

WELCOME TO

AccountingAidSociety

Tax Masters Series
Session One:
Federal Tax Law

October 13, 2022
5:45 p.m. to 8 p.m.

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

Instructors: Chelsea Vitale, Maysaa Rahal, Sam Spolarich, Kathy Holka

Tax Masters, Session 1, October 13, 2022

Agenda

Welcome and Introductions

Agency Updates

Federal Tax Law Refreshers

Filing Requirements / Filing Status

Digital Assets Rules

Education Credits

Health Savings Accounts (HSA)

2020 Coronavirus-Related Withdrawals, 3-Year Election

Federal Tax Law Updates for Tax Year 2022

Expanded Credits Reverting to Pre-2021 Rules

What's Going Away and What's Staying for 2022

Other Updates

2022 Draft Form 1040

Questions

Accounting AidSociety SINCE **1972**

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Welcome and Introductions

Meet Your Presenters

- Kelly Lepper, Volunteer Program Manager
- Matt Hetherwick, Director of Individual Tax Program
- Maysaa Rahal, VITA Supervisor
- Chelsea Vitale, VITA Supervisor
- Sam Spolarich, VITA Supervisor
- Kathy Holka, Senior Tax Policy Analyst

Important Dates & Info

- Monday, 10/17: Volunteer Call To Action
- Thursday, 10/27: Virtual Q&A session
- Tuesday, 11/8: Virtual Q&A session
- Thursday, 11/10: Tax Masters #2
- Tuesday, 11/22: Virtual Q&A session
- Saturday, 12/3: Volunteer Kickoff Breakfast
- Tuesday, 12/6: Virtual Basic Training
- Tuesday, 12/13: Virtual Advanced Training
- Thursday, 12/15: Virtual Q&A session
- Thursday, 1/5/23: Virtual Q&A session
- Saturday, 1/21/23: Site Coordinator Meeting
- Location based training-further out to accommodate our volunteers
- New volunteer training-smaller groups, covers practical TaxSlayer training, added support

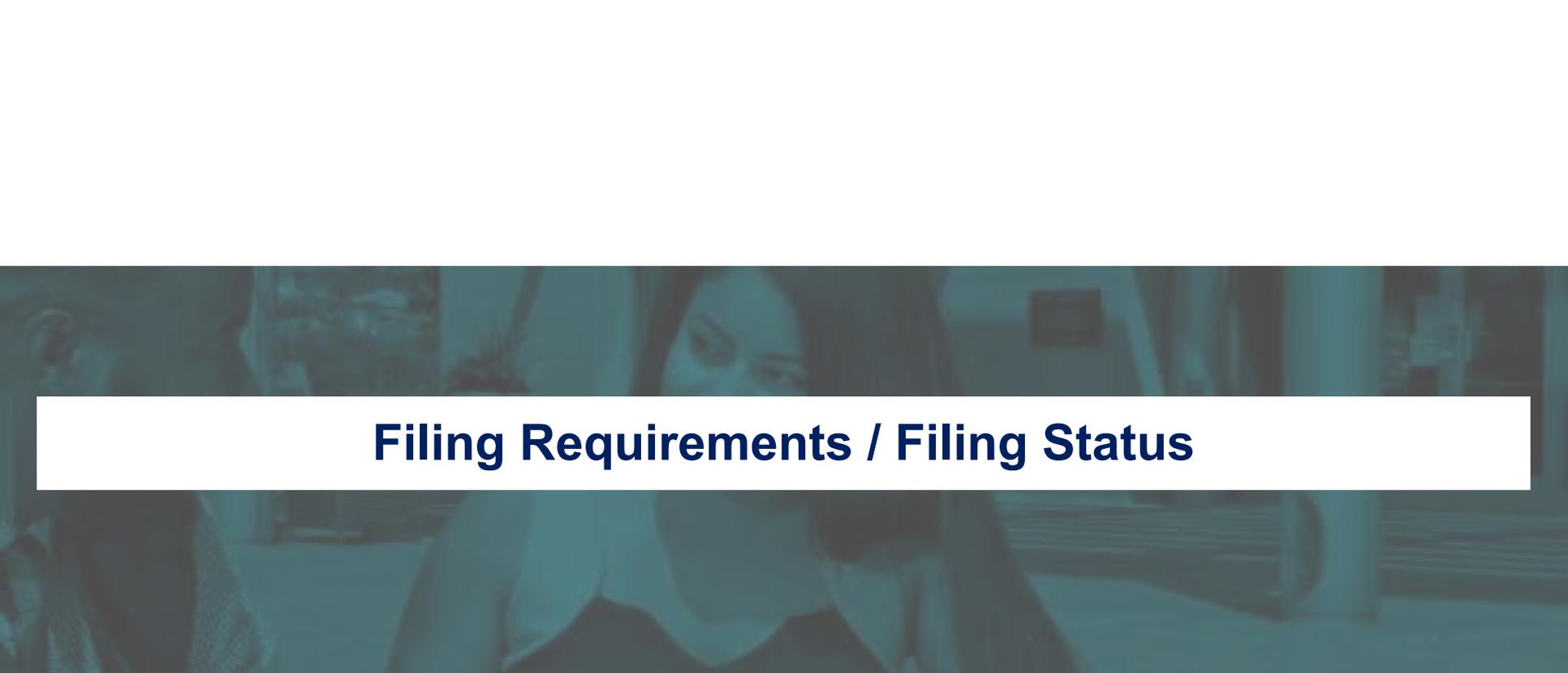
Agency Updates

- Tax sites
- Equipment

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Federal Tax Law Refreshers



Filing Requirements / Filing Status

Filing Requirements

- **Who Must File**
 - Federal filing requirements are based on gross income compared to standard deductions (including 65 and over)
 - Standard Deduction for 2022
 - \$25,900 – MFJ or QSS
 - \$19,400 – HOH
 - \$12,950 – Single or MFS
 - Additional standard deduction for taxpayers who are 65 and older or blind:
 - \$1,750 for Single or HOH
 - \$1,400 for married taxpayers or QSS
 - Special rules apply for dependents
 - There are other special situations... Self-employment net income of at least \$400, received advance payments for premium tax credits, and others

Filing Requirements

- **Who Should File**

- Some clients should file to recover withholding or collect refundable credits (such as the Earned Income Tax Credit), even if they are not required to file by the gross income guidelines
- Taxpayers eligible for Michigan credits even if no filing requirement, or refund or payment needed for federal or state income tax

Filing Status

There are 5 filing statuses:

- Single
- Married Filing Jointly (MFJ)
- Married Filing Separately (MFS)
- Head of Household (HOH)
- Qualifying Surviving Spouse (with dependent child) (QSS)

Single

On the last day of the year:

- Not married
- Legally separated* or divorced under the taxpayer's state law

* Michigan is one of a handful of states that doesn't offer legal separation as a formal legal process.

Note: If the taxpayer's spouse died during the year, the filing status cannot be single

Married Filing Jointly

On the last day of the year:

- Married and live together*
 - Live apart but not legally separated or divorced
 - Live together in recognized common law marriage (Michigan doesn't recognize common law marriage)
 - Spouse died during the tax year
 - If a spouse died during the tax year, the surviving spouse can often file a joint return for that year
- ★ If taxpayers file jointly, they are both jointly liable for taxes and interest or penalties
- ★ Once a joint return is filed, taxpayers can't go back and amend to file separately after the due date of the return

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

Married Filing Separately

On the last day of the year:

- Legally married
- Doesn't matter where each spouse lived

★ If taxpayers filed separately they can amend to file jointly anytime within the three year statute of limitations

**A married couple can choose to file two separate tax returns. This may benefit them if it results in less tax owed than if they file a joint tax return. Taxpayers may want to prepare their taxes both ways before they choose. They can also use this status if each wants to be responsible only for their own tax.

Married Filing Separately (Cont.)

