review Intake Sheet (Form 13614-C)

### The Interview Process (4):

- "I see that you and your husband both worked, yet you did not indicate you paid any child care expenses for your 3-year old son."
- "I see that you are over the age of 65, yet you did not indicate that you received Social Security benefits."

# Intake/Interview & Quality Review Training

[Review Intake Sheet](#) (Form 13614-C)

## The Interview Process (5):

- “I see that you answered “No” to the question ‘Can anyone claim you on their tax return?’; however, you are a full-time student and live with your parents.”



# Intake/Interview & Quality Review Training

The purpose of a Quality Review is to ensure that the taxpayer's return is **accurate**.

- ✓ What is on Form 13614-C
- ✓ The documents provided by the TP
- ✓ The interview with the TP
- ✓ What was input into the software.

# SOURCE DOCUMENTS

FORM 13614-C



TAX RETURN



# QUALITY REVIEW



# Intake/Interview & Quality Review Training

Use of a complete Intake/Interview & Quality Review Process results in more accurate returns!

**Filing Season 2018**

**100% vs. 77%**

# Intake/Interview & Quality Review Training

**Overall, the return accuracy rate for VITA sites during Filing Season 2018 was 93.30%.**

# Intake/Interview & Quality Review Training

Let's take the "Intake & QR Test" on the LinkLearn website now.

Publication 6744

**HAPPY TAX SEASON**

**MAY THE ODDS BE EVER IN  
YOUR FAVOR**

memegenerator.net

# **Who must file vs. Who should file**

# Who Must File

(Pub 4012)

## Chart A – For Most People Who Must File

**Note:** If you may be claimed as a dependent by another taxpayer, you must file as a dependent whether you are being claimed or not. See Chart B.

<b>If your filing status is...</b>	<b>AND at the end of 2020 you were...*</b>	<b>THEN file a return if your gross income was at least...**</b>
Single	under 65	\$12,400
	65 or older	\$14,050
Married filing jointly***	under 65 (both spouses)	\$24,800
	65 or older (one spouse)	\$26,100
	65 or older (both spouses)	\$27,400
Married filing separately (see the Instructions for Form 1040)	any age	\$5
Head of household (see the Instructions for Form 1040)	under 65	\$18,650
	65 or older	\$20,300
Qualifying widow(er) (see the Instructions for Form 1040)	under 65	\$24,800
	65 or older	\$26,100



# Who Must File

To decide whether someone must file a tax return, you need to know the individual's:

- Filing status (more on this later)
- Age
- Gross Income
- And whether they can be claimed as a dependent on another's tax return

# Who Must File

(Pub 4012)

- Taxpayers with income exceeding the gross income thresholds on page A-1 in Pub 4012
- People with *net* self-employment earnings of \$400 or more
- Persons receiving:
  - disbursements from an HSA
  - advanced payments of the Premium Tax Credit
  - advanced payments of the Child Tax Credit
- Taxpayers using the Married Filing Separately (MFS) status **(out-of-scope for VITA)**

# Who Should File

(Pub 4012)

1. You had income tax withheld from your pay.
2. You made estimated payments for the year or had an overpayment for last year's estimated tax.
3. You qualify for credits such as Earned Income, Child Tax, Education, Health Coverage, Homebuyer Credit.
4. Federal return may be required for some AZ credits.
5. Ensure nobody files a return with your SSN.

Still not sure, then use another resource.

Go to the website: [www.irs.gov](http://www.irs.gov)

The image shows the top portion of the IRS website. At the top left is the IRS logo. To the right is a search bar and navigation links for 'Help', 'News', and 'Language'. Below these are buttons for 'Charities & Nonprofits' and 'Tax Pros'. A horizontal menu contains 'File', 'Pay', 'Refunds', 'Credits & Deductions', and 'Forms & Instructions'. The main content area features a background of an American flag and several service tiles. A red callout box with a white background and black text points to the 'Get Your Refund Status' tile. The text inside the callout box reads: 'Click here to move to the next screen'.

**Click here to  
move to the next  
screen**

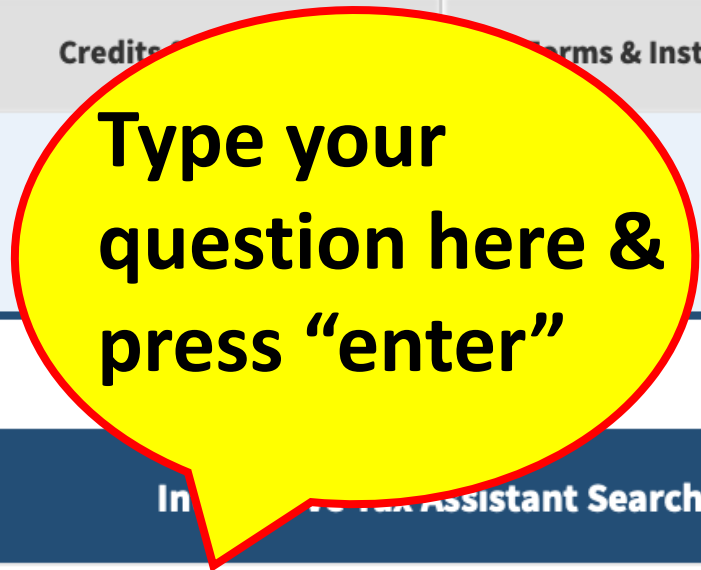


Help | News | Language

Charities & Nonprofits

Tax Pros

File Pay Refunds Credits Forms & Instructions



Home > Help > Interactive Tax Assistant > ITA

# Interactive Tax Assistant (ITA)

English | [Español](#)

Interactive Tax Assistant

Tools

Report Phishing

Fraud/Scams

Notices and Letters

Appeals

Frequently Asked Questions

Accessibility

Contact an International IRS Office

Tax Topics

## Interactive Tax Assistant Search

The Interactive Tax Assistant (ITA) is a tool that provides answers to a number of tax law questions. It can determine if a type of income is taxable, if you're eligible to claim certain credits, and if you can deduct expenses on your tax return. It also provides answers for general questions, such as determining your filing status, if you can claim dependents, if you have to file a tax return, etc.

You can find topics using the search feature or by viewing the categories listed below.

### Most Popular Topics

- [Do I Need to File a Tax Return?](#)
- [Whom May I Claim as a Dependent?](#)
- [How Much Is My Standard Deduction?](#)



### Disaster Relief

Tax relief for victims of

Rent,  
taxes, death.  
I hate  
growing up.



# Who Should File

(Pub 4012, Tab A)

## EXERCISES

- Bob is 27 years old. His gross income was \$17,000 during the tax year. Based only on this information, is he required to file a tax return?
- Yes or No?

# Who Should File

(Pub 4012, Tab A)

## EXERCISES

- Bob is 27 years old. His gross income was \$17,000 during the tax year. Based only on this information, is he required to file a tax return?
- Yes No



# Who Should File

(Pub 4012, Tab A)

## EXERCISES

- Janet and Harry are married and usually file jointly. During the tax year, she turned 66 and he turned 64. Their gross income was \$19,800. Based only on this information, are they required to file a tax return?
- Yes or No?

# Who Should File

(Pub 4012, Tab A)

## EXERCISES

- Janet and Harry are married and usually file jointly. During the tax year, she turned 66 and he turned 64. Their gross income was \$19,800. Based only on this information, are they required to file a tax return?
- Yes No

# Who Should File

(Pub 4012, Tab A)

## EXERCISES

- Juanita has a dependent child and can file as a Qualifying Widow. She is 47 years old. Her gross income was \$27,000. Based only on this information, is she required to file a tax return?
- Yes or No?

# Who Should File

(Pub 4012, Tab A)

## EXERCISES

- Juanita has a dependent child and can file as a Qualifying Widow. She is 47 years old. Her gross income was \$27,000. Based only on this information, is she required to file a tax return?
- Yes No

# Who Should File

(Pub 4012, Tab A)

## EXERCISES

- Trudy, 66, qualifies for Head of Household filing status and had \$13,900 in gross income. Is she required to file a return?
- Yes No (see chart A)

# Who Should File

(Pub 4012, Tab A)

## EXERCISES

- Trudy, 66, qualifies for Head of Household filing status and had \$13,900 in gross income. Is she required to file a return?
- Yes No

# Who Should File

(Pub 4012, Tab A)

## EXERCISES

- Melvin is 20 years old, single, and a U.S. citizen with a valid SSN. During the interview, you learn that Melvin's only income was \$14,750 in wages, he lived with his parents all year but they will not claim him on their return. Is he required to file a tax return?
- Yes or No (see chart B)

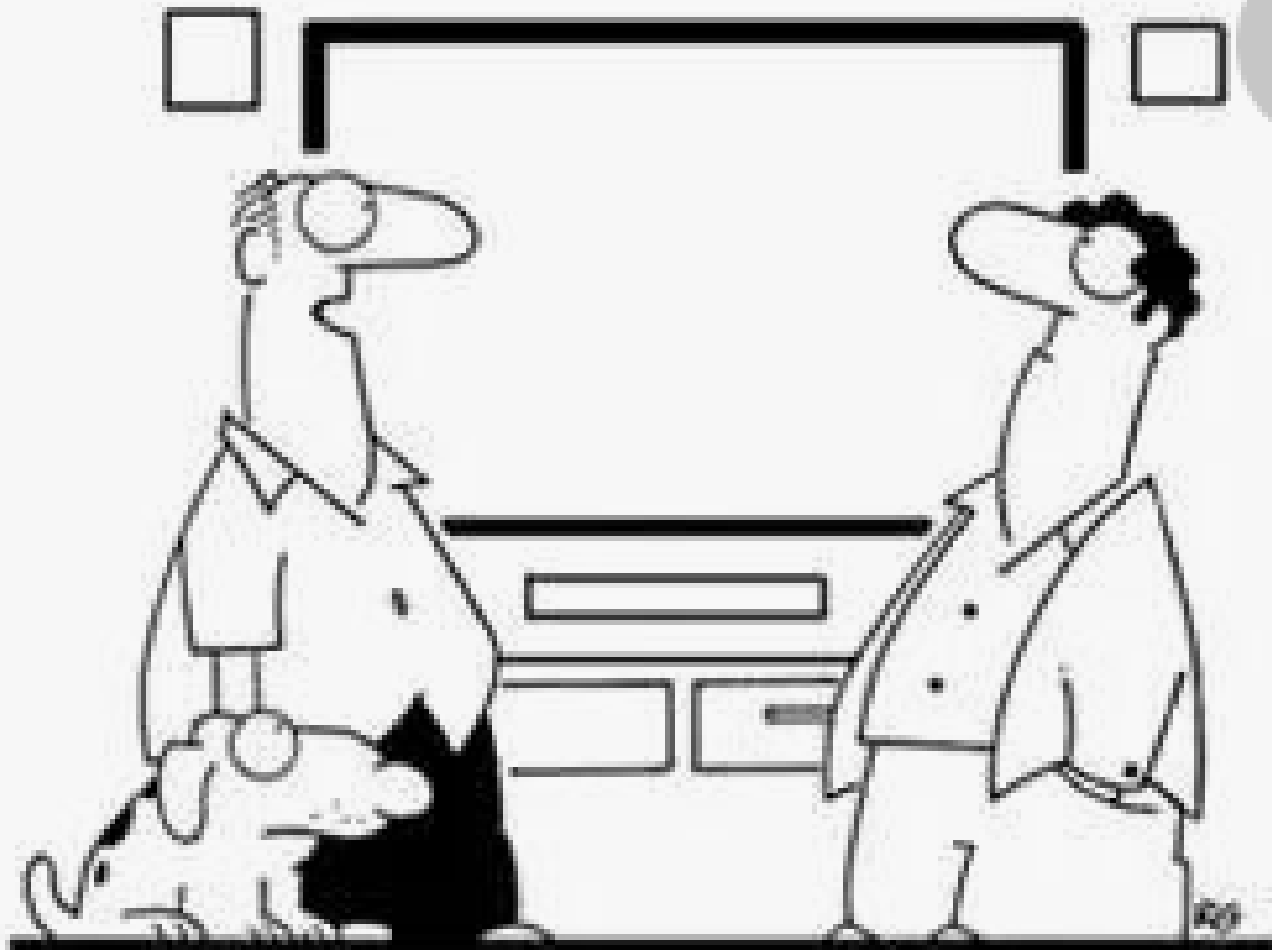
# Who Should File

(Pub 4012, Tab A)

