

WELCOME TO AccountingAidSociety

Tax Masters Series
Session One

October 16, 2025
5:30 p.m. to 8:00 p.m.

**We use taxes to build relationships.
And relationships to build futures.**

AGENDA

Tax Masters – Session 1 – October 16, 2025

Welcome and Introductions

Site Procedure Refreshers

Accounting Aid Resources Page Updates

Step By Step for TaxSlayer

Paper Checks/Direct Deposit

First-Time Homebuyer Credit Repayment

Rejected Returns

Michigan Tax Law Refresher

City Tax Law

Questions

Accounting AidSociety SINCE 1972

We use taxes to build relationships. And relationships to build futures.

Welcome and Introductions

Meet Your Presenters

- Matt Hetherwick, Chief Program Officer, VITA & LITC
- Maysaa Rahal, Senior VITA Program Manager
- Kathy Holka, Senior Tax Policy Analyst
- Samantha Spolarich, Assistant VITA Program Manager
- Lamis Alnajjar, Assistant VITA Program Manager

Virtual Q&A Sessions

- Thursday, November 6, 2025 | 6:00PM
- Thursday, November 20, 2025 | 6:00PM
- Tuesday, December 2, 2025 | 6:00PM
- Thursday, December 11, 2025 | 6:00PM
- Tuesday, January 6, 2026 | 6:00PM
- Thursday, January 8, 2026 | 6:00PM

A teal-tinted background image showing a group of people in a meeting or collaborative work environment. A woman in the center is looking down, possibly at a laptop or document. Other people are visible in the background, some looking towards the camera and others looking away.

Site Procedure Refreshers

Income Limit – 2026 Filing Season

- **Income limit for tax returns is \$69,000**
 - Please do NOT turn someone away because of income without contacting a manager or site coordinator first.
 - Site coordinators can approve returns up to a certain amount above our income limit.
 - Taxpayers may have income that is a one-time occurrence that puts them over the income limit, such as an early withdrawal from retirement or lottery winnings.

Supplemental Intake Sheets

- Supplemental Intake Sheets
 - Purpose: Review key supplemental intake sheets to ensure everyone is familiar with them and knows when they are required.
 - Sheets to Review:
 - [NEC Worksheet](#) – Required for self-employment income
 - [Education Worksheet](#) – Required for education expenses
 - [Preparer Return Questions](#) – Always required
 - [Taxpayer Return Questions](#) – Always required



Accounting Aid Resources Page: Updated Resources

Accounting Aid Resources Page

- **New and Updated Resources**
 - Updated and Revamped Step by Step
 - [Site Coordinator Updates Summary of Contents](#)
 - [The Accounting Aid Compass: A VITA Toolkit](#)



Paper Check & Direct Deposit

IRS to Phase Out Paper Refund Checks

Beginning September 30, 2025:

Paper tax refund checks for individual taxpayers **were phased out beginning September 30, 2025**, as required by Executive Order 14247.

Why The Change?

- Protect taxpayers:
 - Paper checks are over 16 times more likely to be lost, stolen, altered or delayed than electronic payments.
 - Direct deposit also avoids the possibility that a refund check could be returned to the IRS as undeliverable.
- Speed up refunds:
 - Electronic refunds arrive in < 21 days vs 6+ weeks by mail.
- Cut costs:
 - Electronic payments are more efficient and cost less than paper.

What This Means for Taxpayers

- **Filing** process stays the same.
- **Refunds go digital:** Most refunds delivered by direct deposit or other secure electronic methods.
- **Help for those without access to bank accounts:** Prepaid debit cards, digital wallets, limited exceptions.
- **Act now:** Ensure banking information is up to date or open a low-cost account.



Current Statistics

- 2025 filing season: IRS issued more than 93.5 million refunds.
- 93% (almost 87 million refunds) issued through direct deposit.
- Only 7% received their refunds by paper check.

Overview & Key Changes

- Refunds will transition to secure electronic payments.
- Businesses and individuals should provide direct deposit information when tax returns are filed.
- The IRS will send letters to individuals asking them to update their banking information if they do not provide it on their tax return, or if a direct deposit has been rejected by their financial institution.

Overview & Key Changes

- If banking information is missing when filing electronically, the individual will receive an alert or message. The tax return will still be accepted and processed.
- It is anticipated the IRS will send a letter (1) requesting direct deposit information within 30 days and (2) providing information on how to request an exception within 30 days.
- In addition, *Where's My Refund* will provide messaging associated with the need for banking information.