Why MFS status is not beneficial:

- Tax rate is generally higher for this status
- If one spouse itemizes, the other is forced to itemize and cannot take the standard deduction
- 85% of Social Security Income can be taxed
- No Earned Income Credit (EITC) *there is an exception for some, beginning with tax year 2021
- No Education Credits
- No Student Loan Interest Deduction
- No Dependent Care Credit
- Child Tax Credit can be reduced (depends on income)

Head Of Household

Taxpayer is eligible for HOH status if he or she:

- Is unmarried or “considered unmarried” on last day of tax year,
- Paid more than 50% of the cost of keeping up a home for themselves and a qualifying person, and
- Had a qualifying person living with them for more than half the year (except for temporary absences and parents)

** You **can't** use head of household filing status based on any person who is your dependent only because he or she lived with you for the entire year (for example, a companion or a friend). [Who Is a Qualifying Person Qualifying You To File as Head of Household?](#)

Head Of Household Considered Unmarried

Taxpayer is “**considered unmarried**” on the last day of the tax year if all of the following tests are met:

- Taxpayer files a separate return (a return claiming MFS, Single or HOH)
- Taxpayer paid more than half of the cost of keeping up his or her home for the tax year
- Taxpayer’s spouse didn't live in the home during the last 6 months of the tax year. The spouse is considered to live in taxpayer’s home even if he or she is temporarily absent due to special circumstances.
- Taxpayer’s home was the main home of his or her child, stepchild, or foster child for more than half the year
 - **A grandchild does not meet this test**
- Taxpayer must be able to claim the child as a dependent

Head Of Household Cost of Keeping Up a Home

Cost of Keeping Up a Home

Keep for Your Records

	Amount You Paid	Total Cost
Property Taxes*	\$ _____	\$ _____
Mortgage interest expenses*	\$ _____	\$ _____
Rent	\$ _____	\$ _____
Utility charges	\$ _____	\$ _____
Property insurance*	\$ _____	\$ _____
Food eaten in the home	\$ _____	\$ _____
Other household expenses	\$ _____	\$ _____
Fair market rental value*	\$ _____	\$ _____

*Under proposed regulations, fair market rental value may be used (instead of the sum of payments for property taxes, mortgage interest expenses, and property insurance)

Totals

Minus total amount you paid (_____)

Amount others paid \$ _____

If the total amount you paid is more than the amount others paid, you meet the requirement of paying more than half the cost of keeping up the home

Costs you include: Expenses such as rent, mortgage interest, real estate taxes, insurance on the home, repairs, utilities, and food eaten in the home.

Costs you don't include: Don't include the costs of clothing, education, medical treatment, vacations, life insurance, or transportation. Also don't include the value of your services or those of a member of your household.

Note: Payments received under Temporary Assistance for Needy Families or other public assistance programs used to pay the costs of keeping up the home can be counted as money you paid. Amounts paid out of funds received in the child's or qualifying person's name, such as social security, are considered paid by the child, not you. 18

Qualifying Surviving Spouse

*Term is changing from “Qualifying Widow(er)”
to “Qualifying Surviving Spouse (QSS)”*

- A taxpayer is eligible to file as qualifying surviving spouse for 2 years following the year the spouse died and if the following five tests are met:
 - Taxpayer had a child or stepchild (not a foster child) who can be claimed as a dependent or could be claimed as a dependent except that:
 - The child had gross income exceeding the gross income limitation for qualifying relatives for the tax year (\$4,400 for 2022),
 - The child filed a joint return, or
 - The taxpayer could be claimed as a dependent on someone else’s return.
 - The child lived with the taxpayer for the entire year, except for temporary absences
 - Taxpayer paid over half the cost of keeping up their home
 - Taxpayer could have filed a joint return with their spouse the year he or she died, even if they didn’t actually do so

1. Use Your Tools!

PUBLICATION 4012 and PUBLICATION 17

2. PUB 4012 is available online – search for PUB 4012 in Google or follow this link:

irs.gov/pub/irs-pdf/p4012.pdf

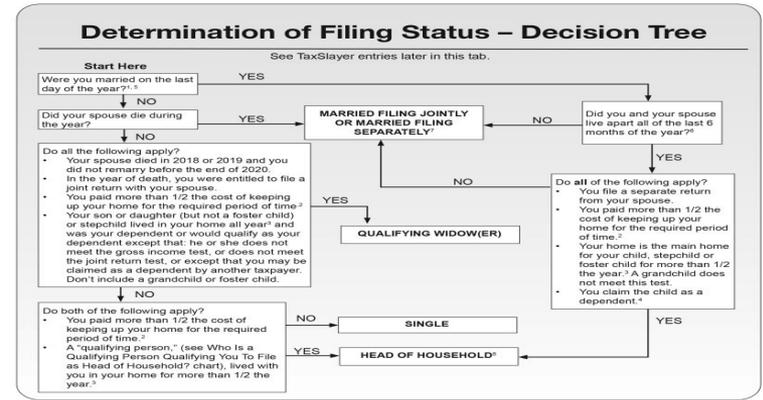
3. PUB 4012 gets updated online in October and hard copies are available in print early-mid November

4. PUB 17 is updated in January

5. **Click image below to see the Decision Tree and Interview Tips**

*The electronic version of VITA/TCE training materials will be available by **mid-October**.

** Updates and corrections to training materials will be available electronically in Publication 4491-X, VITA/TCE Training Supplement, by **mid-January 2023**.