## EXERCISES

- Melvin is 20 years old, single, and a U.S. citizen with a valid SSN. During the interview, you learn that Melvin's only income was \$14,750 in wages, he lived with his parents all year but they will not claim him on their return. Is he required to file a tax return?
- Yes No (see chart B)





*"I can claim a 70-inch plasma TV as a business expense because my accountant said it's important to look at the big picture."*

# EVERYTHING STARTS on Basic

## TaxSlayer Screenshot




2020

Form Finder

- Basic Information**
- Filing Status
- Personal Information
- Dependents/Qualifying Person
- IRS Identity Protection PIN
- Recovery Rebate Credit

- Federal Section
- Health Insurance

### Basic Information

Filing Status		<b>EDIT</b>
Personal Information		<b>EDIT</b>
Dependents / Qualifying Person		<b>BEGIN</b>
IRS Identity Protection PIN		<b>BEGIN</b>

**BACK**

**CONTINUE**

# Filing Status

(Form 1040, Line 1, 2, 3, 4, & 5)

- Unmarried (Single)
- Married filing Joint (MFJ)
- Married filing separate return (MFS) **(Out-of-Scope)**
- Head of Household (HoH)
- Qualifying Widow(er) with dependent child

The image shows a portion of the Form 1040, specifically the Filing Status section. A yellow rectangular box highlights the following options:

<b>Filing Status</b> Check only one box.	1 <input checked="" type="checkbox"/> Single	4 <input type="checkbox"/> 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. ▶	
	2 <input type="checkbox"/> Married filing jointly (even if only one had income)	5 <input type="checkbox"/> Qualifying widow(er) with dependent child	
	3 <input type="checkbox"/> Married filing separately. Enter spouse's SSN above and full name here. ▶		
	<b>Exemptions</b>		
	6a <input type="checkbox"/> Yourself. If someone can claim you as a dependent, do not check box 6a.	Boxes checked on 6a and 6b	
b <input type="checkbox"/> Spouse	No. of children on 6c who are listed with you		
c Dependents:	(2) Dependent's	(3) Dependent's	(4) <input type="checkbox"/> If child under age 17

# Filing Status

## TaxSlayer Screenshot

Q Enter the Form Number..

- Basic Information
- Federal Section
- Health Insurance
- State Section
- Summary/Print
- e-File
- 2015 Amended Return
- Save & Exit Return
- Scanned Documents

### What's your filing status?

- Single
- Married Filing Joint
- Married Filing Separate
- Head of Household
- Qualifying Widow(er) with Dependent Children

Need help determining your filing status?

▶ Filing Status Wizard

✕ Cancel

✓ Continue

# Filing Status

(Pub 4012, Tab B)

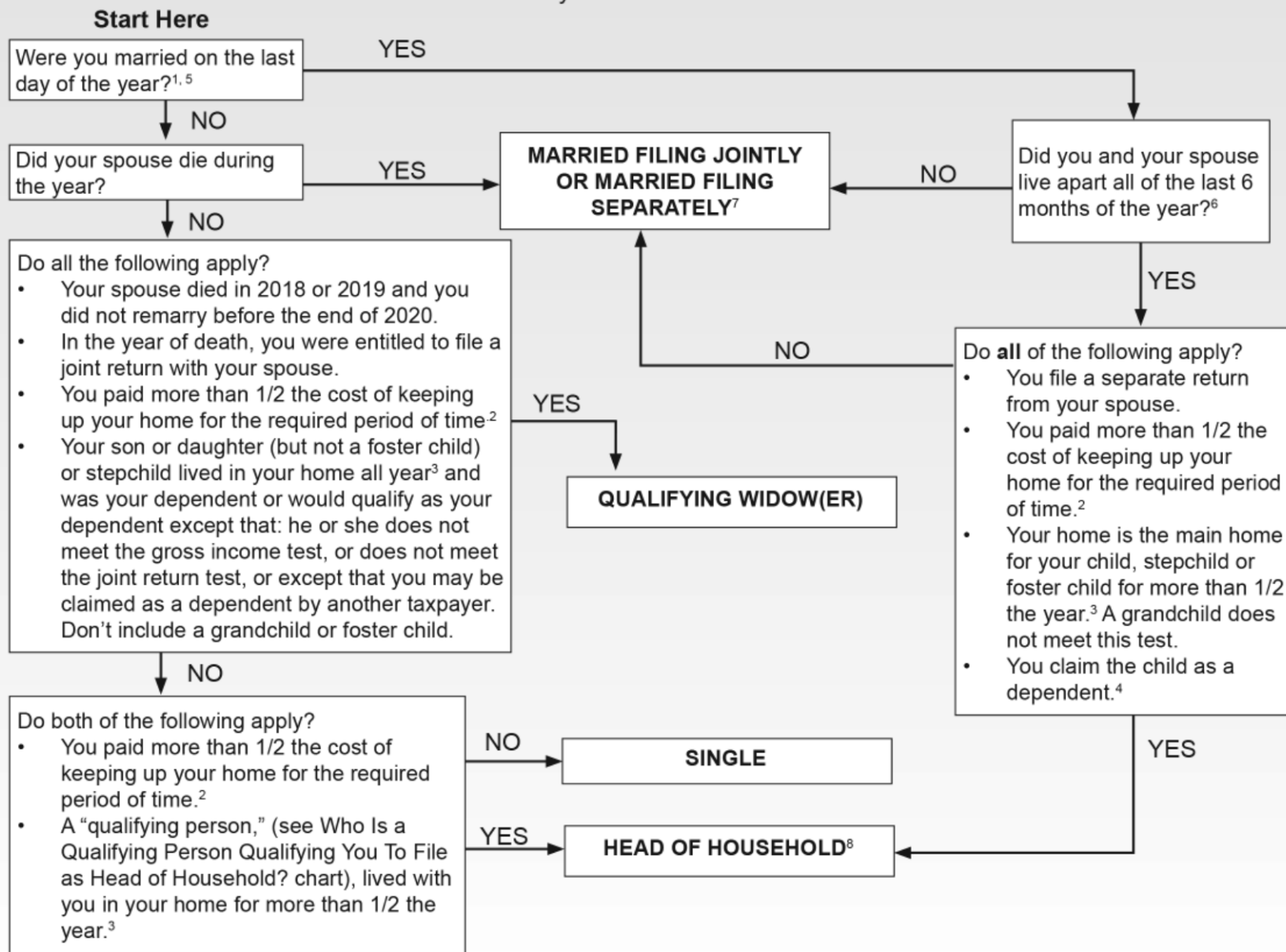
## Filing Status - Interview Tips

Probe/Action: Ask the taxpayer:

step 1	Were you married on December 31 of the tax year? You are considered unmarried if, on the last day of the year, you were legally separated from your spouse under a divorce or separate maintenance decree. State law governs whether you are married or legally separated under a divorce or separate maintenance decree. Individuals who have entered into a registered domestic partnership, civil union, or other similar relationship that is not called a marriage under state (or foreign) law are not considered married. A taxpayer is married regardless of where the spouse lives.	If <b>YES</b> , go to Step 2. If <b>NO</b> , go to Step 4.
step 2	Do you and your spouse wish to file a joint return?	If <b>YES</b> , your filing status is <b>married filing jointly</b> . If <b>NO</b> , go to Step 3. <sup>2</sup>
step 3	Do all the following apply? <ul style="list-style-type: none"><li>• You file a separate return from your spouse</li><li>• You paid more than half the cost of keeping up your home for the required period of time.<sup>1</sup></li><li>• Your spouse didn't live in your home during the last 6 months of the tax year<sup>3</sup></li><li>• Your home was the main home of your child, stepchild, or foster child for more than half the year. Include any individual who would qualify as your dependent except: he or she does not meet the gross income test, does not meet the joint return test, or if you could be claimed as a dependent of another taxpayer. (a grandchild doesn't meet this test)</li><li>• 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)</li></ul>	If <b>YES</b> , STOP. You are considered unmarried and your filing status is <b>head of household</b> . If <b>NO</b> , STOP. Your filing status is <b>married filing separately</b> <sup>5</sup> .
step 4	Did your spouse die in 2016 or 2017?	If <b>YES</b> , go to Step 5. If <b>NO</b> , go to Step 6.
step 5	Do all the following apply? <ul style="list-style-type: none"><li>• You were entitled to file a joint return with your spouse for the year your spouse died</li><li>• You didn't remarry before the end of this tax year</li><li>• You have a child or stepchild who lived with you all year, except for temporary absences or other limited exceptions, and who is your dependent or who would qualify as your dependent except that: he or she does not meet the gross income test, does not meet the joint return test, or except that you may be claimed as a dependent by another taxpayer. Don't include a grandchild or foster child.</li><li>• You paid more than half the cost of keeping up the home for the required period of time.<sup>1</sup></li></ul>	If <b>YES</b> , STOP. Your filing status is <b>qualifying widow(er) with dependent child</b> . If <b>NO</b> , go to Step 6.
step 6	Do both of the following apply? <ul style="list-style-type: none"><li>• You paid more than 1/2 the cost of keeping up your home for the required period of time.<sup>1</sup></li><li>• A "qualifying person," (see Who Is a Qualifying Person Qualifying You To File as Head of Household? chart), lived with you in your home for more than 1/2 the year.<sup>4</sup></li></ul>	<b>YES</b> – Head of Household <b>NO</b> – Single

## Determination of Filing Status – Decision Tree

See TaxSlayer entries later in this tab.



# Filing Status

(Pub 4012, Tab B)

## Exercises

Alexandra's younger brother, Sebastian, is seventeen years old. Sebastian lived with his grandparents for the first two months of the year. From March through July, he lived with Alexandra. On August 1, Sebastian moved in with some friends and stayed there for the rest of the year. Since Sebastian did not have a job, Alexandra gave him money every month. Assuming Alexandra had no other dependents, can she file as Head of Household? Yes or No?

# Filing Status

(Pub 4012, Tab B)

## Exercises

Alexandra's younger brother, Sebastian, is seventeen years old. Sebastian lived with his grandparents for the first two months of the year. From March through July, he lived with Alexandra. On August 1, Sebastian moved in with some friends and stayed there for the rest of the year. Since Sebastian did not have a job, Alexandra gave him money every month. Assuming Alexandra had no other dependents, can she file as Head of Household? Yes No



# Filing Status

(Pub 4012, Tab B)

## Exercises

Jane's husband moved out of their home in February of the tax year and has not returned. Jane provides all the cost of keeping up the home for herself and her two dependent children. Jane refuses to file a joint return with her husband. What filing status should she use?