Overview & Key Changes

- A tax refund will be held up for 6 weeks from when the tax return is processed by the IRS.
 - Once the taxpayer provides the direct deposit information or approved exception, the refund will be immediately released via direct deposit or paper check.
- After 6 weeks, the refund will be released as a paper check, if there are no other issues with the tax return.

Overview & Key Changes

- Individual Online Account will be expected to capture the banking information or reason for an exception for those receiving notice.
- IRS will have a phone extension for taxpayers to provide an exception if individual Online Account is not an option.
- Customer Service Representatives **cannot take direct deposit information** over the phone or in-person.
- No changes for **2024 and prior returns** in how taxpayers receive payments from or make payments to the IRS.

Exceptions

- Executive Order allows Treasury/IRS to approve “limited exceptions” where electronic payments aren’t feasible.
- The **IRS still has to design the official process** for requesting and approving exceptions.
- Groups that are **likely to need or qualify for exceptions**, based on advocacy input and past precedents include:
 - **Unbanked / Underbanked** (5.6M people)
 - **Disabled individuals** (systemic/tech barriers)
 - **Americans abroad** (foreign banks may not process IRS deposits)
 - **Religious groups** (Amish, Mennonites)
 - **Domestic violence victims** (safety/privacy risks)
 - **Elderly, incarcerated, rural/tribal communities, disaster-affected areas**

Options

- There are multiple options for most individual taxpayers to receive direct deposits. The IRS Treasury will continually promote resources for opening a free or low-cost account by visiting FDIC:GetBanked and [MyCreditUnion.gov](https://www.mycreditunion.gov) for account options.
- Many of the tax software companies and practitioners offer reloadable debit cards. This may be an option for some taxpayers.
- Accounting Aid Society offers CFR cards through US Banks.

Next Steps by IRS

- Executive Order 14247 also applies to payments made to the IRS.
- IRS will issue additional guidance and information for filing 2025 taxes prior to the 2026 filing season.
- IRS will share updated guidance on [IRS.gov/modernpayments](https://www.irs.gov/modernpayments) and through outreach efforts nationwide.

The Future Beyond 2026

- Opportunities to have similar processes for those individuals filing amended tax returns.
- Improve access and work around international refunds and access to digital payments.



First-Time Homebuyer Credit Repayment

First-Time Homebuyer Credit Repayment

- **Repayment of the First-Time Homebuyer Credit** for homes purchased in 2008. The credit functions like a 15-year interest-free “loan” that must be repaid in annual installments.
- **Form 5405 (Rev. Nov 2024)** is still in use for determining credit repayment if you purchased a home in 2008 and must repay the credit.
- 2024 is the last year to file Form 5405, Repayment of the First-Time Homebuyer Credit.
 - The 15-year repayment period for homes purchased in 2008 began with the 2010 tax return and ends with the 2024 tax return.
- The “First-Time Homebuyer Credit Account Look-Up” tool is *no longer available* (as of August 2025). IRS removed the tool.

First-Time Homebuyer Credit Repayment

Recent Action by the IRS

- A client at **Northwest** received an IRS letter requiring payoff of the remaining first-time homebuyer credit balance.
- **Letter details:**
 - Full balance due by **September 16**
 - If client disagrees, must **call IRS by October 24**

Takeaway:

It appears the IRS is now issuing letters to taxpayers with outstanding balances, requiring full repayment. This provides clearer insight into how the IRS is handling these cases.

Handling Missing Repayment Data

Expected Behavior in TaxSlayer

When the taxpayer reports a repayment but cannot provide full details:

- Do **not** estimate or enter partial repayment data.
- TaxSlayer requires full repayment information; incomplete entries will trigger an **error that prevents e-filing**.
- If repayment cannot be verified, **omit the repayment entry** and proceed with the return.
- Document in **TaxSlayer Notes**:
“Taxpayer unable to verify repayment amount due to IRS tool unavailability.
Proceeded without repayment entry.”
- Advise the taxpayer that the **IRS may adjust the return** when they process it.



Rejected Returns

Top Three Rejects

- **From January through mid-October of 2025,** the following **three rejects** accounted for nearly **71%** of total rejected returns at Accounting Aid tax sites:
 - Form 8962, Premium Tax Credit, missing from the tax return. (Reject Code F8962-070, 33.36%, 775 returns)
 - IP PIN missing for taxpayer. (Reject code IND-181-01, 28.76%, 668 returns)
 - Social Security number already used on a previously electronically filed tax return. (Reject Code IND-452, 7.88%, 200 returns)

What Can We Do To Minimize These Rejects?