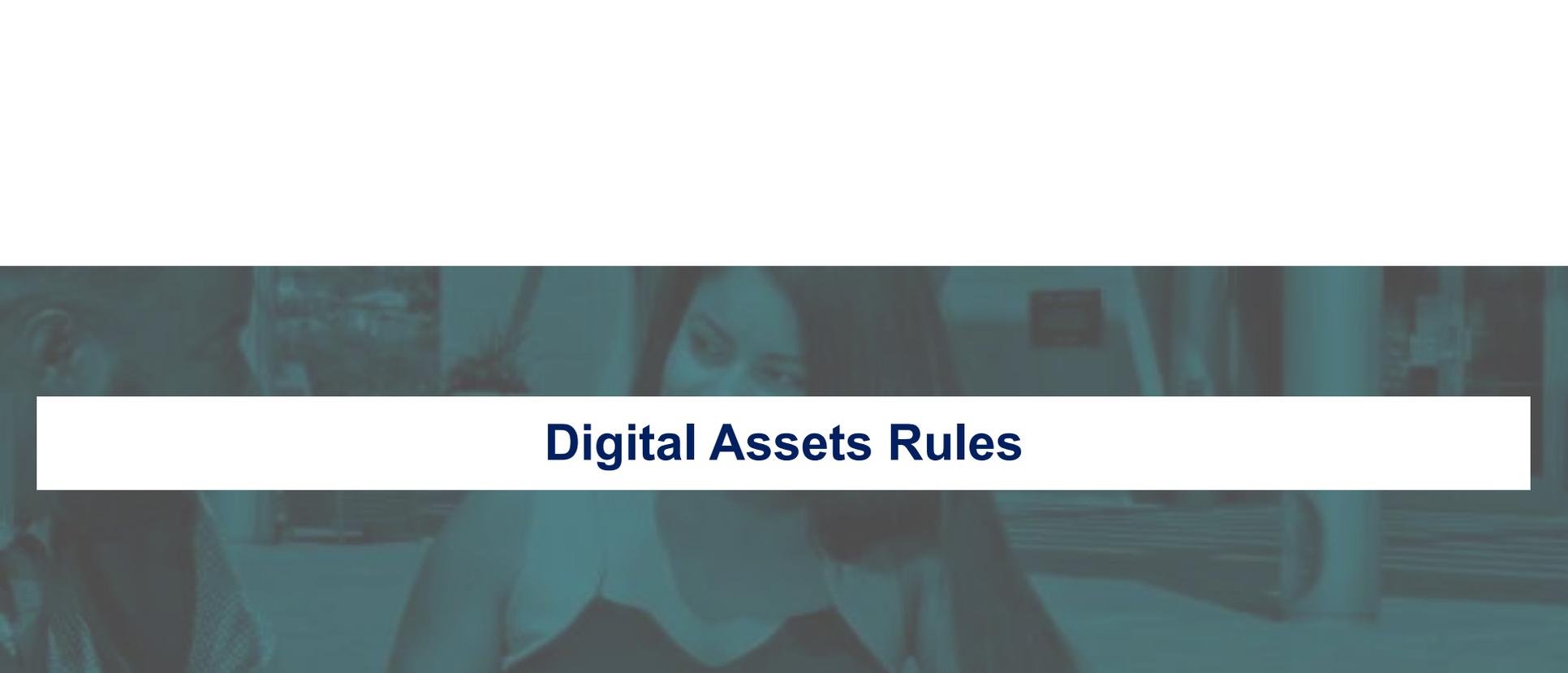


Footnotes

- ¹ Answer "NO" to this question if, on the last day of the year, you were legally separated from your spouse under a divorce or separate maintenance decree. Answer "NO" for 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. Answer YES if taxpayer is married regardless of where the spouse lives.
- ² Include in the cost of upkeep expenses such as rent, mortgage interest, real estate taxes, insurance on the home, repairs, utilities and food eaten in the home. Under proposed regulations, a taxpayer may treat a home's fair market rental value as a cost of maintaining a household instead of the sum of payments for mortgage interest, property taxes and insurance. See "Cost of Keeping Up a Home" worksheet later in this tab.
- ³ See Publication 17, Your Federal Income Tax For Individuals, Filing Status, for rules applying to birth, death, or temporary absence during the year. There are special rules for claiming your parent as a qualifying person for head of household. See the Who Is a Qualifying Person Qualifying You To File as Head of Household? chart later in this tab.
- ⁴ Unless the child's other parent claims him or her under rules for children of divorced or separated parents or parents who lived apart.
- ⁵ You are considered unmarried for head of household purposes if your spouse was a nonresident alien at any time during the year and you do not choose to treat your nonresident spouse as a resident alien. However, your spouse is not a qualifying person for head of household purposes. You must have another qualifying person (see the Who Is a Qualifying Person Qualifying You To File as Head of Household? chart later in this tab) and meet the other tests to be eligible to file as a head of household. You are considered married if you choose to treat your nonresident alien spouse as a resident alien. See chapter 1 of Pub 519, U.S. Tax Guide For Aliens.
- ⁶ Your spouse is considered to live in your home even if he or she is temporarily absent due to illness, education, business, vacation, military service, or incarceration.
- ⁷ If the taxpayer wants to file MFS, emphasize the advantages to Married Filing Jointly and the possibility of filing Form 8379, Injured Spouse Claim & Allocation (if appropriate). See Pub 17, Filing Status, MFS Special Rules for list of disadvantages. Respect a taxpayer's decision to file MFS. If domiciled in a community property state see Pub 555, Community Property.
- ⁸ There can be multiple households within a shared living quarters if certain requirements are met.
- ⁹ Note: If one spouse dies and the other remarries in the same year, the deceased spouse files Married Filing Separately.

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[Decision Tree And Interview Tips.pdf](#)



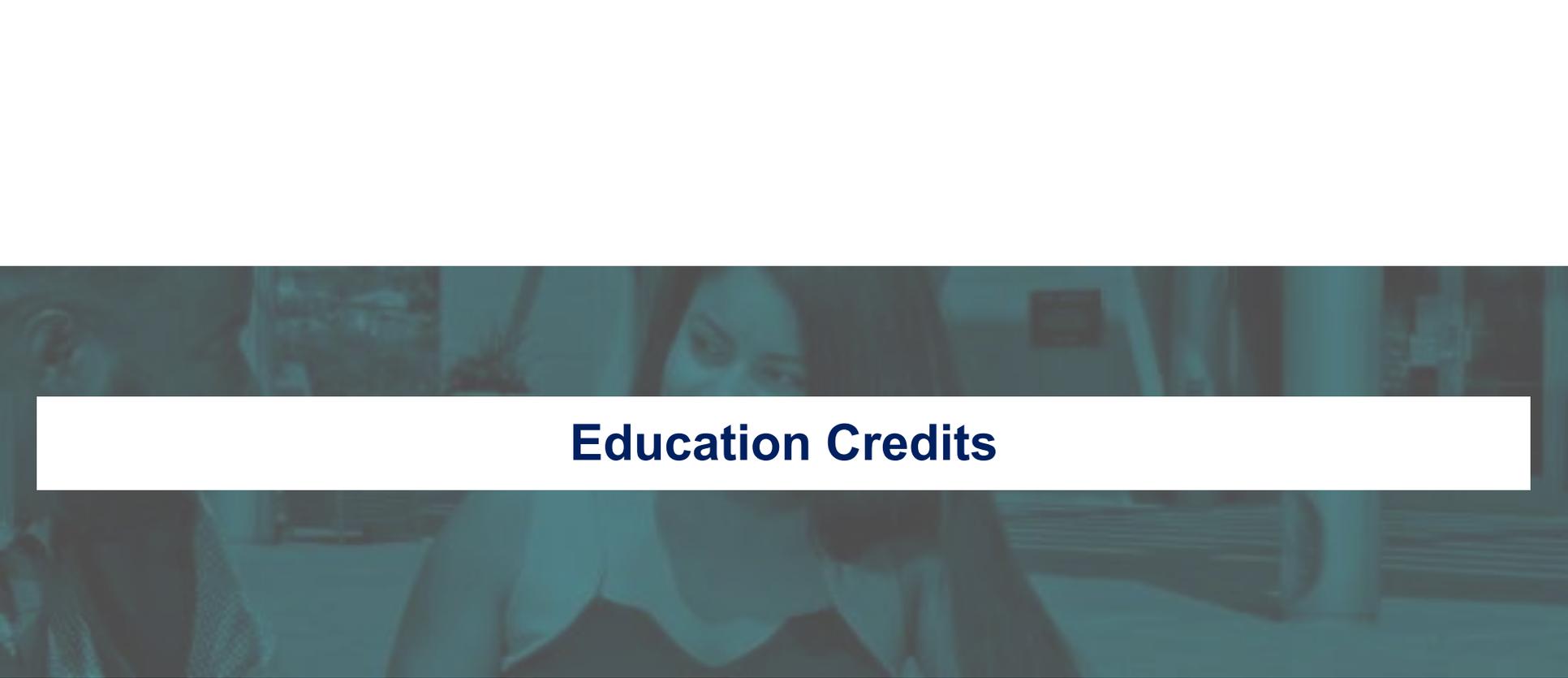
Digital Assets Rules

Digital Assets

Taxpayers who have transactions using Bitcoins or other Digital Assets:

- Any transactions of Digital Assets is Out of Scope (OOS) unless the taxpayer's purchases of Digital Assets is made with real currency.
 - Digital Assets purchased with Digital Assets > OOS
 - Digital Assets purchased with real currency > In Scope
 - Any sale transactions of Digital Assets > OOS

(Note: Taxpayers who can check No to the digital asset question on Form 1040 are in scope.)



Education Credits

Education Credits

- Two education credits are available based on qualified expenses a taxpayer pays for post-secondary education:
 - American Opportunity Tax Credit (AOTC)
 - Lifetime Learning Credit
- Certain general rules apply to both of these credits, and there are also specific rules for each. To claim the credit for a dependent's education expenses, the taxpayer must claim the dependent on his return. A taxpayer cannot claim education credits if he or she:
 - Was claimed as a dependent on someone else's tax return,
 - Files MFS,
 - Has adjusted gross income above the phaseout limit for his filing status
 - Has a spouse who was a nonresident alien for any part of the tax year

American Opportunity Tax Credit (AOTC)

The American Opportunity Tax Credit (also referred to as the AOTC or AOC) allows taxpayers to claim a maximum credit of up to \$2,500 for each eligible student. The credit covers 100% of the first \$2,000 and 25% of the second \$2,000 of eligible expenses per student.

AOTC Requirements

- Unlike other education credits and deductions, the American Opportunity Tax Credit is partially refundable. Up to 40% of the credit is refundable, which means the taxpayer can receive up to \$1,000 even if no taxes are owed. Requirements for the AOTC are as follows:
 - **Degree requirement:** The student must be enrolled in a program that leads to a degree, certificate, or other recognized educational credential. Taking classes merely for fun or recreation does not qualify.
 - **Workload:** For at least one academic period of the year, the student must carry at least half of the normal full-time workload for his course of study
 - **No felony drug conviction:** The student must not have any felony convictions for possessing or distributing a controlled substance
 - **Four years of postsecondary education:** The credit can be claimed only for expenses related to a student's post-secondary education and only for a maximum of four years.