- Single
- Married Filing Separately
- Head of Household
- Qualifying Widow(er)

# Filing Status

(Pub 4012, Tab B)

## Exercises

Jane's husband moved out of their home in February of the tax year and has not returned. Jane provides all the cost of keeping up the home for herself and her two dependent children. Jane refuses to file a joint return with her husband. What filing status should she use?

- Single
- Married Filing Separately
- Head of Household
- Qualifying Widow(er)

# Filing Status

(Pub 4012, Tab B)

## Exercises

Tanya's divorce became final in early September of the tax year. She has sole custody of her three children, who lived with her the entire year. The children are all under the age of 19. She provided more than half of the cost of keeping up the home. What filing status(es) can she use?

- Single
- Married Filing Jointly
- Married Filing Separately
- Head of Household
- Qualifying Widow(er)

# Filing Status

(Pub 4012, Tab B)

## Exercises

Tanya's divorce became final in early September of the tax year. She has sole custody of her three children, who lived with her the entire year. The children are all under the age of 19. She provided more than half of the cost of keeping up the home. What filing status(es) can she use?

- Single
- Married Filing Jointly
- Married Filing Separately
- **Head of Household**
- Qualifying Widow(er)

# Filing Status

(Pub 4012, Tab B)

## Exercises

Sydney's spouse died two years ago in January. He filed a joint return for that year as the surviving spouse. Since then, Sydney has not remarried, maintains a home for his young children who lived with him all year, and provides their sole support. What filing status Sydney should use?

- Single
- Married Filing Jointly
- Married Filing Separately
- Head of Household
- Qualifying Widow(er)

# Filing Status

(Pub 4012, Tab B)

## Exercises

Sydney's spouse died two years ago in January. He filed a joint return for that year as the surviving spouse. Since then, Sydney has not remarried, maintains a home for his young children who lived with him all year, and provides their sole support. What filing status Sydney should use?

- Single
- Married Filing Jointly
- Married Filing Separately
- Head of Household
- **Qualifying Widow(er)**



L  
A  
B  
E  
L  
  
H  
E  
R  
E

Your first name and  
If a joint return, spouse's first name and  
Home address (number and street). If you have a P.O. box, see page  
City, town or post office, state, and ZIP code. If you have a foreign address, see page 14.



### Filing Status

Check only one box.

- 1  Confused
- 2  Disgruntled
- 3  Disgruntled and confused

### Exemptions

- 6 a  Yourself. If someone can claim you as a dependent
- b  Spouse
- c Dependents:

(1) First name	Last name	(2) Dependent's social security number

If more than four dependents, see page 17 and

# Entering Personal Information

Name, Address & SSN or ITIN

## What is ITIN?

- Individual **T**axpayer **I**dentification **N**umber **(ITIN)**
- IRS issues ITINs to help individuals comply with the U.S. tax laws, and to provide a means to efficiently process and account for tax returns and payments for those not eligible for Social Security Numbers (SSNs). ITIN's are only applicable to individuals who can not get a SSN.



# Entering Personal Information

## ITIN

- Is a **letter** or **a card** as verification and the number begins with “**9**”.
- If anyone on the tax return is applying for an ITIN,
  - Select “Apply for ITIN” option from file in TaxSlayer.
  - **These returns cannot be e-filed!!**  
**(Paper File Only!)**

# Entering Personal Information

## ITIN

**All ITINs not used on a federal tax return at least once in the last three years will expire on December 31, 2021. Additionally, all ITINs issued before 2013 with middle digits of 88 (Example: (9XX-88-XXXX) have expired.**

# Entering Personal Information

## Name, Address & SSN or ITIN

ITIN (when different from ITIN vs. shown on W-2)

Practice Lab 2017 | Help & Support JUSTIN REEDLEY

Employee

Whose W-2 is this? \*

JUSTIN REEDLEY

JENNA WASHINGTON

Check here if foreign address

Address (Number and Street) \*

847 MADISON AVE

ZIP Code \*

85355 -

City, Town, or Post Office \*

Waddell

State \*

Arizona

ITIN SSN:

- -

Employer

Note: Information entered below must match the IRS Master File. **Please Verify.**

b EIN \*

37 - 5000123

c Employer Name \*

ONEIDA CONST

Check here if foreign address

Address (Number and Street) \*

3604 FORREST TRAIL

ZIP Code \*

78676 -

City, Town, or Post Office \*

Wimberley

Texas

\$5,217  
Federal Refund

N/A  
Refund Amount

Insert W-2 ITIN or SSN

# Entering Personal Information

## Name, Address & SSN or ITIN

Individual Name on SSN/ITIN Card(s)	Enter in TaxSlayer	
	First Name Field	Last Name Field
John Brown	John	Brown
Walter Di Angelo	Walter	Di Angelo
Ronald En, Sr.	Ronald	En
Thomas Lea-Smith	Thomas	Lea-Smith
Joseph Corn & Mary Smith	Joseph	Corn
	Mary	Smith
Roger O'Neil	Roger	O'Neil
Kenneth McCarty	Kenneth	McCarty
FNU Smith (First Name Unknown)	FNU	Smith
Smith (No First Name)		Smith

# Entering Personal Information

## Name, Address & SSN or ITIN

Individual Name on SSN/ ITIN Card	Enter in TaxSlayer	
	First Name Field	Last Name Field
Abdullah Allar-Sid	Abdullah	Allar-Sid
Jose Alvarado Nogales	Jose	Alvarado Nogales
Juan de la Rosa Y Obregon	Juan	de la Rosa Y Obregon
Pedro Paz-Ayala	Pedro	Paz-Ayala
Donald Vander Neut	Donald	Vander Neut
Otto Von Wodtke	Otto	Von Wodtke
John Big Eagle	John	Big Eagle
Mary Her Many Horses	Mary	Her Many Horses
Ted Smith Gonzalez	Ted	Gonzalez
Maria Acevedo Smith	Maria	Smith
Robert Garcia Garza Hernandez	Robert	Garza Hernandez

# Entering Personal Information

## Name, Address & SSN or ITIN

Individual Name on SSN/ ITIN Card	Enter in TaxSlayer	
	First Name Field	Last Name Field
Binh To La	Binh	La
Kim Van Nguyen	Kim	Nguyen
Nhat Thi Pham	Nhat	Pham
Jin Zhang Qui & Yen Yin Chiu	Jin Zhang	Qui
	Yen Yin	Chiu

# Entering Personal Information

Name, Address & SSN or ITIN

**Any Questions?**

# Dependents



# Overview of the Rules for Claiming a Dependent



This table is only an overview of the rules. For details, see Publication 17, Your Federal Income Tax For Individuals.

- You can't claim any dependents if you, or your spouse if filing jointly, could be claimed as a dependent by another taxpayer.
- You can't claim a married person who files a joint return as a dependent unless that joint return is only to claim a refund of income tax withheld or estimated tax paid.
- You can't 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.<sup>1</sup>
- You can't 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

<p>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. An adopted child is always treated as your own child. The term "adopted child" includes a child who was lawfully placed with you for legal adoption.</p>	<p>1. The person can't be your qualifying child or the qualifying child of any other taxpayer. A child isn't 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) isn't required to file an income tax return or files an income tax return only to get a refund of income tax withheld.</p>
<p>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.</p>	<p>2. The person either (a) must be related to you in one of the ways listed under Relatives who don't have to live with you (see Table 2, step 2), or (b) must live with you all year as a member of your household<sup>2</sup> (and your relationship must not violate local law).</p>
<p>3. The child must have lived with you for more than half of the year.<sup>2</sup></p>	<p>3. The person's gross income for the year must be less than \$4,300.<sup>3</sup> Gross income means all income the person received in the form of money, goods, property and services, that isn't exempt from tax. Don't include Social Security benefits unless the person is married filing a separate return and lived with their spouse at any time during the tax year or if 1/2 the Social Security benefits plus their other gross income and tax exempt interest is more than \$25,000 (\$32,000 if MFJ).</p>
<p>4. The child must not have provided more than half of his or her own support for the year.<sup>5</sup></p>	<p>4. You must provide more than half of the person's total support for the year.<sup>4,5</sup></p>
<p>5. The child isn't filing a joint return for the year (unless that joint return is filed only to claim a refund of income tax withheld or estimated tax paid).</p>	
<p>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. See the "Qualifying Child of More Than One Person" chart.</p>	

# Dependents

## Overview of the Dependents (Pub. 4012)

Dependents are either a Qualifying Child or a Qualifying Relative of the taxpayer. The taxpayer's spouse cannot be claimed as a dependent. Some examples of dependent include a child, stepchild, brother, sister, or parents.

A credit of up to \$500 is available for each of your dependents who do not qualify for the child tax credit.

# Dependents

## Overview of the Dependents (Pub. 4012)

- The Qualifying Child(ren)/Dependent CANNOT BE CLAIMED BY ANOTHER TAXPAYER!
- Child Tax Credit or Dependent Credit – are allowed for each dependent who meets the Qualifying Child or Qualifying Relative tests.

# Dependents

Overview of the Dependents (Pub. 4012)

## All Dependency Tests (#1-3)

### **1. Dependent Taxpayer Test:**

A taxpayer (or taxpayer's spouse, if filing a joint return) who may be claimed as a dependent by another taxpayer may not claim anyone as a dependent on his or her own tax return.

### **2. Joint Return Test:**

To meet this test, child can't file a joint return for the year.

# Dependents

Overview of the Dependents (Pub. 4012)

## All Dependency Tests (#1-3)

### 3. Citizen or Residency Test:

- Must be a U.S. citizen, U.S. resident alien or U.S. national
- Children who were born, died, or adopted during the year count
- Foreign exchange students cannot be claimed as dependents

# Dependents

Overview of the Dependents (Pub. 4012)

## Qualifying *CHILD* Dependency Tests

In addition to the previous slides, the following tests must be met for a qualifying child:

### 4. Relationship:

Child must be your son, daughter, stepchild, foster child, adopted child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendent of any of them

# Dependents

## Overview of the Dependents (Pub. 4012)

### Qualifying *CHILD* Dependency Tests

In addition to the previous slides, the following tests must be met for a qualifying child:

#### 5. Age:

- Under age 19 and YOUNGER than taxpayer
- Under age 24, fulltime student, YOUNGER than taxpayer
- Any age if permanent and totally disabled

# Dependents

## Overview of the Dependents (Pub. 4012)

### Qualifying Child Dependency Tests

In addition to the previous slide, the following tests must be met for a qualifying child:

#### **6. Residency Test:**

Lived with taxpayer more than  $\frac{1}{2}$  the year.