- **Screener:** Conduct a thorough intake and interview with the taxpayer(s), emphasizing the applicable questions on Form 13614-C, Intake/Interview and Quality Review Sheet, for these rejects. Rephrase the question and ask additional/follow-up questions.
- **Tax Preparer:** Look for Notes in TaxSlayer that address a rejected return, health insurance, and an IP PIN. DO NOT delete any Notes. Always carry Notes forward. Add Notes in TaxSlayer.
- **Quality Reviewer:** During quality review, ask the applicable questions again that are on Form 13614-C. Review all Notes in TaxSlayer.

TaxSlayer Notes

- After starting the return in TaxSlayer, if the “**Pulling Prior Year Data**” page appears and there are Notes to carry forward:
 - Review the Note(s), follow up with the taxpayer as warranted, and make notes on the Intake Sheet as needed.
 - DO NOT uncheck the box for Notes, always pull the item to the current return.

- To **Add or View Notes**:

- **In the Return:** Click on the drop-down menu next to the taxpayer's name at the top of the page and select Notes.
- **From the Client List:** Select the Notes icon as shown here:



Icon will be **gray** if there are no existing Notes and **blue** if there is a Note(s).

“Pulling Prior Year Data” Page in TaxSlayer

Notes Close Details ^		
PULL ITEM?	NAME	NOTE
☒	10-6-25 IP PIN	2024 return rejected due to missing IP PIN for taxpayer. Client will call IRS to have PIN reissued.
☒	3-18-25 Form 1095-A	Client returned with missing 1095-A and return was retransmitted.

No Data Found to Pull Forward

**ALWAYS pull Notes forward;
DO NOT uncheck the box.**

☐ Form 1099R Items

No Prior Data Found

☐ Schedule A Miscellaneous Deductions

No Prior Data Found

☐ Schedule B Items

SHOW ALL

No Prior Data Found

ALWAYS select, “YES, IMPORT MY DATA”

NO THANKS

YES, IMPORT MY DATA.

Reject Code F8962-070

- Explanation: Form 8962, Premium Tax Credit, was not present in the return that was electronically filed.
- IRS Description: F8962-070: The e-File database indicates Form 8962 must be included in the return. The taxpayer, the taxpayer's spouse if filing jointly, or a dependent claimed on the tax return was enrolled in Affordable Care Act (ACA) Marketplace health insurance and advance payments of the premium tax credit were paid for the coverage. Please resubmit the return with the Form 8962 using the information from your Form 1095-A. (continued on next page)

Reject Code F8962-070 (cont.)

- IRS Description (continued): If you did not receive or have lost your 1095-A, you can get a copy from the Marketplace through which you obtained coverage. If you think Form 8962 is not required, please resubmit the return with a binary attachment (PDF) containing the heading "ACA Explanation" and explaining why the Form 8962 is not required. Please visit the IRS website at:
<https://www.irs.gov/newsroom/how-to-correct-an-electronically-filed-return-rejected-for-a-missing-form-8962> for additional information.

Form 13614-C (Page 3)

Marketplace Health Insurance Question

Page 3

Expenses and Tax Related Events: Answer the questions on the left side of this page. Check only the boxes that apply to you and/or your spouse.

Did any of the following happen during 2025?	(To be completed by certified volunteer) Information to report	Notes/Comments
☐ (B) You or someone in your family took educational classes (technical school, college, job related, etc.)	☐ (B) Taxable scholarship income	
☐ (A) Sell a home	☐ (B) 1098-T (itemized statement from school, invoice, etc.) ☐ (B) Education credit or tuition and fees deduction	
☐ (A) Have a health savings account (HSA)	☐ (A) Sale of home (1099-S) ☐ (A) HSA contributions ☐ (A) HSA distributions	
☐ (A) Purchase health insurance through the Marketplace (Exchange)	☐ (A) 1095-A	
☐ (A) Purchase and install energy-efficient home items (example: windows, furnace, insulation, etc.)	☐ (A) Energy efficient home improvement credit (Form 5695, Part II only)	

Asks the taxpayer if the following happened during the tax year:

Purchase health insurance through the Marketplace (Exchange)

If box is checked on the left side, the box in the gray section must be checked if Form 1095-A was received by the taxpayer or a note of explanation must be added.

Additional Questions to Ask Regarding Health Insurance

- Did your spouse or any dependents have health insurance through the Marketplace in 2025?
- What kind of health insurance did you, your spouse or any dependents have in 2025?
- Did you ever have health insurance through the Marketplace in the past?
- Did you receive Form 1095-A? Or any other forms regarding health insurance, such as Form 1095-B or 1095-C?
- Were there any issues with the return that was filed for you last year? Did Accounting Aid Society contact you for any reason?