AOTC Expenses

- Qualified education expenses must be reduced by the amount of any tax-free educational assistance received, such as Pell grants, tax-free portions of scholarships, and employer-provided educational assistance. Eligible expenses for the AOTC are:
 - Tuition
 - Required enrollment fees
 - Course-related books, supplies, and equipment
- Education expenses that do not qualify include:
 - Room and board, (even if the housing is on-campus and a condition of enrollment)
 - Any medical expenses, including student health fees, even if charged by the college
 - Other insurance costs
 - Transportation costs
 - Personal, living, or family expenses

Lifetime Learning Credit

- The Lifetime Learning Credit is a nonrefundable tax credit of 20% of qualified tuition, fees, and any amounts paid directly to the educational institution for required books, supplies and equipment, up to \$10,000, paid during the tax year.
- The maximum credit is \$2,000 per tax return, not per student. A family's maximum credit is the same regardless of the number of qualified students.

Lifetime Learning Credit Requirements

- The requirements for the Lifetime Learning Credit differ from those for the AOTC as follows:
 - **No workload requirement:** A student is eligible no matter how few courses he takes
 - **Non-degree courses eligible:** A student qualifies if he is simply taking a course to acquire or improve job skills. There is no degree requirement.
 - **All levels of postsecondary education:** A student may be an undergraduate, graduate, or professional degree candidate. The courses can also be just for professional development.
 - **An unlimited number of years:** There is no limit on the number of years for which the credit can be claimed for each student
 - **Felony drug convictions permissible:** A student can be convicted for a felony drug conviction and still qualify

Lifetime Learning Credit Expenses

- Qualified education expenses must be reduced by the amount of any tax-free educational assistance received, such as Pell grants, tax-free portions of scholarships, and employer-provided educational assistance. Eligible expenses for the LLC are:
 - Tuition
 - Required enrollment fees
 - Amounts paid for required books and supplies paid to the educational institution
- Education expenses that do not qualify include:
 - Room and board, (even if the housing is on-campus and a condition of enrollment)
 - Any medical expenses, including student health fees, even if charged by the college
 - Other insurance costs
 - Transportation costs
 - Personal, living, or family expenses

Education Credit Worksheet

- A fillable/printable worksheet was created to help walkthrough the education credits portion of TaxSlayer and ensure all necessary questions were asked for entering and QR purposes.

Education Credit Worksheet

Complete if client has a Form 1098-T or Other Education Expenses. Must have account summary from institution.

1. Is the taxpayer being claimed by someone as a dependent?	<input type="checkbox"/> No <input type="checkbox"/> Yes, stop, education credit cannot be claimed.
2. Is the taxpayer's filing status married filing separately?	<input type="checkbox"/> No <input type="checkbox"/> Yes, stop, education credit cannot be claimed.
3. Was the student over age 18, but under age 24 at the end of the tax year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4. Did the student receive a Form 1098-T from an eligible educational institution for the tax year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5. Did the student receive a Form 1098-T from this institution for the previous tax year with Box 2 filled in and Box 7 checked?	<input type="checkbox"/> Yes <input type="checkbox"/> No
6. Does the 1098-T for the current tax year have an amount in boxes 4 or 6?	<input type="checkbox"/> No <input type="checkbox"/> Yes, stop, out of scope
7. Has the Hope Scholarship Credit or American Opportunity Credit already been claimed for this student on 4 prior year tax returns, either on their return or someone that claimed them as a dependent's return?	<input type="checkbox"/> Yes <input type="checkbox"/> No
8. Was the student enrolled at least half-time?	<input type="checkbox"/> Yes <input type="checkbox"/> No
9. Did the student complete the first 4 years of post-secondary education before the tax year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
10. Was the student convicted, before the end of the tax year, of a felony for possession or distribution of a controlled substance?	<input type="checkbox"/> Yes <input type="checkbox"/> No

11. Did the student pay for books, supplies, or equipment out of their pocket?	<input type="checkbox"/> No <input type="checkbox"/> Yes; Amount: _____
12. Did scholarships or tax-free funds cover all educational expenses?	<input type="checkbox"/> Yes <input type="checkbox"/> No
13. Were room and board, insurance, medical expenses, transportation or other living expenses included in the tuition?	<input type="checkbox"/> No <input type="checkbox"/> Yes, subtract from qualified expenses
14. Did the student receive any refunds from tuition over-payments or class withdrawals?	<input type="checkbox"/> Yes <input type="checkbox"/> No
15. Which education credit is the client eligible for?	<input type="checkbox"/> AOC <input type="checkbox"/> Lifetime Learning Credit
16. What is the amount of eligible educational expenses?	Amount: _____

- Can be found by going to **AAS Resources** website, hovering over "**Resources**" in top right and clicking on "**Site Manual**"
- Tab 13 takes you to a Google Drive link with all Tax Site Documents. Find "**Education Credit Worksheet**"

Entering Education Credits in TaxSlayer

Basic Information

Federal Section

Income

W-2 Wage Statement

Interest and Dividends

Deductions

Earned Income Credit

Other Taxes

Payments & Estimates

Miscellaneous Forms

COVID-19 Relief

- To find the Education Credits section in TaxSlayer, under the “**Federal Section**”, click on “**Deductions**”
- Then click on “**Credits Menu**”

Deductions

Adjustments

Educator expenses, medical savings accounts, student loan interest, etc.

BEGIN

Standard Deduction

Flat amount based on filing status

BEGIN

Itemized Deductions

Charitable contributions, mortgage interest, property taxes, etc.

BEGIN

Credits Menu

Child and dependent care credit, education credits, mortgage interest credit, etc.

EDIT

Compare Deductions

Compare your total deduction amounts

BEGIN

Entering Education Credits in TaxSlayer

- While on the “**Credits**” page, click on “**Education Credits Form 1098-T**”
- When the “**Form 8863**” screen comes up, make sure the correct student is selected, especially if there are multiple eligible students on the return.

Credits

Recovery Rebate Credit	EDIT
Foreign Tax Credit Form 1116	BEGIN
Child Care Credit Form 2441	BEGIN
Education Credits Form 1098-T	BEGIN
Retirement Savings Credit Form 8880	BEGIN

Form 8863 - Educational Credit

Select an Eligible Student

JOHN JONES - 132-00-1234	▼
JOHN JONES - 132-00-1234	
DAVID JONES - 131-00-1234	

American Opportunity

Lifetime Learning

Qualified Expenses *

Please ensure that you reduce the amount entered for “qualified expenses” by any scholarships / grants received, pursuant to [IRS Publication 970](#).

\$

Figuring Out The Credits

- The taxpayer or taxpayer's dependent should receive a Form 1098-T, Tuition Statement from their post-secondary institution. If they do not have it with them, they should be able to go to online to their institution account and pull it up, along with their account statement that shows all fees paid for all semesters during the tax year.

<input type="checkbox"/> CORRECTED		OMB No. 1545-1574		Tuition Statement
FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number Clark University 150 Learning Drive Memphis, TN 38101		1 Payments received for qualified tuition and related expenses \$ 7,000	2022 Form 1098-T	
FILER'S employer identification no. 98-000XXXX	STUDENT'S TIN 800-00-XXXX	2		
STUDENT'S name Sarah Pine		3	Copy B For Student	
Street address (including apt. no.) 123 Main Street		4 Adjustments made for a prior year \$	5 Scholarships or grants \$ 3,000	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.
City or town, state or province, country, and ZIP or foreign postal code Memphis, TN 38101		6 Adjustments to scholarships or grants for a prior year \$	7 Checked if the amount in box 1 includes amounts for an academic period beginning January–March 2023 <input type="checkbox"/>	
Service Provider/Acct. No. (see instr.)	8 Checked if at least half-time student <input checked="" type="checkbox"/>	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 Department of the Treasury - Internal Revenue Service

- As a reminder, if an individual has one of these and there are amounts in boxes 4 and/or 6, the return is **Out of Scope**.

Figuring Out The Credits

Box 1 is the starting point for determining Qualified Educational Expenses (QEE).

Look at the Student Account Statement.

Subtract any expenses seen there for:

- Room and Board,
- Health insurance or medical fees,
- Transportation,
- Parking,
- Optional fees.

Then **add** amounts spent out of pocket for:

- Books and supplies.
This is almost always given as a reasonable estimate. It can include a **computer** needed for course work.