Children who were born, died, or adopted during the year

#### **7. Support Test:**

Provided more than  $\frac{1}{2}$  support



# Dependents

## Overview of the Dependents (Pub. 4012)

### Qualifying Relative Dependency Tests

In addition to the All Dependency Tests (shown previously), the following tests must be met for a qualifying relative:

#### 4. Not your qualifying child Test

A child isn't your qualifying relative if the child is your qualifying child or the qualifying child of any other taxpayer

# Dependents

## Overview of the Dependents (Pub. 4012)

### Qualifying Relative Dependency Tests

In addition to the All Dependency Tests (shown previously), the following tests must be met for a qualifying relative:

#### **5. Member of Household or Relationship Test**

Live with you all year as a member of your household entire year!!! (100% of the time)

Relatives: Child, grandchild, stepchild, brother, sister, parent, grandparent, stepparent, Related by blood: aunt, uncle, niece, nephew

# Dependents

## Overview of the Dependents (Pub. 4012)

### Qualifying Relative Dependency Tests

In addition to the All Dependency Tests (shown previously), the following test must be met for a qualifying relative:

#### 6. Gross Income Test

A person's **gross income** for the year must be less than \$4,300

#### 7. Support Test

Provided more than  $\frac{1}{2}$  support

# Dependents

## Overview of the Dependents (Pub. 4012)

### Relative

- Child – grandchild, stepchild, adopted child.
- Relatives – parent, grandparent, brother, sister, stepbrother/sister, half brother/sister, stepmother/father, mother/father-in-law, brother/sister-in-law, son/daughter-in-law.
- Blood relative – uncle, aunt, nephew, niece.
- Others in Household – **Must live in Household for the ENTIRE YEAR!!!**

# ALL Dependents

1. Cannot claim another dependent
2. Cannot file a Joint Return
3. Citizenship or Residency

## Child

## Relative

4. Has a Relationship
5. Age (<19, <=24 if student)  
Disabled (any age)
6. Residency (> ½)
7. Received Support (> ½)

4. Not your child
5. Member of house all year
6. Gross Income (< \$4,300)
7. Received Support (> ½)

(>=more than, <=less than)

# Dependents

## Overview of the Dependents (Pub. 4012)

### Children of divorced or separated parents

- Who can claim?
- Who provides more than half support?
- Who has custody?
- Form 8332 – Release of Claim to Exemption for Child of Divorced or Separated Parents.
- Greater AGI

# Dependents

## Overview of the Dependents (Pub. 4012)

### Qualifying Child of More Than One Person

Only one person can claim the child as a qualifying child for all the following tax benefits; they cannot be split:

- Dependency Credit
- Head of Household
- Credit for Child and Dependent Care Expenses
- Child Tax Credit
- Earned Income Credit

# Dependents

## Overview of the Dependents (Pub. 4012)

### Qualifying Child of More Than One Person

If the child meets the rules to be a qualifying child of more than one person, “tie-breaker” rules may apply. (See Pub. 4012)

\*\*Special Rules for Divorced or Separated Parents is exception



# Dependents

## Main Home

- Taxpayer must pay more than half the cost of keeping up the home.
  - ▣ Welfare payments generally are NOT considered toward payments of keeping up the home.
  
- Home must have been the main home for more than half the year.

### 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. Don't include funds provided by the state; include those amounts on line 23 instead..... 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):
  - a. Enter the total rent paid ..... 6a. \_\_\_\_\_
  - b. 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. Don't 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% (0.50)..... 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; don't 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 don't 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. Don't 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 don't meet the support test for this person to be your qualifying relative. You can't 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.

# Dependents

## TaxSlayer Screenshot

Practice Lab

2017 | [Help & Support](#) JUSTIN REEDLEY

« Collapse Menu

Q Enter the Form Number...

**i** Basic Information

Filing Status

Personal Information

Dependents / Qualifying Person

Federal Section

Health Insurance

State Section

Summary/Print

e-File

2017 Amended Return

Save & Exit Return

Help & Support

Save & Exit Return

### Dependent / Qualifying Child Information

**First Name \***  **Middle**  **Last Name \***

**Date of Birth \***

**Social Security Number \***  -  -

Check if the dependent does not have an SSN/ITIN/ATIN

**Relationship \***

**Number of months this person lived in your home during 2017**

**Note:** If this dependent was born in 2017, you must select 12 months

Please answer the following

- Check if this person was over age 18 and a full-time student at an eligible educational institution.
- Check if this person was DISABLED.
- Check if this qualifying child is NOT YOUR DEPENDENT.
- Check if you wish NOT to claim this dependent for Earned Income Credit purposes.
- Check if this dependent is married.

**\$5,217**  
Federal Refund

N/A  
Refund Amount

Fill in dependent information here

# Dependents

## TaxSlayer Screenshot

« Collapse Menu

Q Enter the Form Number...

i Basic Information

Filing Status

Personal Information

Dependents / Qualifying Person

🏠 Federal Section

🏠 Health Insurance

📍 State Section

📄 Summary/Print

📁 e-File

📄 2017 Amended Return

🚪 Save & Exit Return

🔍 Help & Support

🚪 Save & Exit Return

### Dependent or Qualifying Child

+ Add a Dependent or Qualifying Child

First Name	Last Name	Social Security Number		
AVA	REEDLEY	210-00-1239		

+ Add a Dependent or Qualifying Child

Continue

\$5,217

Federal Refund

N/A

Refund Amount

Please, click on "+Add" to add more dependents

# Dependent/Qualifying Person

## Special Rules for Children of Divorced or Separated Parents

- A child of divorced, separated, or never married parents is usually considered a dependent of the parent who has custody of the child for the greater part of the year (the custodial parent).
- This is true even if the noncustodial parent provided more than half of the child's support.

# Dependent/Qualifying Person

## Special Rules for Children of Divorced or Separated Parents, (cont'd)

- If the child received over half their support from a third party NEITHER parent can claim the child as a dependent.

# Dependent/Qualifying Person

## Special Rules for Children of Divorced or Separated Parents, (cont'd)

- The custodial parent can agree to allow the noncustodial parent to claim the child if the custodial parent signs [Form 8332](#), *Release of Claim to Exemption for Child of Divorced or Separated Parents*, or a similar statement.
- This statement must be attached to the noncustodial parent's return.

# Dependent/Qualifying Person

## Special Rules for Children of Divorced or Separated Parents, (cont'd)

- When a noncustodial parent is claiming a child, they must attach:
  - Form 8332 OR divorce decree if the decree went into effect between 1985 and 2008
  - For any divorce decree executed after 2008 Form 8332 is **mandatory**

# Dependent/Qualifying Person

## Don't Worry!

- You don't have to remember all of these rules
- Use Tab C in your Pub 4012 and walk through the Tables to make your determinations
- Pub 4012 has all the charts you will use on most returns



# Dependent/Qualifying Person

## Practice Tips: Dependents

- A taxpayer may be able to claim a child or family member who lives in Mexico
- A taxpayer may be able to claim a parent who lives in a retirement home
- A taxpayer may be able to claim an adult child if the child still lives at home and made less than \$4,300 last year

# Dependent/Qualifying Person

## Example

- Dave and Tanya live together but are not married. Tanya's son, baby Zeke, lives with them. Dave is not Baby Zeke's father.
- Tanya made no money last year and is not required to file a tax return. Who can claim Baby Zeke?

# Dependent/Qualifying Person

## Example

- Dave and Tanya live together but are not married. Tanya's son, baby Zeke, lives with them. Dave is not Baby Zeke's father.
- Tanya made no money last year and is not required to file a tax return. Who can claim Baby Zeke?
  1. Because Tanya is not required to file a tax return, Dave may claim Baby Zeke as his Qualifying Relative.
  2. He may also be able to claim Tanya as a Qualifying Relative

# Dependent/Qualifying Person

## Practice

Marie, 18, earned \$4,000. Her father provided more than half of her support. If all other dependency tests are met, can her father claim her as a dependent?

# Dependent/Qualifying Person

## Practice

Marie, 18, earned \$5,000. Her father provided more than half of her support. If all other dependency tests are met, can her father claim her as a dependent?

### **Answer:**

- Because Marie is under 19, we use the Qualifying Child rules so the gross income test does not apply.
- Her father can claim her as a dependent.

# Dependent/Qualifying Person

Personal & Dependent Exemptions

**Any Questions?**

# The complete Internal Revenue Code is:

*More than 24 MB in length;*

*Contains more than 3.4 million words; and  
if printed 60 lines/page, it would fill more than  
7500 pages.*

# Overall Concept of Our Taxes

Income

- Adjustments

= Adjusted Gross Income

- Deductions

= Taxable Income



# Overall Concept of Our Taxes

## As seen on Form 1040

Attach  
Sch. B if  
required.

### Standard Deduction for—

- Single or Married filing separately, \$12,400
- Married filing jointly or Qualifying widow(er), \$24,800
- Head of household, \$18,650
- If you checked any box under *Standard Deduction*, see instructions.

<b>1</b>	Wages, salaries, tips, etc. Attach Form(s) W-2 . . . . .			<b>1</b>	
<b>2a</b>	Tax-exempt interest . . . . .	<b>2a</b>		<b>2b</b>	Taxable interest . . . . .
<b>3a</b>	Qualified dividends . . . . .	<b>3a</b>		<b>3b</b>	Ordinary dividends . . . . .
<b>4a</b>	IRA distributions . . . . .	<b>4a</b>		<b>4b</b>	Taxable amount . . . . .
<b>5a</b>	Pensions and annuities . . . . .	<b>5a</b>		<b>5b</b>	Taxable amount . . . . .
<b>6a</b>	Social security benefits . . . . .	<b>6a</b>		<b>6b</b>	Taxable amount . . . . .
<b>7</b>	Capital gain or (loss). Attach Schedule D if required. If not required, check here . . . . .			<b>7</b>	<input type="checkbox"/>
<b>8</b>	Other income from Schedule 1, line 9 . . . . .			<b>8</b>	
<b>9</b>	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your <b>total income</b> . . . . .			<b>9</b>	
<b>10</b>	Adjustments to income:				
<b>a</b>	From Schedule 1, line 22 . . . . .	<b>10a</b>			
<b>b</b>	Charitable contributions if you take the standard deduction. See instructions . . . . .	<b>10b</b>			
<b>c</b>	Add lines 10a and 10b. These are your <b>total adjustments to income</b> . . . . .			<b>10c</b>	
<b>11</b>	Subtract line 10c from line 9. This is your <b>adjusted gross income</b> . . . . .			<b>11</b>	
<b>12</b>	<b>Standard deduction or itemized deductions</b> (from Schedule A) . . . . .			<b>12</b>	
<b>13</b>	Qualified business income deduction. Attach Form 8995 or Form 8995-A . . . . .			<b>13</b>	
<b>14</b>	Add lines 12 and 13 . . . . .			<b>14</b>	
<b>15</b>	<b>Taxable income.</b> Subtract line 14 from line 11. If zero or less, enter -0- . . . . .			<b>15</b>	

# Income

## General Rule

**All** Income is taxable, no matter how derived, **unless** it is specifically excluded by the tax law.

Taxable and nontaxable income  
(Pub. 4012)

# Income Quick Reference Guide

This list is a quick reference and volunteers should refer to Publication 17 for more information. Don't rely on this list alone. Some of the income items on this chart are Out of Scope for VITA/TCE. Review the Scope of Service chart to identify Out of Scope items. 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. To determine taxability at the state level, check with your state's department of revenue.