Additional Questions to Ask Regarding Health Insurance

- Ask taxpayer to contact the **Health Insurance Marketplace** at **1-800-318-2596** if:
 - They had coverage and Form 1095-A, Health Insurance Marketplace Statement, is missing.
 - They had issues with prior year return or had coverage last year and are unsure if they had coverage through the Marketplace in 2025.
- If time permits, assist the client with the call to the Marketplace.

Reject Code IND-181-01

- Explanation: An IP PIN was not entered for the primary taxpayer.
- IRS Description: IND-181-01: The Primary Taxpayer did not enter a valid Identity Protection Personal Identification Number (IP PIN). Please visit www.irs.gov/getanippin for further information and resubmit your return with the correct number.

Form 13614-C (Page 1) – IP PIN Questions

Form **13614-C**
(October 2025)

Department of the Treasury - Internal Revenue Service

Intake/Interview and Quality Review Sheet

OMB Number
1545-1964

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

- Complete pages 1-5 of this form.
- You are responsible for the information on your return. Provide complete and accurate information.
- If you have questions, 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 ts.voltax@irs.gov

Your first name		M.I.	Last name		Your date of birth		Your job title		
Spouse's first name		M.I.	Last name		Spouse's date of birth		Spouse's job title		
Mailing address				Apt #	City			State	ZIP code
Your telephone number		Spouse's telephone number		Email address (optional)			Did you live or work in two or more states in 2025 ☐ Yes ☐ No		
Can anyone else claim you or your spouse on their tax return									☐ Yes ☐ No
Check if you or your spouse were in 2025:									
A U.S. citizen	☐ You	☐ Spouse	☐ No	Legally blind	☐ You	☐ Spouse	☐ No		
In the U.S. on a visa	☐ You	☐ Spouse	☐ No	Totally and permanently disabled	☐ You	☐ Spouse	☐ No		
A full-time student	☐ You	☐ Spouse	☐ No	Issued an identity protection PIN (IPPIN)	☐ You	☐ Spouse	☐ No		
				Owners or holders of any digital assets	☐ You	☐ Spouse	☐ No		

Asks the taxpayer to check a box if they or their spouse were:
Issued an identity protection PIN (IP PIN).

Form 13614-C (Page 1) – IP PIN Questions

Form **13614-C**
(October 2025)

Department of the Treasury - Internal Revenue Service

Intake/Interview and Quality Review Sheet

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1545-1964

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List the names below of everyone who lived with you last year (except your spouse) **AND** anyone you supported but did not live with you last year.

Answer Yes or No (Y/N)

To be completed by certified volunteer
(Yes, No, or N/A)

Name (first, last)	Date of birth (mm/dd/yy)	Relationship to you (child, parent, none, etc.)	Number of months lived in your home in 2025	Single or Married as of 12/31/2025 (S/M)	U.S. Citizen	Resident of U.S., Canada or Mexico	Full-time student	Totally and permanently disabled	Issued IPPIN	Qualifying child or relative of any other person	This person provided more than 50% of their own support	This person had less than \$5,200 of income	Taxpayer(s) provided more than 50% of support for this person	Taxpayer(s) paid more than half the cost of maintaining a home for this person

Catalog Number 52121E

www.irs.gov

Form **13614-C** (Rev. 10-2025)

Asks the taxpayer to answer Yes or No (Y/N) for anyone that lived with them or they supported was: **Issued an IP PIN.**

Form 13614-C (Page 3)

Letter or Bill From the IRS Question

Page 3

Expenses and Tax Related Events: Answer the questions on the left side of this page. Check only the boxes that apply to you and/or your spouse.

Did any of the following happen during 2025?	(To be completed by certified volunteer) Information to report	Notes/Comments
☐ (A) Purchase health insurance through the Marketplace (Exchange)	☐ (A) 1095-A	
☐ (A) Purchase and install energy-efficient home items (example: windows, furnace, insulation, etc.)	☐ (A) Energy efficient home improvement credit (Form 5695, Part II only)	
☐ (A) Other (example: purchased a new vehicle, etc.)	☐ VIN #	
☐ (A) Have credit card, mortgage, or other debt cancelled/forgiven by a lender	☐ (A) 1099-C	
☐ (A) Have a loss related to a declared Federal disaster area	☐ (A) 1099-A ☐ Disaster relief impacts return	
☐ (B) Have a tax credit disallowed (example: earned income credit, child tax credit, or American opportunity credit)	☐ (B) EITC, CTC, AOTC or HOH disallowed in a previous year Year disallowed Reason	
☐ Receive any letter or bill from the IRS	☐ Eligible for Low Income Taxpayer Clinic referral	



Asks the taxpayer if the following happened during the tax year:
Receive any letter or bill from the IRS

Additional Questions to Ask Regarding IP PIN

- Have you, your spouse, or any dependent been a victim of tax-related identity theft?
- Did you receive a letter/notice from the IRS in December or January about identity protection and with a six-digit PIN on it (CP01A notice)?
 - Many taxpayers receive this notice which lists the IP PIN to be used for any tax returns filed in the calendar year.
 - A new PIN is issued each year.