Form 1098-T		OMB No. 1545-1574	2022	Tuition Statement
1 Payments received for qualified tuition and related expenses \$ 7,000		Form 1098-T		
3		Copy B For Student		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.
4 Adjustments made for a prior year \$	5 Scholarships or grants \$ 3,000			
6 Adjustments to scholarships or grants for a prior year \$	7 Checked if the amount in box 1 includes amounts for an academic period beginning January-March 2023 <input type="checkbox"/>			
9 Checked if a graduate student <input type="checkbox"/>	10 Ins. contract reimb./refund \$			
www.irs.gov/Form1098T		Department of the Treasury - Internal Revenue Service		

Figuring Out The Credits

Box 5 shows the amount of Scholarships, Grants, or Fellowships received by the student.

In the great majority of our cases, this represents funding from a Pell Grant. These grants have no restrictions as to how they used.

But—**always ask** if this is the case.

2022		Tuition Statement	
1	Payments received for qualified tuition and related expenses \$ 7,000	OMB No. 1545-1574	Form 1098-T
2			
3			Copy B For Student 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.
4	Adjustments made for a prior year \$	5 Scholarships or grants \$ 3,000	
6	Adjustments to scholarships or grants for a prior year \$	7 Checked if the amount in box 1 includes amounts for an academic period beginning January-March 2023 <input type="checkbox"/>	
9	Checked if a graduate student <input type="checkbox"/>	10 Ins. contract reimb./refund \$	

www.irs.gov/Form1098T Department of the Treasury - Internal Revenue Service

Figuring Out The Credits

American Opportunity Credit Scenarios

Scenario 1: (Total qualified educational expenses - Scholarships and Grants) > \$4,000.

Enter \$4,000 for qualified education expenses and no scholarship income is reported.

Example:	Total Qualified expenses	\$13,300
1098-T Box 1: \$13,000	Less Scholarships and Grants	(\$8,000)
Scholarships and grants: \$8,000	Total	\$5,300
Books: \$300	Qualified education expenses for AOTC	\$4,000*

*\$5,300 > \$4,000, therefore only \$4,000 go towards AOTC. No taxable scholarship income to report.

Scenario 2 : 0 < (Qualified educational expenses-scholarships) < \$4,000

Option 1:

- Qualified Education Expenses used for AOTC = Total qualified education expenses- scholarships and grants
- No scholarship income to report.

Option 2:

- Qualified Education Expenses used for AOTC = QEE up to \$4,000.
- Taxable scholarship= AOTC Amount - (total qualified education expenses- scholarships and grants)

- To help figure out the amount of eligible expenses and taxable scholarships, use the **American Opportunity Credit Scenarios Step-by-Step** that can be found on the AAS Resources website under “**Step-by-Step Guides**”
- For this, you’ll use the information in boxes 1 and 5 of Form 1098-T, the student’s account statement, and book/supply purchase records
- If the student is only eligible for the Lifetime Learning Credit, this worksheet can still be used, you’d just replace all “\$4,000” entries on the sheet with \$10,000 since that is the maximum amount of expenses for the LLC.

Figuring Out The AOTC: Example

1098-T Box 1: \$7,000
 Scholarships and grants: \$8,000
 Books: \$300

Option 1		Option 2	
Total Qualified expenses < Total scholarships and grants	\$7,300 < 8,000, so not claiming any AOTC	Qualified Education expense for AOTC	\$7,300 > \$4,000, therefore use \$4,000
Scholarships and grants	\$8,000	Add: Total scholarships and grants - Total Qualified education expenses	(\$8,000-\$7,300)= \$700
Less: Total qualified education expenses	\$7,300		
Taxable Scholarships	\$700	Taxable Scholarships	\$4,700

Entering Education Credits in TaxSlayer

- Using the 1098-T and Education Credit Worksheet, select whether they are claiming the AOTC or LLC, enter the amount of qualified expenses and complete the rest of the page, filling in the school information and answering the required questions.

Select the type of credit *

American Opportunity
 Lifetime Learning

Qualified Expenses *
Please ensure that you reduce the amount entered for "qualified expenses" by any scholarships / grants received, pursuant to [IRS Publication 970](#).

\$

[Add Another Institution](#)

Institution 1

Name *

Check here if foreign address

Address (street number & name) *

ZIP code *
 -

City, town, or post office *

State *
- Please Select -

Did the student receive Form 1098-T from this institution for 2021? *

Yes
 No

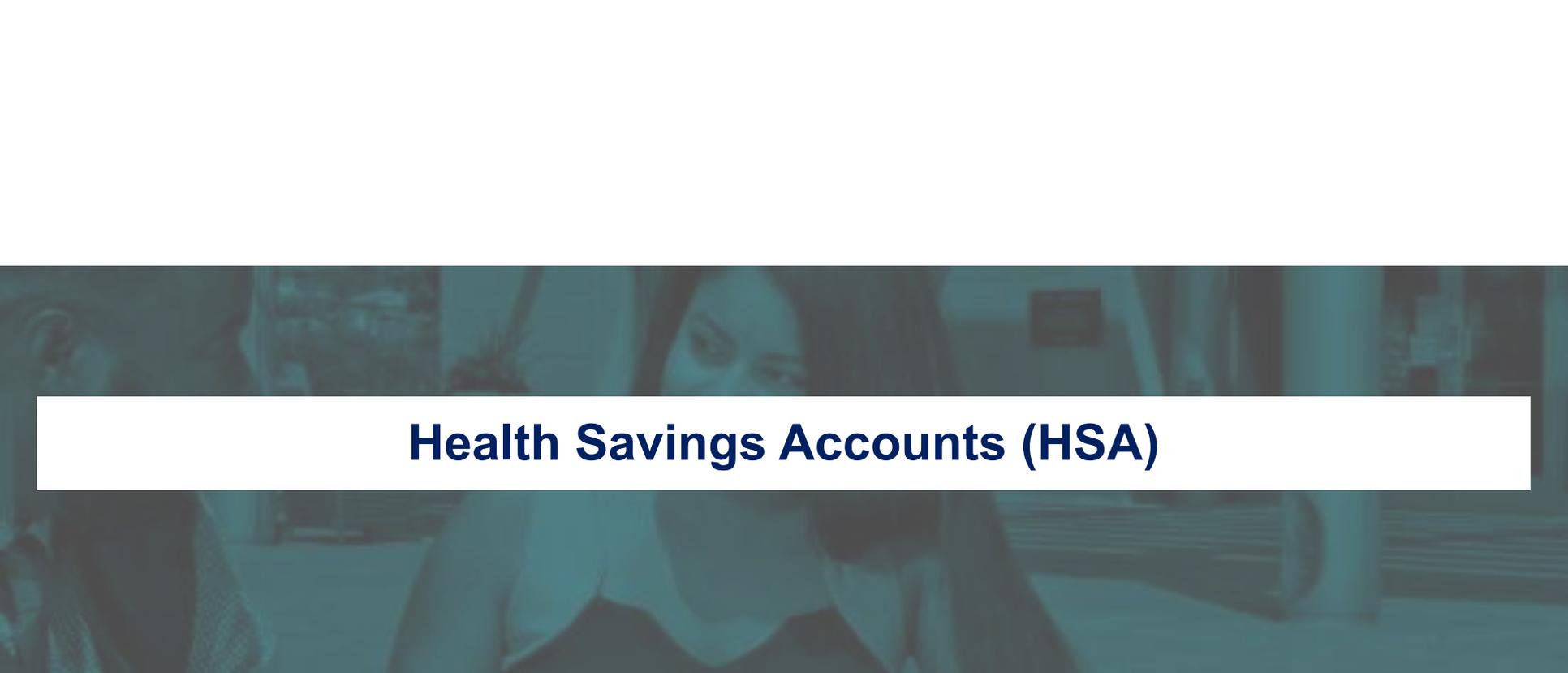
Did the student receive Form 1098-T from this institution for 2020 with Box 2 filled in and Box 7 checked? *

Yes
 No

Enter the Institution's Federal Identification Number (from Form 1098-T)
 -

Has the Hope Scholarship Credit or American Opportunity Credit already been claimed on 4 prior tax returns? *

Yes
 No



Health Savings Accounts (HSA)

Health Savings Account

- A Health Savings Account (HSA) is a tax-advantaged medical savings account used to pay for qualifying medical expenses.
- To qualify for an HSA, the taxpayer:
 - Must not be enrolled in Medicare,
 - Cannot be claimed as a dependent on anyone else's tax return,
 - Must be covered under a high deductible health plan and have no other health coverage, other than for a specific disease or illness; a fixed amount for a certain time period of hospitalization; or liabilities incurred under worker's compensation laws or tort liabilities.