## Table A – Examples of Taxable Income

(Examples of income to consider when determining whether a return must be filed or if a person meets the gross income test for qualifying relative)

Wages, salaries, bonuses, commissions  
 Alimony (for divorce before 2019,  
 see How/Where to Enter Income, later)  
 Annuities  
 Awards  
 Back pay  
 Breach of contract payment  
 Business income/Self-employment income  
 Cash income  
 Compensation for personal services  
 Canceled debts<sup>1</sup>  
 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  
 Nonemployee compensation  
 Notary fees  
 Partnership, Estate and S-Corporation income  
 (Schedule K-1s, Taxpayer's share)  
 Pensions  
 Prizes  
 Punitive damage award  
 Railroad retirement—Tier I (portion may be taxable)  
 Railroad retirement—Tier II  
 Recovery of prior year deduction<sup>2</sup> (medical,  
 property taxes, etc.)  
 Refunds of State and local income tax (if  
 reportable)<sup>2</sup>  
 Rents (gross rent)  
 Rewards  
 Royalties  
 Severance pay  
 Self-employment (gross income)  
 Social security benefits - portion may be taxable -  
 (See Tab D, Income, Railroad Retirement, Civil Service, and  
 Social Security Benefits)  
 Supplemental unemployment benefits  
 Taxable scholarships and grants  
 Tips and gratuities  
 Tribal per capita payments  
 Unemployment compensation



## Table B – Examples of Nontaxable Income

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

Aid to Families with Dependent Children (AFDC)	Payments to the beneficiary of a deceased employee
Child support	Payments in lieu of worker's compensation
Civil damages, restitution or other monetary award paid to someone because that person was wrongfully incarcerated	Qualified Medicaid waiver payments
Damages for physical injury (other than punitive)	Relocation payments
Death payments	Rebate/Patronage Dividends issued by co-ops for personal use are not taxable.
Dividends on life insurance	Rental less than 15 days <sup>5</sup>
Federal Employees' Compensation Act payments	Rental allowance of clergyman
Federal income tax refunds	Reverse mortgages
Gifts	Sickness and injury payments
Inheritance <sup>3</sup> or bequest	Social security benefits - portion may not be taxable (See <i>Income tab, Railroad Retirement, Civil Service, and Social Security Benefits</i> )
Insurance proceeds (Accident, Casualty, Health, Life)	Supplemental Security Income (SSI)
Interest on tax-free securities	Temporary Assistance for Needy Families (TANF)
Interest on EE/I bonds redeemed for qualified higher education expenses	Veterans' benefits
Meals and lodging for the convenience of employer	Welfare payments (including TANF) and food stamps
Olympic and Paralympic Games medals and prizes <sup>4</sup>	Worker's compensation and similar payments

### Footnotes

<sup>1</sup>If the taxpayer received a Form 1099-C, Cancellation of Debt, in relation to their main home, it can be nontaxable

<sup>2</sup>If itemized in year paid and taxes were reduced because of deduction

<sup>3</sup>An inheritance isn't 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.

<sup>4</sup>The exclusion does not apply to a taxpayer for any year in which the taxpayer's AGI exceeds \$1 million (or \$500,000 for an individual filing a MFS return).

<sup>5</sup>If you use a dwelling unit as a home and you rent it less than 15 days during the year, you are not required to report the rental income and rental expenses from this activity. See Publication 527 (Military Certification only)

# Income

Taxable and nontaxable income  
(Pub. 4012)

**Earned Income:** includes all the taxable income & wages you get from working either for someone who pays you or in a business you own.

# Income

## Unearned Income:

- Interest and dividends
- Retirement income
- Social security
- Unemployment benefits
- Alimony (Pre-2019)
- Child support
- Scholarship exceeds educ. expenses

# Income

## Exercise

Toni received the following types of income. Which income is exempt from federal taxes?

- A. Tips
- B. Awards
- C. Inheritance
- D. IRA Distribution

# Income

## Exercise

Toni received the following types of income. Which income is exempt from federal taxes?

- A. Tips
- B. Awards
- C. Inheritance
- D. IRA Distribution



# Income

## TaxSlayer Menu Screen

### Income

Wages and Salaries [Form W-2](#)

Edit

State and Local Refunds [Form 1099-G Box 2](#)

Edit

Interest and Dividends [Form 1099-INT / 1099-DIV](#)

Edit

IRA/Pension Distributions [Form 1099-R / RRB, SSA](#)

Edit

Unemployment Compensation [Form 1099-G Box 1](#)

Begin

Form 1099-Misc

Edit

Profit or Loss From A Business [Schedule C](#)

Edit

Rents and Royalties [Schedule E](#)

Edit

Capital Gain and Losses [Schedule D](#)

Edit

Profit or Loss From Farming [Schedule F](#)

Out of Scope

Begin

Alimony Received

Begin

Other Income

Edit

← Back

Continue

# Income

## Wages, Salaries & Tips

- ❖ W-2 Wages and Salaries
- ❖ Tip Income (shown on W-2)
- ❖ Dependent Care benefits (shown on W-2, Box 10 would be taxable unless Form 2441 excludes the benefits.

Also known as **EARNED INCOME**

# Income

## Unearned Income

Scholarship Income (any scholarship amount greater than 1098-T Box #1 or box #2 minus any qualifying education expenses (books, school supplies, etc.) must be reported as income. (Room, Board & Travel are not considered as qualifying educational expenses).

# Income

## Wages, Salaries & Tips

When a taxpayer presents any income documents (i.e. W-2, 1099-R, 1099-INT, 1099-DIV, 1099-SA...) we must input any and all information from any income documents into TaxSlayer software to create an exact copy of the form. “If you see it – key it!”

a Employee's social security number  
**212-00-8749**

OMB No. 1545-0008

Safe, accurate,  
FAST! Use



Visit the IRS website at  
[www.irs.gov/efile](http://www.irs.gov/efile)

b Employer identification number (EIN) <b>95-2588963</b>		1 Wages, tips, other compensation <b>\$48,600.00</b>		2 Federal income tax withheld <b>\$4,850.00</b>	
c Employer's name, address, and ZIP code <b>County School 10 Anchor Way Phoenix, AZ 85040</b>		3 Social security wages <b>\$49,503.00</b>		4 Social security tax withheld <b>\$3,137.20</b>	
		5 Medicare wages and tips <b>\$50,600.00</b>		6 Medicare tax withheld <b>\$733.70</b>	
		7 Social security tips <b>\$1,097.00</b>		8 Allocated tips	
d Control number		9		10 Dependent care benefits <b>\$300.00</b>	
e Employee's first name and initial Last name Suff.  <b>Cindy Young 1 Main Street Peoria, AZ 85345</b>		11 Nonqualified plans		12a See instructions for box 12 C o o d e	
		13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b C o o d e E   <b>\$2,000.00</b>	
		14 Other		12c C o o d e DD   <b>\$4,652.70</b>	
				12d C o o d e W   <b>\$750.00</b>	
f Employee's address and ZIP code		15 State Employer's state ID number AZ   <b>25-5579628</b>		16 State wages, tips, etc. <b>\$48,600.00</b>	
		17 State income tax <b>\$2,563.00</b>		18 Local wages, tips, etc.	
				19 Local income tax	
				20 Locality name	


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

Copy B— To Be Filed With Employee's FEDERAL Tax Return.  
This information is being furnished to the Internal Revenue Service.

**2021**

Department of the Treasury—Internal Revenue Service

# Wages, Salaries, Tips

<b>a</b> Employee's social security number <b>212-00-8749</b>		<b>Safe, accurate, FAST! Use</b>				Visit the IRS website at <a href="http://www.irs.gov/efile">www.irs.gov/efile</a>	
<b>b</b> Employer identification number (EIN) <b>95-2588963</b>				<b>1</b> Wages, tips, other compensation <b>\$48,600.00</b>		<b>2</b> Federal income tax withheld <b>\$4,850.00</b>	
<b>c</b> Employer's name, address, and ZIP code <b>County School</b> <b>10 Anchor Way</b> <b>Phoenix, AZ 85040</b>				<b>3</b> Social security wages <b>\$49,503.00</b>		<b>4</b> Social security tax withheld <b>\$3,137.20</b>	
				<b>5</b> Medicare wages and tips <b>\$50,600.00</b>		<b>6</b> Medicare tax withheld <b>\$733.70</b>	
				<b>7</b> Social security tips <b>\$1,097.00</b>		<b>8</b> Allocated tips	
				<b>9</b>		<b>10</b> Dependent care benefits <b>\$300.00</b>	
<b>d</b> Control number		<b>11</b> Nonqualified plans		<b>12a</b> See instructions for box 12 Code			
<b>e</b> Employee's first name and initial <b>Cindy Young</b>		Last name <b>1 Main Street</b>		Suff. <b>Peoria, AZ 85345</b>		<b>13</b> Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/> <b>12b</b> Code <b>E</b>   <b>\$2,000.00</b>	
<b>f</b> Employee's address and ZIP code		<b>14</b> Other		<b>12c</b> Code <b>DD</b>   <b>\$4,652.70</b>		<b>12d</b> Code <b>W</b>   <b>\$750.00</b>	
<b>15</b> State Employer's state ID number <b>AZ</b>   <b>25-5579628</b>		<b>16</b> State wages, tips, etc. <b>\$48,600.00</b>		<b>17</b> State income tax <b>\$2,563.00</b>		<b>18</b> Local wages, tips, etc.	
						<b>19</b> Local income tax	
						<b>20</b> Locality name	


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

Copy B—To Be Filed With Employee's FEDERAL Tax Return.  
 This information is being furnished to the Internal Revenue Service.

2021

Department of the Treasury—Internal Revenue Service

# Wages, Salaries & Tips

<b>a</b> Employee's social security number <b>212-00-8749</b>		<b>Safe, accurate, FAST! Use</b> OMB No. 1545-0008		 Visit the IRS website at <a href="http://www.irs.gov/efile">www.irs.gov/efile</a>	
<b>b</b> Employer identification number (EIN) <b>95-2588963</b>		<b>1</b> Wages, tips, other compensation <b>\$48,600.00</b>		<b>2</b> Federal income tax withheld <b>\$4,850.00</b>	
<b>c</b> Employer's name, address, and ZIP code <b>County School</b> <b>10 Anchor Way</b> <b>Phoenix, AZ 85040</b>		<b>3</b> Social security wages <b>\$49,503.00</b>		<b>4</b> Social security tax withheld <b>\$3,137.20</b>	
		<b>5</b> Medicare wages and tips <b>\$50,600.00</b>		<b>6</b> Medicare tax withheld <b>\$733.70</b>	
		<b>7</b> Social security tips		<b>8</b> Allocated tips <b>\$1,097.00</b>	
<b>d</b> Control number		<b>9</b>		<b>10</b> Dependent care benefits <b>\$300.00</b>	
<b>e</b> Employee's first name and initial Last name Suff. <b>Cindy Young</b> <b>1 Main Street</b> <b>Peoria, AZ 85345</b>		<b>11</b> Nonqualified plans		<b>12a</b> See instructions for box 12 Code	
		<b>13</b> Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		<b>12b</b> Code <b>E</b>   <b>\$2,000.00</b>	
		<b>14</b> Other		<b>12c</b> Code <b>DD</b>   <b>\$4,652.70</b>	
				<b>12d</b> Code <b>W</b>   <b>\$750.00</b>	
<b>f</b> Employee's address and ZIP code					
<b>15</b> State Employer's state ID number <b>AZ</b>   <b>25-5579628</b>		<b>16</b> State wages, tips, etc. <b>\$48,600.00</b>		<b>17</b> State income tax <b>\$2,563.00</b>	
				<b>18</b> Local wages, tips, etc.	
				<b>19</b> Local income tax	
				<b>20</b> Locality name	

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

Copy B—To Be Filed With Employee's FEDERAL Tax Return.  
 This information is being furnished to the Internal Revenue Service.