Additional Questions to Ask Regarding IP PIN (cont.)

- Did you have to retrieve an IP PIN last year by going to your online IRS account or call the IRS to have it reissued?
- Did you have to mail in your tax return last year because you did not have your IP PIN?
- Were you contacted by Accounting Aid Society about any issues with the return we filed for you last year?
- Taxpayers can retrieve their IP PIN or have it reissued:
 - Use their IRS online account to retrieve the PIN
 - Call the IRS at 800-908-4490 to have the IP PIN reissued.

IP PIN and Paper Returns

- DO NOT e-file State Only returns when the taxpayer does not have their IP PIN.
- We must ask the taxpayer to make the effort to retrieve their IP PIN or have it reissued.
- Too often, a client's return is rejected year-after-year for this same issue – an IP PIN was not entered on the tax return.
- Inform the applicable taxpayers we serve about the importance of having their IP PIN at the time of tax preparation.

Reject Code IND-452

- Explanation: Taxpayer's Social Security number already used on a previously filed electronic tax return.
- IRS Description: IND-452: In an original return, the Primary SSN in the Return Header must not be the same as the TIN of a previously accepted electronic Individual return filed for the same tax period.

Additional Questions to Ask Regarding a Previously Filed Tax Return

- There are not many steps or indications that would flag for us that a taxpayer's Social Security number has already been used on another tax return.
- If the return is being filed later in the filing season or over the summer, ask the taxpayer if this is the first time they are filing a 2025 tax return.
- Ask if they have ever had issues in the past with the e-filing of their tax return.



Michigan Tax Law Refresher

Michigan Tax Topics

- Michigan Homestead Property Tax and Home Heating Credits:
 - Michigan Form 5049, Married Filing Separately and Divorced or Separated Claimants Schedule
 - Separated or Divorced Claimants – How to Calculate:
 - Amount of taxes that may be claimed
 - Amount of heating costs and exemptions
 - Single Adults Sharing a Home

Michigan Form 5049

Married Filing Separately and Divorced or Separated Claimants Schedule

When to File:

- Taxpayers filing a Michigan credit claim as **Married Filing Separately must include this form** with their claim(s).
- Claimants who divorced during the year must also complete the form if they lived together any part of the year.
- TaxSlayer will produce a warning if tax return is filed as Married Filing Separately and Form 5049 has **not** been completed.

Michigan Form 5049

What is Reported on the Form:

- If home was shared at any time during the year,
 - The dates the spouses shared a home and
 - Income breakdown for the filer and spouse for the period of time the home was shared.
- An explanation if spouse's income was not included on the form.

Michigan Form 5049 – Part 3: Explanation

- If **income from the spouse is not included** in Column B, an **explanation must be provided** in Part 3.
- If the taxpayer and spouse maintained separate homesteads all year (did not live together at any time),
 - Complete only Part 3 of Form 5049 with an explanation of **“Maintained a separate homestead from my spouse all year.”**

Michigan Form 5049 – Part 3: Explanation (cont.)

- If the taxpayer and spouse shared a home for any part of the year and spouse did not have any income during the year:
 - Complete Part 3 with “**My spouse did not have any income during the year.**”
- Otherwise, the spouse’s income **must** be included. Any exceptions must be approved by a program manager.
- Do not start the return in TaxSlayer if spouse’s income is missing.

Michigan Form 5049 – Income Breakdown

- Married Filing Separately and **shared a home for the entire year:**
 - The spouses are entitled to one property tax credit and one home heating credit.
 - A spouse claiming the credit(s) must complete Form 5049 and include total household resources of both spouses.
 - A spouse filing the credit(s) should also include the spouse's income on the Other Nontaxable Income line of the credit claim (the amount from line 18 in Column B of Form 5049).
- **NOTE: This is the only scenario where the spouse's income from Form 5049 is included in the filer's THR.**

Michigan Form 5049 – Income Breakdown

- Married Filing Separately (or Divorced) and **shared a home for the part of the year:**
 - Total household resources for each spouse are prorated for the number of days they lived together.
 - See Example 2 in the instructions for Form 5049 (on the back of the form).
 - We will use this example for both income breakdown and how to prorate taxes levied when spouses shared a home for part of the year.