HSA Contribution Limits

- An employee and their employer are both allowed to contribute to the employee's HSA
 - Any amount the employer puts into the employee's HSA counts towards the employee's contribution maximum for the year.
- Contribution limits for 2022:
 - Family plan: \$7,300
 - Self-only plan: \$3,650
 - Add \$1,000 if owner is age 55 or older at year end
 - Any excess contributions over these limits are subject to a 6% penalty.

HSA Tax Forms

- How to tell if there are HSA considerations:
 - The client will have a W2 with code "W" in box 12 that shows the amount of employer contributions for the year

a Employee's social security number 441-00-XXXX		Safe, accurate, FAST! Use 		Visit the IRS website at www.irs.gov/efile		
b Employer identification number (EIN) 44-100XXXX		1 Wages, tips, other compensation 34,620.00		2 Federal income tax withheld 2,369.00		
c Employer's name, address, and ZIP code WILLIAMS MANUFACTURING 2520 AUSTIN BLVD YOUR CITY, STATE ZIP		3 Social security wages 34,620.00		4 Social security tax withheld 2,146.44		
		5 Medicare wages and tips 34,620.00		6 Medicare tax withheld 501.99		
		7 Social security tips		8 Allocated tips		
		9		10 Dependent care benefits		
		d Control number		11 Nonqualified plans		12a See instructions for box 12 W 600.00
e Employee's first name and initial Last name Suff. PEGGY WALKER 65421 SW 17TH ST YOUR CITY, STATE ZIP		13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12c		
		14 Other		12d		
		f Employee's address and ZIP code				
15 State YS	Employer's state ID number 44-100XXXX	16 State wages, tips, etc. 34,620.00	17 State income tax 456.00	18 Local wages, tips, etc.	19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement **2014** Department of the Treasury—Internal Revenue Service
 Copy B—To Be Filed With Employee's FEDERAL Tax Return.
 This information is being furnished to the Internal Revenue Service.

HSA Tax Forms

- How to tell if there are HSA considerations:
 - The client has received Form 5498-SA showing total HSA contributions for the year in Box 2

2727 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		1 Employee or self-employed person's Archer MSA contributions made in 2022 and 2023 for 2022		OMB No. 1545-1518	2022	HSA, Archer MSA, or Medicare Advantage MSA Information
TRUSTEE'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number HEALTHCARE TRUSTEE OF AMERICA 123 MAIN STREET YOUR CITY, STATE ZIP		\$		Form 5498-SA		
TRUSTEE'S TIN 44-400XXXX		PARTICIPANT'S TIN 441-00-XXXX		2 Total contributions made in 2022 \$ 3,650		Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2022 General Instructions for Certain Information Returns.
PARTICIPANT'S name PEGGY WALKER		4 Rollover contributions \$		5 Fair market value of HSA, Archer MSA, or MA MSA \$		
Street address (including apt. no.) 65421 SW 17TH STREET		6 HSA <input checked="" type="checkbox"/>				
City or town, state or province, country, and ZIP or foreign postal code YOUR CITY, STATE ZIP		Archer MSA <input type="checkbox"/>				
Account number (see instructions)		MA MSA <input type="checkbox"/>				
Form 5498-SA		Cat. No. 38467V		www.irs.gov/Form5498SA		

Department of the Treasury - Internal Revenue Service

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HSA Tax Forms

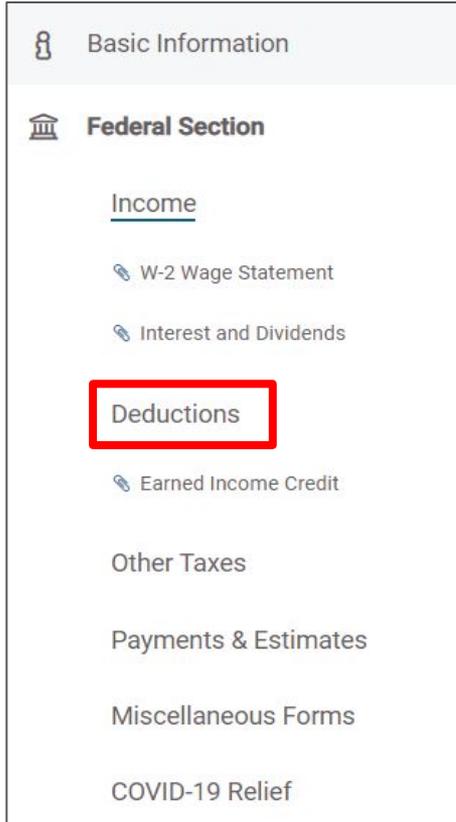
- How to tell if there are HSA considerations:
 - The client has Form 1099-SA with the HSA distribution box checked in Box 5
 - This form shows the amount of money taken out of the HSA during the year in Box 1

<input type="checkbox"/> CORRECTED (if checked)		OMB No. 1545-1517		Distributions From an HSA, Archer MSA, or Medicare Advantage MSA
TRUSTEE'S/PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number HEALTHCARE TRUSTEE OF AMERICA 123 MAIN STREET YOUR CITY, STATE ZIP		Form 1099-SA		
PAYER'S TIN 44-400XXXX	RECIPIENT'S TIN 441-00-XXXX	1 Gross distribution \$ 1,480.00	2 Earnings on excess cont. \$	Copy B For Recipient This information is being furnished to the IRS.
RECIPIENT'S name PEGGY WALKER		3 Distribution code 1	4 FMV on date of death \$	
Street address (including apt. no.) 65421 SW 17TH STREET City or town, state or province, country, and ZIP or foreign postal code YOUR CITY, STATE ZIP		5 HSA <input checked="" type="checkbox"/> Archer MSA <input type="checkbox"/> MA MSA <input type="checkbox"/>		
Account number (see instructions)				

Form **1099-SA** (keep for your records) www.irs.gov/Form1099SA Department of the Treasury - Internal Revenue Service

Entering HSA Info in TaxSlayer

- To find the Education Credits section in TaxSlayer, under the “**Federal Section**”, click on “**Deductions**”
- Then click on “**Adjustments**”



A vertical navigation menu with a light blue background. At the top is a user icon and the text 'Basic Information'. Below that is a building icon and the text 'Federal Section'. Under 'Federal Section', there are several menu items: 'Income' (underlined), 'W-2 Wage Statement', 'Interest and Dividends', 'Deductions' (highlighted with a red rectangular box), 'Earned Income Credit', 'Other Taxes', 'Payments & Estimates', 'Miscellaneous Forms', and 'COVID-19 Relief'.

Deductions

Adjustments

Educator expenses, medical savings accounts, student loan interest, etc.

BEGIN

Standard Deduction

Flat amount based on filing status

BEGIN

Itemized Deductions

Charitable contributions, mortgage interest, property taxes, etc.

BEGIN

Credits Menu

Child and dependent care credit, education credits, mortgage interest credit, etc.

EDIT

Compare Deductions

Compare your total deduction amounts

BEGIN

Entering HSA Info in TaxSlayer

- While on the “Adjustments” page, click on “Health Savings Account form 8889”
- When the “Form 8889” screen comes up, select whether the form belongs to the taxpayer (or spouse if applicable) and whether the coverage is a self-only or family plan.

Adjustments

Medical Savings Account Form 8853	BEGIN
Educator Expenses	BEGIN
Expenses for Reservists, Performing Artists, and Qualifying Government Employees	BEGIN
Health Savings Account Form 8889	BEGIN
Moving Expenses Form 3903	BEGIN

Form 8889
Health Savings Accounts

CANCEL

See more instructions for completing this section [here](#).

Form belongs to:

Taxpayer
 Spouse

Type of coverage under high deductible health plan *
If you are no longer covered under a plan, select your previous type of coverage.