2021

Department of the Treasury—Internal Revenue Service

# W-2

CANCEL

SAVE & ENTER ANOTHER

CONTINUE

This is a standard W-2

This is a corrected W-2

This is a substitute W-2

This is a railroad W-2

Control Number is not needed for e-filing

When a client has an ITIN, the SS# on their W-2 MUST be entered here.

## Employee

Whose W-2 is this?  
Taxpayer

ITIN SSN \*

-  -

Check here if foreign address

Address (Number and Street) \*

5003 W Dobbins Road

## Employer

Note: Information entered below must match the IRS Master File. Please Verify.

b EIN \*

-

c Employer Name \*

Sonic Corp

Check here if foreign address

Address (Number and Street) \*



# Income

## State and Local Tax Refunds

❖ 1099-G

❖ State refund could be taxable ONLY IF the taxpayer *itemized deductions* last year claiming *state income taxes* as a deduction and received a state income tax refund. In this case, VITA volunteers must see prior year's tax return. Do not report if State Sales Tax was deducted!

This is **NOT EARNED INCOME**

# Income

## State and Local Tax Refunds

VOID  CORRECTED

**Certain  
Government  
Payments**

**Copy 1**

**For State Tax  
Department**

**2021**

Form **1099-G**

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Unemployment compensation	OMB No. 1545-0120	
		\$		
		2 State or local income tax refunds, credits, or offsets		
		\$		
PAYER'S TIN	RECIPIENT'S TIN	3 Box 2 amount is for tax year	4 Federal income tax withheld	
			\$	
RECIPIENT'S name  Street address (including apt. no.)  City or town, state or province, country, and ZIP or foreign postal code		5 RTAA payments	6 Taxable grants	
		\$	\$	
		7 Agriculture payments	8 Check if box 2 is trade or business income <input type="checkbox"/>	
		\$		
Account number (see instructions)		9 Market gain		
		\$		
		10a State	10b State identification no.	11 State income tax withheld
				\$
				\$

Form **1099-G**

[www.irs.gov/Form1099G](http://www.irs.gov/Form1099G)

Department of the Treasury - Internal Revenue Service

# Income

## State Refund Worksheet

Delete

Cancel

Continue

### Bypass State Refund Worksheet

Enter an amount here to bypass worksheet and enter the full amount as taxable on form 1040

\$

### Section 1 - State and Local Refunds

#### State Tax Refunds (all refunds from 1099-G or similar statements)

\$ 208

This amount is from 1099-G Box #2

Last year's (2015 Tax Return) Standard/Itemized Deductions found on line 40 Form 1040 or line 24 Form 1040A. If you filed your 2015 return on form 1040EZ, please enter 0.

\$ 14370

You would most likely need to see prior year's tax returns to complete this section of the tax return

#### Last Year's (2015 Tax Return) Filing Status \*

MARRIED FILING JOINTLY

#### Last Year's (2015 Tax Return) Deductions for Age 65 and over or Blind:

- Check here if Taxpayer claimed the Age 65 and older deduction last year.
- Check here if the Spouse claimed the Age 65 and older deduction last year.
- Check here if the Taxpayer claimed the Blind deduction last year.
- Check here if the Spouse claimed the Blind deduction last year.

Don't forget to put check mark if the taxpayers were over 65 or blind on their prior year tax return

# Income

## TaxSlayer Screenshot

Section 2 - If the filing status on your 2016 Form 1040 was married filing separately and you were forced to itemize because your spouse itemized in 2016, fill out this section ONLY.

State Tax Refunds (all refunds from 1099-G or similar statements)

### Prior Year Taxes

Total Amount of Prior Year State Tax Withheld (including State Estimated Payments)

Prior Year Sales Tax Deduction

Depends on which deduction the taxpayer used on prior year tax return. Please use appropriate box, but not both.

CANCEL

CONTINUE

# Income

## Interest Income

Interest deposited amounts in banks, savings and loans, credit unions

Interest collected from debts owed

Interest on certificates of deposit or bonds

Always ask if they have any interest income that they need to report on tax return.

# Income

VOID  CORRECTED

**Interest  
Income**

**Copy 1**

**For State Tax  
Department**

**Most  
overlooked  
information**

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. <b>Money Bags Bank</b> 1029 N. Central Ave. Phoenix, AZ85001		Payer's RTN (optional)	OMB No. 1545-0112	
PAYER'S TIN		RECIPIENT'S TIN		<b>2021</b>  Form <b>1099-INT</b>
RECIPIENT'S name <b>York Young</b>		1 Interest income \$ <b>\$73.29</b>		
Street address (including apt. no.) 17 S. Main Street		2 Early withdrawal penalty \$ <b>\$3.00</b>		
City or town, state or province, country, and ZIP or foreign postal code Scottsdale, AZ 85251		3 Interest on U.S. Savings Bonds and Treas. obligations \$		
FATCA filing requirement <input type="checkbox"/>		4 Federal income tax withheld \$		
Account number (see instructions)		5 Investment expenses \$		
		6 Foreign tax paid \$		
		7 Foreign country or U.S. possession		
		8 Tax-exempt interest \$		
		9 Specified private activity bond interest \$		
		10 Market discount \$		
		11 Bond premium \$		
		12 Bond premium on Treasury obligations \$		
		13 Bond premium on tax-exempt bond \$		
		14 Tax-exempt and tax credit bond CUSIP no.		
		15 State		
		16 State identification no.		
		17 State tax withheld \$ \$		

# Interest Income

CANCEL

SAVE & ENTER ANOTHER

CONTINUE

Type of transaction  
Interest Income

Payer's Name \*  
Money Bags Bank

Taxpayer, Spouse, or Joint?  
Taxpayer

Interest Income (Box 1)  
\$ 86.54

Early Withdrawal Penalty (Box 2)  
\$ 23.65

Interest on U.S. Savings Bonds and Treasury obligations (Box 3)  
(Note: Enter Taxable amount only)  
\$|

Federal Tax Withheld (Box 4)  
\$

Investment Expenses (Box 5)  
\$

Foreign Tax Paid (Box 6)  
\$

Tax Exempt Interest (Box 8)  
\$

# Income

## TaxSlayer Screenshot

# Income

## Exercise

Marie and her husband, Arturo, have 3 forms 1099-INT: State of Washington bond interest \$300, Desert Financial Credit Union \$600, Western Savings and Loan \$960. How much interest income should they report to the feds?

- A. \$1,560
- B. \$1,860
- C. \$300
- D. \$1,260



# Income

## Exercise

Marie and her husband, Arturo, have 3 forms 1099-INT: State of Washington bond interest \$300, Desert Financial Credit Union \$600, Western Savings and Loan \$960. How much interest income should they report to the feds?

A. \$1,560

B. \$1,860

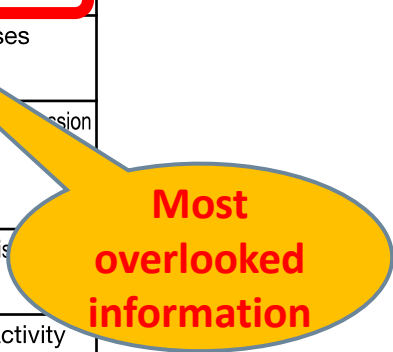
C. \$300

D. \$1,260

# Income

VOID  CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.  <b>B Corp.</b> 5012 N. Central Ave. Phoenix, AZ 85001		<b>1a</b> Total ordinary dividends \$ <b>\$70.00</b>	OMB No. 1545-0110  <b>2021</b>  Form <b>1099-DIV</b>	<b>Dividends and Distributions</b>  <b>Copy 1</b> <b>For State Tax Department</b>
		<b>1b</b> Qualified dividends \$ <b>\$70.00</b>		
<b>2a</b> Total capital gain distr. \$	<b>2b</b> Unrecap. Sec. 1250 gain \$ <b>Out of Scope</b>			
<b>2c</b> Section 1202 gain \$	<b>2d</b> Collectibles (28%) gain \$			
<b>2e</b> Section 897 ordinary dividends \$ <b>Out of Scope</b>	<b>2f</b> Section 897 capital gain \$			
<b>3</b> Nondividend distributions \$	<b>4</b> Federal income tax withheld \$			
<b>5</b> Section 199A dividends \$	<b>6</b> Investment expenses \$			
<b>7</b> Foreign tax paid \$	<b>8</b> Foreign country or U.S. possession			
<b>9</b> Cash liquidation distributions \$	<b>10</b> Noncash liquidation dis \$			
<b>11</b> Exempt-interest dividends \$	<b>12</b> Specified private activity bond interest dividends \$			
PAYER'S TIN <b>95-6987654</b>		RECIPIENT'S TIN <b>210-00-2020</b>		
RECIPIENT'S name <b>York Young</b>		FATCA filing requirement <input type="checkbox"/>		
Street address (including apt. no.) <b>17 S. Main Street</b>		<b>13</b> State		
City or town, state or province, country, and ZIP or foreign postal code <b>Scottsdale, AZ 85251</b>		<b>14</b> State identification no.		
Account number (see instructions)		<b>15</b> State tax withheld \$ \$		



# Income

## TaxSlayer Screenshot

### Dividend Income (Form 1099-DIV)

CANCEL

SAVE & ENTER ANOTHER

CONTINUE

Type of transaction  
Dividend Income

Payer's Name \*

IL Corp

Taxpayer, Spouse, or Joint:

Spouse

Ordinary Dividends (Box 1a)

\$ 70

Qualified Dividends (amount of ordinary dividends that are considered qualified) (Box 1b)

\$ 70

Capital Gain to Schedule D (Box 2a)

\$

Unrecaptured Section 1250 Gain (Box 2b)

\$

Section 1202 Gain (Box 2c)

\$

Collectibles (28%) Gain (Box 2d)

\$

Nondividend Distributions (Box 3)

\$

Federal Income Tax Withheld (Box 4)

\$

Investment Expenses (Box 5)

\$

Foreign Tax Paid (Box 6)

\$

Cash Liquidation Distributions (Box 8)

\$

Noncash Liquidation Distributions (Box 9)

\$

Exempt Interest Dividends (Box 10)

\$

Specified Private Activity Bond (Box 11)

\$

Amount of Interest on U.S. Savings Bonds and Treasury obligations that you want subtracted from your state return

\$

Taxable State Dividend

ADD DIVIDEND ITEMS

Nominee Dividend

\$

Decedent Dividend

\$

CANCEL

SAVE & ENTER ANOTHER

CONTINUE

# Income

## Another 1099-DIV example

**Lucky Dog, LLC.**

2715 Alpine Lane  
 Boston, MA 02110  
 1-800-225-1581

**2018 Tax Reporting Statement**

York Young  
 1 Main St.  
 Peoria, AZ 85345  
 Account ID No. 111 222  
 Recipient ID No. 211-00-8748  
 Payer's Fed ID: 40-2009999

### FORM 1099-DIV 2018 Dividends and Distributions

Copy B for Recipient (OMB NO. 1545-0110)

Box	Amount
1a	Total Ordinary Dividends 583.62
1b	Qualified Dividends 477.98
2a	Total Capital Gain Distributions (Includes 2b-2d) 1,036.74
2b	Capital Gains that represent Unrecaptured 1250 Gain 0.00
2c	Capital Gains that represent Section 1202 Gain 0.00
2d	Capital Gains that represent Collectibles (28%) Gain 0.00
3	Nondividend Distributions 44.00
4	Federal Income Tax Withheld 0.00
5	Investment Expenses 500.00
6	Foreign Tax Paid 55.00
7	Foreign Country or U.S. Possession 0.00
8	Cash Liquidation Distributions 0.00
9	Non-Cash Liquidation Distributions 0.00
10	Exempt-Interest Dividends 122.68
11	Specified Private Activity Bond Interest Dividends 61.34
12	State AZ
13	State Identification No XXXXXXXXXX
14	State Tax Withheld 15.26
	FATCA filing requirement No

Don't forget  
 about Foreign  
 Tax Paid

# Income - Other Income

VOID  CORRECTED

**Miscellaneous Information**

**Copy 1  
For State Tax  
Department**



OMB No. 1545-0115

**2021**

Form **1099-MISC**

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.