Michigan Form 5049 – Income Breakdown

- Married Filing Separately (or Divorced) and **shared a home for the part of the year:**
 - The spouse's income from Column B is **NOT** included in the taxpayer's total household resources in this situation.
 - TaxSlayer Issue: The software **incorrectly** includes the spouse's income on the Other Nontaxable Income line of the credit claims.
 - At this time, hold all returns/do not file where spouses shared a home for part of the year and the spouse has income.

Michigan Form 5049 – Income Breakdown

Karl and Cathy (Example 2 from Form 5049 instructions)

- Karl and Cathy separated on October 2, 2024.
- Cathy earned \$20,000 of wages evenly throughout the year.
- Karl earned \$25,000 of wages evenly throughout the year.
- They lived together for 275* days (1/1 to 10/1/2024).
- Prorated total household resources calculated as follows:
 - Cathy: $(\$20,000/366^*) \times 275 = \$15,027$
 - Karl: $(\$25,000/366^*) \times 275 = \$18,784$

* 2024 was a leap year (29 days in February, 366 days in the year).

Michigan Form 5049 – Income Breakdown

- Adjustments and Medical Insurance/HMO Premiums
 - When completing Columns A and B of Form 5049, any adjustments (from the federal return) and any medical insurance/HMO premiums paid that are entered on the credit claim to arrive at total household resources must also be included in Columns A and B (prorated if the spouses shared a home for part of the year).

Refer to Instructions for Various Marital Living Situations

- The instructions for each credit claim include instructions for various marital situations and living situations, including:
 - Married during 2024,
 - Filing a joint return and maintaining separate homesteads,
 - And the three situations discussed in this presentation:
 - Filing separate State returns and maintaining separate homesteads,
 - Married Filing Separately and shared a homestead, and
 - Separated or divorced in the tax year.

Refer to Instructions for Various Marital Living Situations (cont.)

- Instructions for tax year 2025 are not yet available at the time of this presentation.
- For tax year 2024:
 - See pages 29–30 of the MI-1040 Instructions book for the Homestead Property Tax Credit Claim (Form MI-1040CR).
 - See page 3 of the MI-1040CR-7 Instructions book for the Home Heating Credit Claim.

Separated or Divorced Claimants Who Shared a Homestead for Part of the Year

- Homestead Property Tax Credit Claim:
 - The credit is based on the taxes levied/rent paid together before separation plus the taxes levied or rent paid individually after separation.
- Home Heating Credit Claim:
 - The credit is based on share of the heating costs or exemptions before separation, plus the filer's exemptions and individual heating costs after separation.
 - A schedule should be included with the claim showing the computation.

Separated or Divorced Claimants

Property Tax Credit – How to Prorate Taxes Levied

- Use Form 2105, Worksheet for Figuring Taxes Paid by Separated or Divorced Claimants.
- The form is available in TaxSlayer:
 - However, at the time of this presentation, it does not enter the amount from line 12 of the worksheet in the correct field on the Homestead Property Tax Credit Claim.
 - It also does not have a field to enter an amount for line 9 for those whose shared home was rented.
- At this time, do not file the Homestead Property Tax Credit Claim if Form 2105 has been completed (i.e., Married Filing Separately claims and home was shared for part of the year).

Separated or Divorced Claimants

Property Tax Credit – How to Prorate Taxes Levied

Karl and Cathy (Example 2 from Form 5049 instructions and pages 29-30 of the 2024 MI-1040 Instructions book)

- **Step 1:** Calculate prorated total household resources for each spouse for the number of days they lived together (1/1–10/1/24 = (275 days*):
 - Cathy: $(\$20,000/366^*) \times 275 = \$15,027$
 - Karl: $(\$25,000/366^*) \times 275 = \$18,784$
- **Step 2:** Add both prorated total household resources together to determine the total for the time they lived together:
 - $\$15,027 + \$18,784 = \$33,811$

* 2024 was a leap year (29 days in February, 366 days in the year). 62

Separated or Divorced Claimants

Property Tax Credit – How to Prorate Taxes Levied

Karl and Cathy (Example 2 from Form 5049 instructions and pages 29-30 of the 2024 MI-1040 Instructions book) – Continued

- **Step 3:** Divide each individual's prorated share of THR by the total from Step 2 to determine percentage attributable to each:
 - Cathy: $\$15,027 / \$33,811 = 44\%$
 - Karl: $\$18,784 / \$33,811 = 56\%$
- **Step 4:** Calculate the prorated taxes eligible for credit for the time they lived together (total taxes levied for the year was \$1,860):
 - $(\$1,860 / 366 \text{ days}) \times 275 \text{ days} = \$1,398$

Separated or Divorced Claimants

Property Tax Credit – How to Prorate Taxes Levied

Karl and Cathy (Example 2 from Form 5049 instructions and pages 29-30 of the 2024 MI-1040 Instructions book) – Continued

- **Step 5:** Calculate each individual's share of the prorated taxes.