-- Please Select --
-- Please Select --
Self-only
Family

is (Form 5498-SA)

Entering HSA Info in TaxSlayer

2727 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		1 Employee or self-employed person's Archer MSA contributions made in 2022 and 2023 for 2022		OMB No. 1545-151B	
TRUSTEE'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number HEALTHCARE TRUSTEE OF AMERICA 123 MAIN STREET YOUR CITY, STATE ZIP		2 Total contributions made in 2022 \$ 3,650		2022 HSA, Archer MSA, or Medicare Advantage MSA Information Form 5498-SA	
TRUSTEE'S TIN 44-400XXXX	PARTICIPANT'S TIN 441-00-XXXX	3 Total HSA or Archer MSA contributions made in 2023 for 2022 \$		Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2022 General Instructions for Certain Information Returns.	
PARTICIPANT'S name PEGGY WALKER		4 Rollover contributions \$	5 Fair market value of HSA, Archer MSA, or MA MSA \$		
Street address (including apt. no.) 65421 SW 17TH STREET City or town, state or province, country, and ZIP or foreign postal code YOUR CITY, STATE ZIP		6 HSA <input checked="" type="checkbox"/> Archer MSA <input type="checkbox"/> MA MSA <input type="checkbox"/>			
Account number (see instructions)					
Form 5498-SA		Cat. No. 38467V		www.irs.gov/Form5498SA	Department of the Treasury - Internal Revenue Service

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- Using Form 5498-SA, enter the amount of contributions made for the year. If the Form 5498-SA matches the amount of code W on the W2, do not enter that amount.

HSA Contributions (Form 5498-SA)

HSA Contributions you made for 2021 (including contributions made from Jan. 1 - April 18th of 2022 that were made for 2021)
Do not include employer contributions, contributions made through a cafeteria plan (Form W-2 Box 12), or amounts that were rolled over into your HSA(s).

\$ 3,050

Number of months during this tax year that you were an eligible individual

- Please Select -

- Select the number of months the client was eligible for an HSA during the year

Entering HSA Info in TaxSlayer

HSA Distributions (Form 1099-SA)

Total HSA distributions received during 2021
(Usually shown on Form 1099-SA Box 1)

\$ 1,480

Distributions used for qualified medical expenses
If you do not enter an amount here, all of your distributions will be considered taxable.

\$ 1,480

Distributions you received in 2021 that you rolled over into another HSA, including any excess contributions (and the earnings on those excess contributions) included in box 1 of your 1099-SA that were withdrawn by the due date of your tax return

\$

I meet at least one of the exceptions to the 20% tax.

Exceptions - The additional 20% tax does not apply to distributions made after the account beneficiary dies, becomes disabled, or turns age 65.

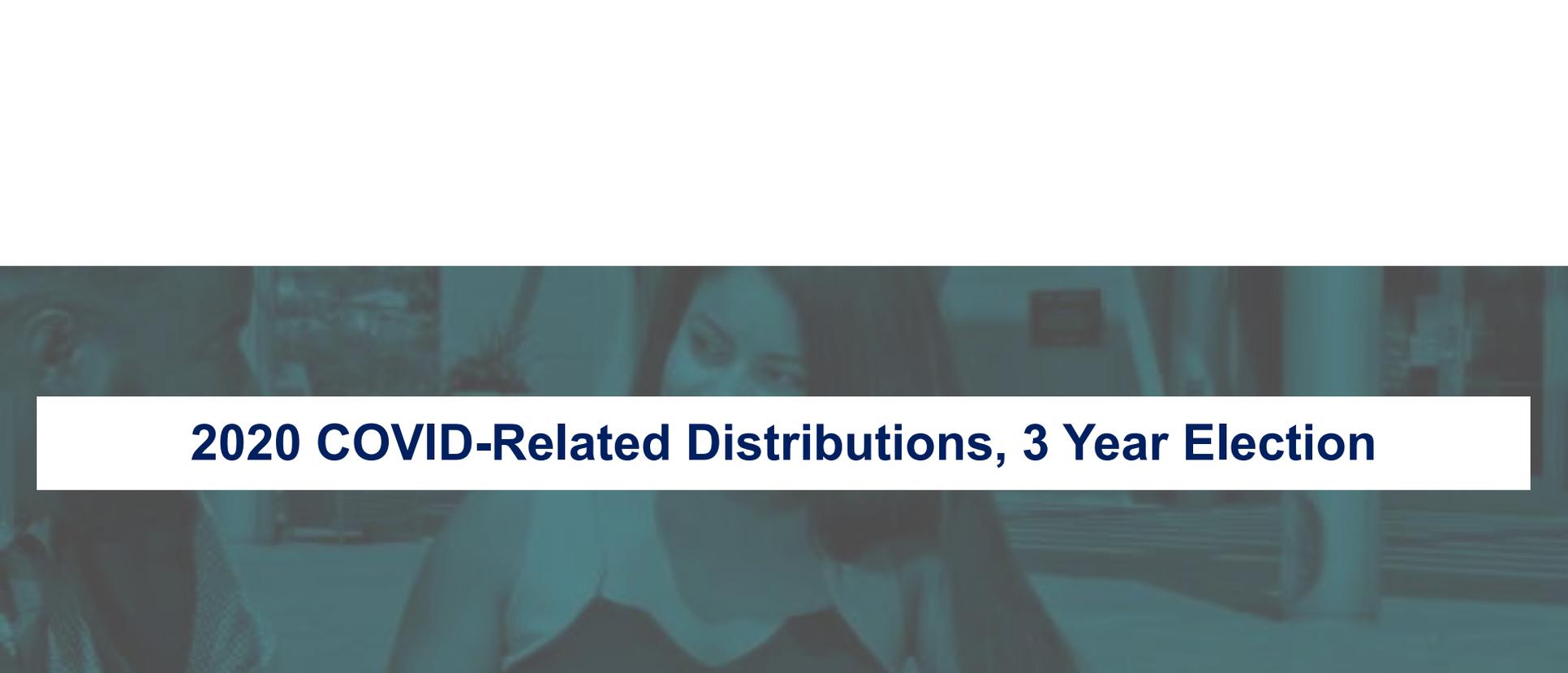
- If the clients total distributions are greater than the distributions used for qualified medical expenses, and they meet one of the exceptions to the 20% tax, click on the checkbox that the client meets at least one exception.

- Using Form 1099-SA enter the amount of distributions withdrawn from your HSA (Box 1)
- Enter the amount of distributions used for qualified medical expenses

		<input type="checkbox"/> CORRECTED (if checked)	OMB No. 1545-1517	Distributions From an HSA, Archer MSA, or Medicare Advantage MSA
TRUSTEE'S/PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number HEALTHCARE TRUSTEE OF AMERICA 123 MAIN STREET YOUR CITY, STATE ZIP			2019	
PAYER'S TIN 44-400XXXX	RECIPIENT'S TIN 441-00-XXXX	1 Gross distribution \$ 1,480.00	2 Earnings on excess cont. \$	Copy B For Recipient This information is being furnished to the IRS.
RECIPIENT'S name PEGGY WALKER		3 Distribution code 1	4 FMV on date of death \$	
Street address (including apt. no.) 65421 SW 17TH STREET		5 HSA <input checked="" type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code YOUR CITY, STATE ZIP		Archer MSA <input type="checkbox"/> MA MSA <input type="checkbox"/>		
Account number (see instructions)				
Form 1099-SA		(keep for your records)	www.irs.gov/Form1099SA	Department of the Treasury - Internal Revenue Service

HSA Medical Expenses

- Distributions must be for qualified medical expenses, which include:
 - All medical and dental expenses allowed on Schedule A
 - Over-the-counter products and medications
 - Long-term care insurance premiums
 - Certain other health insurance premiums
- Withdrawals that are not used for qualifying medical expenses are generally subject to income tax. They may also be subject to a 20% penalty, except in the following instances:
 - When a taxpayer turns 65 or older
 - When a taxpayer becomes disabled
 - When a taxpayer dies



2020 COVID-Related Distributions, 3 Year Election

2020 COVID-RELATED DISTRIBUTIONS – 3-YEAR ELECTION DETERMINING 2022 TAXABLE AMOUNT

- 2022 tax year is the last year for a taxpayer to report income if they elected to spread taxable income from a 2020 coronavirus-related retirement plan or IRA distribution(s) over 3 years
- Need to see Form 8915-E from client's 2020 tax return in order to complete Form 8915-F on their 2022 return. On the 2020 Form 8915-E:
 - Checkbox in disclaimer in Part I shows COVID-related distribution
 - Line 1 gives total distribution in 2020
 - Checkbox and amount on lines 9 OR 17* show if elected to spread over 3 years or not, and how much they were taxed on in 2020
 - Amount on line 10 OR 18* needed if re-contributions were made in 2020
- Need 2021 Form 8915-F to determine re-contribution amount (if any) and amount included as taxable income in 2021
- Need to know if there were any re-contributions in 2022

*Lines 9 and 10 for non-IRA distributions and lines 17 and 18 for IRA distributions

2020 COVID-RELATED DISTRIBUTIONS – 3-YEAR ELECTION DETERMINING 2022 TAXABLE AMOUNT

Questions on
Federal
supplemental
intake sheet:

- 1) Did the client take a distribution in 2020 for a COVID related reason? NO YES
- 2) If yes, did they elect to spread the taxable amount over 3 years? NO YES
- 3) Did they recontribute any of the amount? NO YES

You are a qualified individual if –

- You are diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention;
- Your spouse or dependent is diagnosed with SARS-CoV-2 or with COVID-19 by a test approved by the Centers for Disease Control and Prevention;
- You experience adverse financial consequences as a result of being quarantined, being furloughed or laid off, or having work hours reduced due to SARS-CoV-2 or COVID-19;
- You experience adverse financial consequences as a result of being unable to work due to lack of child care due to SARS-CoV-2 or COVID-19; or
- You experience adverse financial consequences as a result of closing or reducing hours of a business that you own or operate due to SARS-CoV-2 or COVID-19.