**1** Rents

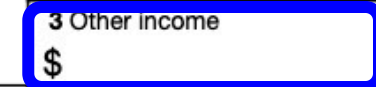
\$

**2** Royalties

\$

**3** Other income

\$



**4** Federal income tax withheld

\$

PAYER'S TIN

RECIPIENT'S TIN

**5** Fishing boat proceeds

\$

**6** Medical and health care payments

\$

RECIPIENT'S name

**7** Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale

**8** Substitute payments in lieu of dividends or interest

\$

Street address (including apt. no.)

**9** Crop insurance proceeds

\$

**10** Gross proceeds paid to an attorney

\$

City or town, state or province, country, and ZIP or foreign postal code

**11** Fish purchased for resale

\$

**12** Section 409A deferrals

\$

Account number (see instructions)

FATCA filing requirement

**13** Excess golden parachute payments

\$

**14** Nonqualified deferred compensation

\$

**15** State tax withheld

\$

\$

**16** State/Payer's state no.

\$

**17** State income

\$

\$

133

# Income

## Business Income – Schedule C or C-EZ

### 1099-NEC: Box #1 - (Reported on Schedule C)

<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-0116	
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. <b>WRIGHT'S LANDSCAPING P.O. BOX 123456 YOUR CITY, YS, YOUR ZIP</b>		<b>2020</b> Form <b>1099-NEC</b>	
PAYER'S TIN <b>83-400XXXX</b>		1 Nonemployee compensation <b>\$ 4,010</b>	
RECIPIENT'S TIN <b>227-00-XXXX</b>		3	
RECIPIENT'S name <b>RICHARD ROOSEVELT</b>		4 Federal income tax withheld \$	
Street address (including apt. no.) <b>1551 CONCORD CIRCLE</b>		7 State income \$	
City or town, state or province, country, and ZIP or foreign postal code <b>YOUR CITY, YS, YOUR ZIP</b>			
Account number (see instructions)		5 State tax withheld \$	6 State/Payer's state no.
FATCA filing requirement <input type="checkbox"/>		7 State income \$	

**Nonemployee Compensation** ←

**Copy B For Recipient**

This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

# Self-Employment Income

## Business Income – Schedule C or C-EZ

### Schedule C

- ❖ Gross receipts – Business income may come from different sources.
  - May be cash receipts
  - May be Form 1099-NEC
    - Form 1099-NEC is generally issued for self-employed independent contractors.

# Self-Employment Income

Business Income – Schedule C or C-EZ

## Schedule C

- ❖ KNOW THE DIFFERENCE BETWEEN SELF-EMPLOYMENT AND ONE-TIME PAYMENTS. ASK TAXPAYER WHAT THEY DID TO RECEIVE 1099-NEC.



# Self-Employment Income

## Business Income – Schedule C or C-EZ

Ask sufficient questions of taxpayers to be satisfied:

- ✓ The taxpayer actually conducts a business
- ✓ The taxpayer has records to support income and expenses, or can reasonably reconstruct income and expense records
- ✓ All income and related expenses have been included on the Schedule C.

# Self-Employment Income

## Business Income – Schedule C or C-EZ

- ❖ Taxpayers must be prepared to provide receipts and other documentation to support their claimed business income and expenses in the event of an IRS audit.
- ❖ Take this opportunity to remind the client that they are responsible for everything on the return.

# Self-Employment Income

## Business Income – Schedule C or C-EZ

- ❖ Income from Uber or Lift should be treated as business income.
- ❖ The income must be reported on Schedule C. Uber and Lift will send 1099-K for the amounts they have collected and that will be reported under “Gross Income” on Schedule C.

# Self-Employment Income

Business Income – Schedule C or C-EZ

## Form 1099-K Income

Form 1099-K, Payment Card and Third-Party Network Transactions, may be used to report income for taxpayers who use their automobiles for hire or ride share services such as Uber, Lyft, Sidecar, etc. Taxpayers may not receive the Form 1099-K if the amount is less than \$600.

# Form 1099-K

VOID  CORRECTED

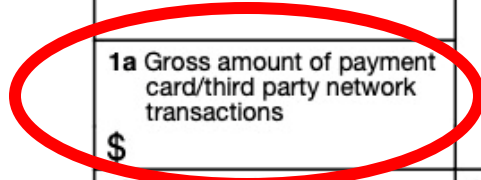
## Payment Card and Third Party Network Transactions

**2021**

Form **1099-K**

**Copy 1  
For State Tax  
Department**

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		FILER'S TIN	OMB No. 1545-2205		
		PAYEE'S TIN			
		<b>1a</b> Gross amount of payment card/third party network transactions \$			
Check to indicate if FILER is a (an): Payment settlement entity (PSE) <input type="checkbox"/> Electronic Payment Facilitator (EPF)/Other third party <input type="checkbox"/>		<b>1b</b> Card Not Present transactions \$	<b>2</b> Merchant category code		
		Check to indicate transactions reported are: Payment card <input type="checkbox"/> Third party network <input type="checkbox"/>	<b>3</b> Number of payment transactions	<b>4</b> Federal income tax withheld \$	
PAYEE'S name  Street address (including apt. no.)  City or town, state or province, country, and ZIP or foreign postal code		<b>5a</b> January \$	<b>5b</b> February \$		
		<b>5c</b> March \$	<b>5d</b> April \$		
		<b>5e</b> May \$	<b>5f</b> June \$		
		<b>5g</b> July \$	<b>5h</b> August \$		
		<b>5i</b> September \$	<b>5j</b> October \$		
		<b>5k</b> November \$	<b>5l</b> December \$		
		PSE'S name and telephone number		<b>6</b> State	<b>7</b> State identification no.
		Account number (see instructions)			<b>8</b> State income tax withheld \$ ----- \$



# Self-Employment Income

## Business Income – Schedule C or C-EZ

### Example:

Darryl used his car only for personal purposes during the first 6 months of the year. During the last 6 months of the year, he drove the car a total of 18,000 miles. Of those miles, 15,000 miles were driven providing transportation through a ride-sharing service. He received a Form 1099-K showing the income he received from the ride-sharing business.

# Self-Employment Income

Business Income – Schedule C or C-EZ

## Example:

Darryl can deduct the 15,000 miles using the standard mileage rate as well as any other ordinary and necessary business expenses, such as supplies, a cell phone, food and drinks for passengers, parking fees, tolls, roadside assistance plans, insurance, and taxes.

# Self-Employment Income

## TaxSlayer Screenshot

- ❖ Must include the Principal Business Code on the Schedule C

Business Type

**Business Code**  
Click here for a list of Business Codes

541990

**Description of Business \***  
All other profession

Cancel Continue

- Click here to Business Code
- "Ctrl" + "F" to find the code



# Self-Employment Income

## TaxSlayer Screenshot

### Schedule C - Income

Income

From 1099-NEC

Total Income from Form 1099-MISC

\$3,942.00

This value will be automatically added. Do not include it on this form.

Gross receipts or sales (including income reported on Form 1099-K)

Put the gross amount from the 1099-K here.

Income reported to you on Form W-2 as Statutory Employee

Returns and allowances

Other Income

Any cash business income, put the amount here

Cancel

Continue

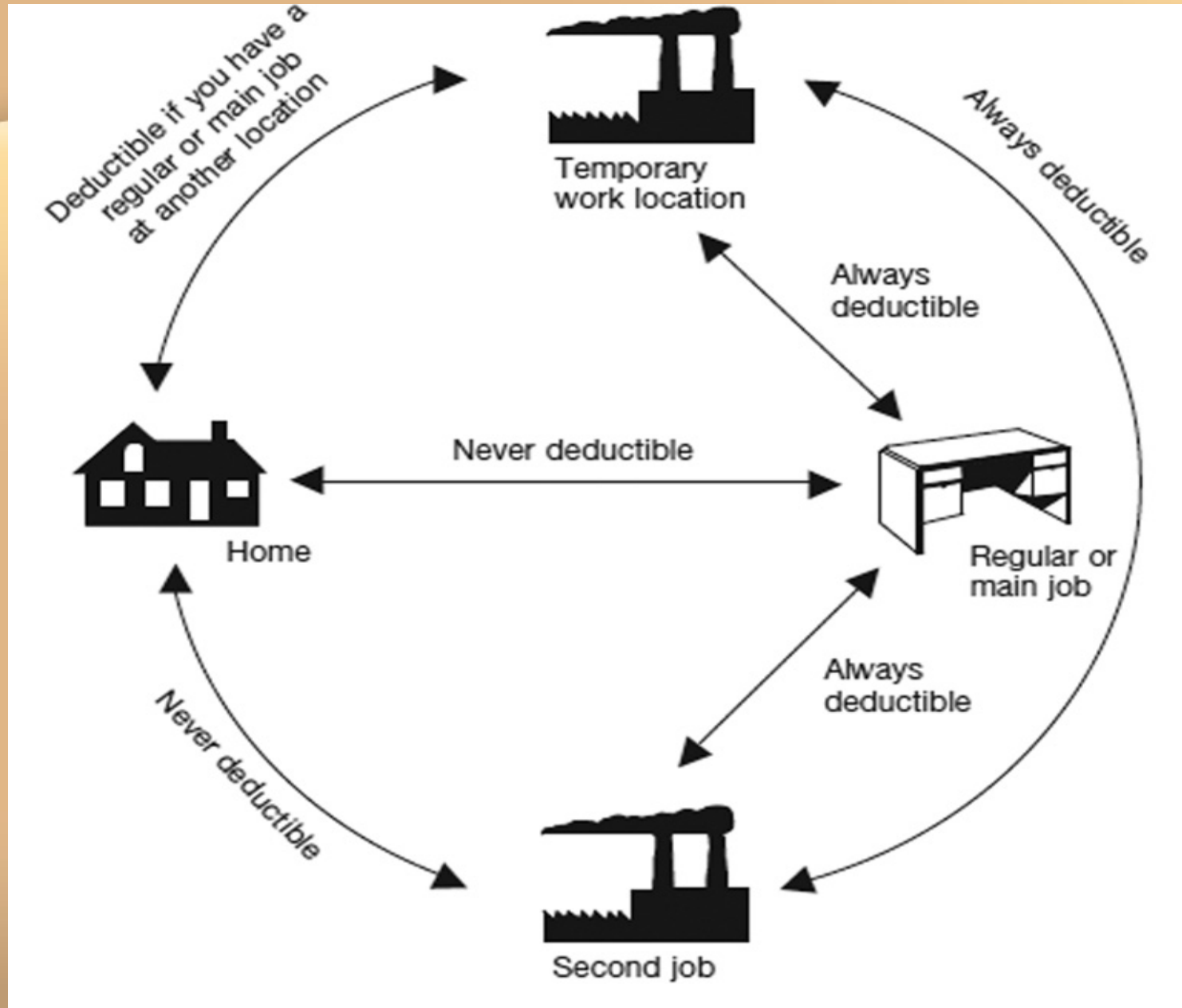
# Business Expenses

Must be “ordinary and necessary”

Some examples (among many):

- Cost of goods
- Cost of labor
- Office expense
- Commissions and fees
- Repairs and maintenance
- Auto and truck

# Auto Expenses



All of the following are deductible business expenses on Schedule C EXCEPT:

- A. Interest paid on business loans,
- B. Expenses paid for business use of the taxpayer's home,
- C. Legal & professional services & fees,
- D. Land line telephone cost.