Multiply the \$1,398 by the percentage determined in Step 3.:

- Cathy: $\$1,398 \times 44\% = \615
- Karl: $\$1,398 \times 56\% = \783

Enter these amount on MI-1040CR, line 50 column B.

Separated or Divorced Claimants

Property Tax Credit – How to Prorate Taxes Levied

Karl and Cathy (Example 2 from Form 5049 instructions and pages 29-30 of the 2024 MI-1040 Instructions book) – Continued

- **Final calculations and entries:** Calculate each individual's share of the prorated taxes. Multiply the \$1,398 by the percentage determined in Step 3.:
 - Cathy uses lines 47 through 50, column A, to compute her share of taxes for the remaining 91 days.
 - Karl uses lines 52 and 53 to compute his share of rent.
 - Each completes the remaining line of Form MI-1040CR according to the form instructions.

Separated or Divorced Claimants

Property Tax Credit – How to Prorate Taxes Levied

- Please note that even if the home is only in one spouse's name or only one spouse's name is on the lease for the home they shared:
 - The taxes or rent **must still be prorated** based on the prorated share of total household resources for the period of time they lived together.

Separated or Divorced Claimants

Property Tax Credit – How to Prorate Taxes Levied

- For those whose shared home was rented, see *Computing the Credit* on the back of Form 2105.

TaxSlayer – Form 5049 and Form 2105

- **Form 5049** – The tab for the form is located at the bottom of the Homestead Property Tax and Home Heating Credit page in the software.
- **Form 2105** – The tab for the form is located at the bottom of the Homestead Property Tax Credit Claim page in the software.
 - Although the software calculates the correct amount of taxes levied for homeowners, it does not enter it in the correct field on the MI-1040CR.

TaxSlayer – Form 5049 and Form 2105

- **Form 5049** – The software incorrectly includes the spouse's income from Column B in total household resources as Other Nontaxable Income on the credit claims when spouses shared a home for part of the year.
- **Form 2105** – Although the software calculates the correct amount of taxes levied for homeowners,
 - It does not enter it in the correct field on the MI-1040CR.
 - It also does not have a field for the preparer to enter an amount for line 9 of the worksheet if the shared home was rented.

TaxSlayer – Form 5049 and Form 2105

- Do not file the MI-1040CR or MI-1040CR-7 if:
 - Form 5049 is completed for a MFS filer who shared a home for part of the year.
 - Form 2105 has been completed.
- TaxSlayer is aware of the issues and a ticket opened for each one.
- We will keep you posted if and when TaxSlayer has resolved each issue with the 5049 and 2105.

Single Adults Sharing a Home –If Each has Contracted to Pay Rent or Owns a Share of the Home

- Property Tax Credit
 - Each should file an individual claim based on his or her total household resources, prorated share of taxes levied or rent paid, and prorated share of the taxable value.
 - IMPORTANT: The prorated share of taxes levied/rent paid is based on the number of people on title to the home or listed as tenants on the lease.
 - The taxes or rent claimed is not based on what each individual pays. A program manager must approve any entry other than a proration of taxes levied or rent paid.

Single Adults Sharing a Home –If Each has Contracted to Pay Rent or Owns a Share of the Home

- Home Heating Credit
 - Each should file a claim based on his or her total household resources and his or her share of the standard allowance.
 - See page 5 of the 2024 MI-1040CR-7 instructions.
 - TaxSlayer will calculate the prorated standard allowance when number of single adults is entered at the bottom of the Home Heating Credit Claim page.

A teal-tinted background image showing a group of people in a meeting or office setting. A woman in the center is looking down, possibly at a document or device. Other people are visible in the background, some looking towards the camera and others looking away.

City Tax Law

Taxing Cities

- 24 Michigan cities have an individual income tax, including:
 - Albion, Battle Creek, Benton Harbor, Big Rapids, **Detroit**, East Lansing, Flint, Grand Rapids, Grayling, **Hamtramck**, **Highland Park**, Hudson, Ionia, Jackson, Lansing, Lapeer, Muskegon, Muskegon Heights, **Pontiac**, Port Huron, Portland, Saginaw, Springfield, and Walker.
 - State of Michigan provides a link with instructions for the various cities.
 - [Which cities impose an income tax?](#)
- Returns are typically due April 30 of each tax year, except for City of Detroit with a tax deadline of April 15.