All of the following are deductible business expenses on Schedule C EXCEPT:

- A. Interest paid on business loans,
- B. Expenses paid for business use of the taxpayer's home,
- C. Legal & professional services & fees,
- D. Land line telephone cost.

# Income

## TaxSlayer Screenshot

### Less Common Income

Other Income Not Reported Elsewhere

BEGIN

Gambling Winnings [Form W-2G](#)

BEGIN

Other Compensation

BEGIN

Payments from Qualified Education Programs [Form 1099-Q](#)

Out-of-Scope

BEGIN

Cancellation of Debt [Form 1099-C](#), [Form 982](#)

BEGIN

Installment Sale Income [Form 6252](#)

Out-of-Scope

BEGIN

Sale of Business Property [Form 4797](#)

Out-of-Scope

BEGIN

K-1 Earnings

EDIT

Gains and Losses From Section 1256 [Form 6781](#)

Out-of-Scope

BEGIN

Foreign Earned Income Exclusion [Form 2555](#)

Out-of-Scope

BEGIN

Farm Rental Income and Expenses [Form 4835](#)

Out-of-Scope

BEGIN

CONTINUE

# Income - Other Income (Gambling Winnings W-2G)

3232

VOID

CORRECTED

OMB No. 1545-0238

**2020**

**Form W-2G**

**Certain  
Gambling  
Winnings**

For Privacy Act and Paperwork Reduction Act Notice, see the **2020 General Instructions for Certain Information Returns.**

**File with Form 1096**

**Copy A  
For Internal Revenue  
Service Center**

PAYER'S name, street address, city or town, province or state, country, and ZIP or foreign postal code  <b>AZ State Lottery 87 Folly Road Scottsdale, AZ 85251</b>		<b>1</b> Reportable winnings <b>\$500.00</b> \$	<b>2</b> Date won <b>09/28/2020</b>
		<b>3</b> Type of wager <b>scratcher</b>	<b>4</b> Federal income tax withheld \$
		<b>5</b> Transaction	<b>6</b> Race
		<b>7</b> Winnings from identical wagers \$	<b>8</b> Cashier
PAYER'S federal identification number <b>95-7123456</b>	PAYER'S telephone number <b>602-555-1212</b>	<b>9</b> Winner's taxpayer identification no. <b>212-00-8749</b>	<b>10</b> Window
WINNER'S name <b>York Young</b>		<b>11</b> First I.D. <b>N009234</b>	<b>12</b> Second I.D.
Street address (including apt. no.) <b>17 S. Main Street</b>		<b>13</b> State/Payer's state identification no. <b>AZ 3757896</b>	<b>14</b> State winnings \$
City or town, province or state, country, and ZIP or foreign postal code <b>Scottsdale, AZ 85251</b>		<b>15</b> State income tax withheld \$	<b>16</b> Local winnings \$
		<b>17</b> Local income tax withheld \$	<b>18</b> Name of locality

Under penalties of perjury, I declare that, to the best of my knowledge and belief, the name, address, and taxpayer identification number that I have furnished correctly identify me as the recipient of this payment and any payments from identical wagers, and that no other person is entitled to any part of these payments.

**Signature** ▶

**Date** ▶

# Income

## TaxSlayer Screenshot

### Gambling Winnings (W-2G)

W-2G Gambling Winning				
<b>Payee Information</b> <input checked="" type="checkbox"/> Check here if this is a standard W-2G. <b>This W-2G issued to *</b> <input type="radio"/> YORK YOUNG <input checked="" type="radio"/> XUAN YOUNG <b>Payee's Address *</b> <input type="checkbox"/> Check here if foreign address <b>Address (Number and Street) *</b> 1 MAIN <b>Zip Code *</b> 85302 - <input type="text"/> <b>City, Town, or Post Office *</b> Glendale	<b>State *</b> Arizona <b>Payer Information</b> <b>Payer's ID Number *</b> 26 - 7000000 <b>Payer's Name *</b> AZ STATE LOTTERY <b>Payer's Address *</b> <input type="checkbox"/> Check here if foreign address <b>Address (Number and Street) *</b> 87 FOLLY RD <b>Zip Code *</b> 28031 - <input type="text"/> <b>City, Town, or Post Office *</b> Cornelius <b>State *</b> North Carolina	<b>Payer's Phone Number</b> ( <input type="text"/> ) <input type="text"/> - <input type="text"/> <b>Winnings Information</b> <b>Gross Winnings *</b> \$550 <b>Federal Tax Withheld</b> \$ <b>Type of Wager *</b> SCRATCHER <b>Date Won *</b> 9 - 28 - 2016 <div style="background-color: #fff9c4; padding: 5px; text-align: center;"><b>!</b> Leave the *State Tax W state tax withholdings</div> <b>State Winnings</b> \$ <b>State Tax Withheld</b> \$	<b>State Taxes Paid To *</b> Arizona <b>State ID Number *</b> 375123 <b>W-2G Local/Other Information</b> <b>Locality 1</b> <b>Locality Name</b> <input type="text"/> <b>Locality Winnings</b> \$ <b>Locality Withholding</b> \$ <b>Locality 2</b> <b>Locality Name</b> <input type="text"/> <b>Locality Winnings</b> \$	<b>Locality Withholding</b> \$ <b>Transaction</b> <input type="text"/> <b>Race</b> <input type="text"/> <b>Winnings from Identical Wagers</b> \$ <b>Cashier</b> <input type="text"/> <b>Window</b> <input type="text"/> <b>First ID Number</b> N009234 <b>Second ID Number</b> <input type="text"/>



# Income - Scholarship Income

❖ (Ex.  $\$6,970 - \$4,000 = \$2,970$  is taxable as unearned income)

CORRECTED

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number UR State U 195 E. Smart Road Phoenix, AZ 85001		1 Payments received for qualified tuition and related expenses \$ 2 <b>\$4,000.00</b>	OMB No. 1545-1574 <b>2020</b> Form <b>1098-T</b>	<b>Tuition Statement</b>  <b>Copy B For Student</b>  This is important tax information and is being furnished to the IRS. This form must be used to complete Form 8863 to claim education credits. Give it to the tax preparer or use it to prepare the tax return.
FILER'S employer identification no.	STUDENT'S TIN	3	4 Adjustments made for a prior year \$	
STUDENT'S name Cindy Young		5 Scholarships or grants \$ <b>\$6,790.00</b>	6 Adjustments to scholarships or grants for a prior year \$	
Street address (including apt. no.) 17 S. Main Street City or town, state or province, country, and ZIP or foreign postal code Scottsdale, AZ 85251		7 Checked if the amount in box 1 includes amounts for an academic period beginning January-March 2021 <input type="checkbox"/>	8 Check if at least half-time student <input type="checkbox"/>	
Service Provider/Acct. No. (see instr.)	9 Checked if a graduate student <input type="checkbox"/>	10 Ins. contract reimb./refund \$		

Form **1098-T**

(keep for your records)

[www.irs.gov/Form1098T](http://www.irs.gov/Form1098T)

Department of the Treasury - Internal Revenue Service

# Income

## TaxSlayer Screenshot

### 1098-T

#### Scholarships and Grants

Taxpayer's scholarships and grants

\$

Spouse's scholarships and grants

\$ 2970

Only excess scholarship income for the taxpayer or spouse is reported here. The dependent's excess scholarship does not go to parent's return. They might have to file their own tax return (depending on the amount).

Cancel

Continue

# Income

## TaxSlayer Menu steps

### 1098-T

1. Click on the Federal Section
2. Income menu (scroll to the bottom)
3. Other Income (click on Begin)
4. Other Compensation (click on begin)
5. Scholarships & Grants (click on begin)
6. (enter the excess) (click on Continue)

Which of the following sources of income are not reported on line 8 of Schedule 1?

- A. Prizes and awards
- B. Gambling winnings (including lotteries and raffles)
- C. Unemployment compensation
- D. Jury Duty Pay

Which of the following sources of income are not reported on line 8 of Schedule 1?

- A. Prizes and awards
- B. Gambling winnings (including lotteries and raffles)
- C. Unemployment compensation
- D. Jury Duty Pay

# Income

## Other

### MEDICAID WAIVER PAYMENT

- Paid by state, county, or authorized provider
- Paid to caregiver to provide nonmedical support services to an individual
- Care provider and care recipient live in same home
- Care for no more than 10 children or 5 adults (19 or older)

➤ **Note: MWP is fully taxable when care provider and care recipient do not live in same home**

# Income

## Other

### MEDICAID WAIVER PAYMENT

- Taxpayer may choose to include qualified MWP in calculation of Earned Income Credit (EIC) and Additional Child Tax Credit (ACTC)  
Even if MWP excluded from gross income (some exceptions)
- Taxpayer must include or exclude all or none of MWP in refundable credit calculation

# Income

## Other

### MEDICAID WAIVER PAYMENT

Document reporting requirements vary by state

W-2

1099-MISC Box 3 or Box 6

1099-NEC

Not reported

Taxpayer must provide records of payments if no tax document

Find *Entering Medicaid Waiver Payments* in Pub 4012 Tab D



# Income

## Other

### MEDICAID WAIVER PAYMENT

- Check individual states at <http://medicaidwaiver.org/>
- Ask probing questions about W-2, 1099-MISC or 1099-NEC presented from state health and human services
- Discuss type of services provided by taxpayer
- Confirm whether care provider lived with care recipient all/part/none of the year

# Income

## TaxSlayer Screenshot – Medicaid Waiver Payment

Practice Lab



Form Finder

Enter the form number...

Basic Information

Federal Section

Income

W-2 Wage Statement

Deductions

Other Taxes

Payments & Estimates

12

	Code	Amount
a	<input type="text" value=""/>	<input type="text" value="\$"/>

+ [add another row](#)

14

	Code	Amount
	<input type="text" value=""/>	<input type="text" value="\$"/>

+ [add another row](#)

Railroad tier 1 wages

13

Statutory Employee

Retirement Plan

Third Party Pay

Do you want to include Medicaid Waiver payments in the calculation of earned income?

Medicaid Waiver Payment

Railroad tier 1 tax withheld

# Income

Salaries & Tips Income

Business Income

Other Income

**Any Questions?**

# Homework for Session #3

**Publication 4012** – Read Tab F and H  
(online)

- **Publication 6744**, Answer the questions for the Advanced Course Scenarios 1, 2, 3, 4, 5, and 6 that we have covered in class.

# Next Session Preview

# AGENDA Session 3

1. Homework Review
2. Income – Retirement
3. Income - Capital
4. Adjustment to Income
5. Homework Assignment



**Tax Year 2021**  
**TAX LAW**  
**PROGRAM TRAINING**  
**Session 2**

*Thank you for volunteering!!!*