City of Flint and State of Michigan Tax Agreement

- Starting January 1, 2027, the Michigan Department of Treasury will process City of Flint income tax returns electronically.
- 2027 Filing Season: File 2026 City of Flint tax return with state return
- Flint becomes the second city in Michigan to partner with the state (after Detroit).
- Detroit's partnership (since 2015) resulted in a 54% increase in tax revenue.

Michigan Common Form 1040

- All cities except Detroit use Michigan Common Form 1040 (CF-1040)
 - Can be completed in TaxSlayer
- **Return must be paper filed** – Print two copies (one to mail and one for the client's records).
- Instruct the client that they must sign and mail in the return with their payment (if tax owed on the return).
- Advise them of the due date for the tax return.

Michigan Common Form 1040

- Forms that must be attached to the CF-1040:
 - Federal forms:
 - Form 1040, pages 1 & 2; Schedule 1; and Schedules B, C, D, E
 - Attach other city nonresident return if credit for taxes paid to another city was claimed.
 - Attach W-2(s) if local wages for the city are reported and/or if city tax was withheld.
 - Attach 1099-R(s) whether taxable to the city or not.

City of Detroit Subtractions

Some common **subtractions from income** for residents of the City of Detroit include:

- IRA, pensions and other retirement benefits (early distributions are taxable)
- Taxable Social Security benefits
- State and local income tax refunds if included in AGI
- Unemployment compensation

Most of these carry forward from the federal return with the exception of the subtraction for retirement benefits.

Credit for Taxes Paid to Another City

- If a taxpayer lived in one taxing city but worked in another taxing city, earnings are taxed by both.
- The resident city will give credit for taxes paid to the nonresident city.
- The credit is the lesser of:
 - The taxes levied by the non-resident city
 - What the comparable non-resident taxes would have been in the resident city. (rates and exemptions may differ).

Credit for Taxes Paid to Another City

To calculate this credit:

1. Complete a non-resident city tax return for the city the taxpayer **worked in, but did not live in**. Notate the amount of tax that has been computed.
2. Complete a non-resident city tax return for the city the taxpayer **lived in, but did not work in**. Notate the amount of tax that has been computed, then **DELETE THIS RETURN (TIP: If there is a work allocation on the non-resident return, be sure to do the allocation on this return as well)**.
3. The lesser of the **tax amounts*** computed in Step 1 and Step 2 is the amount to be entered on the taxpayer's resident return as the credit for tax paid to another city.
4. Print an extra copy of the non-resident return to attach to the resident return.

*Tax amounts = tax liability, NOT withholding!!!

City Returns in TaxSlayer

- Need to know client's residency status:
 - Full year resident, part-year resident, or nonresident
- Need to determine what amount of income is taxable as a resident or non-resident
- If part-year resident, need to know dates of residency
 - For Detroit, we need to prorate the exemption based on months of residency and non residency.
 - [Refer to the examples in your folder.](#)
 - For Pontiac, Hamtramck, and Highland Park income tax rules do not appear to require prorating a personal exemption for part-year residents.
- If client paid taxes to another taxing city as nonresidents, we need to complete nonresident taxing city return first.

Entering CF-1040 into TaxSlayer

- W-2s will carry forward from federal, however:
 - You do have to enter details to allocate wages for nonresidents and part-year residents.
 - For any local income tax withholding, the locality name must be entered correctly on the W-2 page in TaxSlayer, or the withholding will not appear on the CF-1040.
 - Nonresidents will need to add the dates they worked in each location and the address of their workstation (NOT the employer's address).
- For pensions, you must enter all 1099-Rs exempt from tax.
 - The EIN and federal dollar amount must match EXACTLY or the income won't be correctly excluded.
 - If the 1099-R was not excluded, check for typos and rounding errors in local 1099-R input.
- For self-employment income, enter the exact Net Profit from Schedule C before completing the business allocation formula.

City Practice Scenarios

We prepared [short walkthroughs](#) of practice problems on how to enter different scenarios into TaxSlayer to give you some insight into how to handle them.



QUESTIONS

Tax Masters Session 2

Date: Wednesday, November 5, 2024

Time: 5:30PM – 8:00PM

Topics: Federal & State Tax Law Updates

Thank you for your participation in this presentation!

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We use taxes to build relationships. And relationships to build futures.

END