2020 COVID-RELATED DISTRIBUTIONS – 3-YEAR ELECTION TAXSLAYER ENTRIES

Form 8915-F from
Taxslayer 2021



- [DRAFT Form 8915-F 2022](#)
- [Form 8915-F 2021 Instructions](#)
- [Form 8915-E 2020 SAMPLE](#)

*2022 8915-F in TaxSlayer will be different as it will need to include a spot for repayments made in 2021

FORM 8915-F
Deferred Retirement Income Due to Disaster Relief in a Prior Year

CANCEL **CONTINUE**

Form belongs to Taxpayer

2020 Form 8915-E, Line 9 or Line 17 is checked Note: This checkbox should only be checked if you elected NOT to spread your taxable distribution amount over three (3) years.

Coronavirus Related

Non-IRA Distributions

Income for prior years from non-IRA retirement plan qualified disaster distributions
\$ | **Amount on line 9 of 2020 8915-E**

Total Repayments from 2020 tax return from non-IRA retirement plan qualified disaster distributions
\$ **Amount on line 10 of 2020 8915-E**

Total Repayments in 2021 for non-IRA retirement plan qualified disaster distributions
\$

IRA Distributions

Income for prior years from IRA retirement plan qualified disaster distributions
\$ **Amount on line 17 of 2020 8915-E**

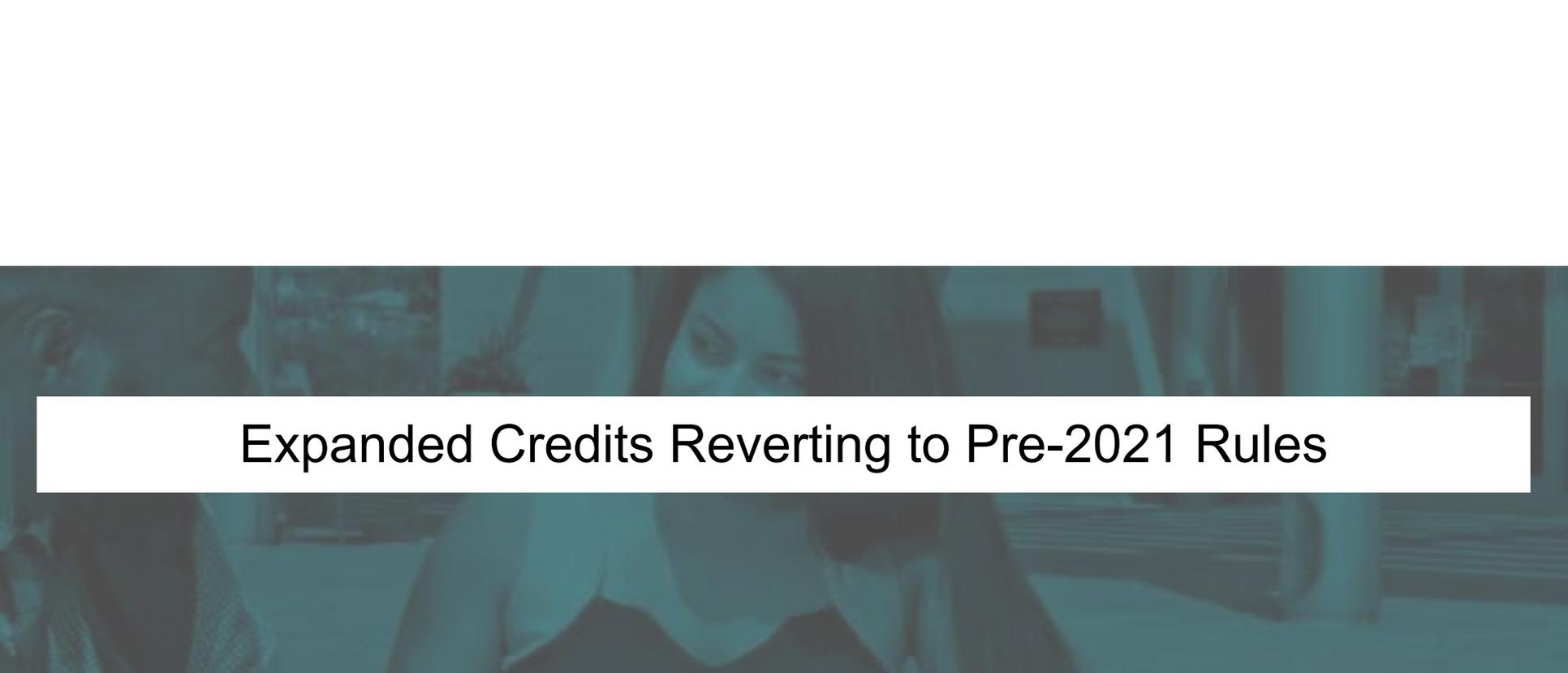
Total Repayments from 2020 tax return from IRA retirement plan qualified disaster distributions
\$ **Amount on line 18 of 2020 8915-E**

Total Repayments in 2021 for IRA retirement plan qualified disaster distributions
\$

Accounting Aid Society SINCE **1972**

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

Federal Tax Law Updates for
Tax Year 2022



Expanded Credits Reverting to Pre-2021 Rules

- Expanded credits for tax year 2021:
 - Child Tax Credit (CTC)
 - Child and Dependent Care Tax Credit (OCD)
 - Earned Income Credit (EIC)
- These were temporary provisions for 2021 only
 - The expanded credit and most enhancements do not apply for tax year 2022

CHILD TAX CREDIT

- Changes to the **child tax credit (CTC) for 2021** were **temporary** and included:
 - An increased credit amount
 - The credit was fully refundable for qualifying taxpayers*
 - Children up to 17 years of age qualified, and
 - Half the credit amount was paid in advance from July to December of 2021

(*Taxpayer is eligible for fully refundable CTC for tax year 2021 if the taxpayer (or spouse if filing jointly) lived in the United States for more than half of 2021 or is a bona fide resident of Puerto Rico for 2021.)

CHILD TAX CREDIT

- For 2022, the CTC reverts back to pre-2021 rules:
 - Credit amount drops back down to \$2,000 per qualifying child
 - (In 2021, it was \$3,000 for children 6 to 17 years of age and \$3,600 for children under age 6.)
 - Age limit of 16
 - Nonrefundable credit
 - No advance payments

CHILD TAX CREDIT

	2022	2021
Credit amount	<ul style="list-style-type: none">Up to \$2,000 for children up to 16 years of age	<ul style="list-style-type: none">Up to \$3,000 for children ages 6 to 17Up to \$3,600 for children under age 6
Age limit	16 – Child must be under age 17 at the end of 2022	17 – Child must be under age 18 at the end of 2021
Refundable or nonrefundable credit	Nonrefundable	Fully refundable for qualifying taxpayers
Advance payments	No advance payments in 2022	Half the credit was paid in July to December 2021

CHILD TAX CREDIT – ELIGIBILITY

- Taxpayer, or spouse if filing jointly, must have an SSN or ITIN issued on or before the due date of the tax return (including extensions)
- Must have at least one qualifying child:
 - Must be claimed as taxpayer's dependent
 - Under age 17 at the end of the tax year
 - Is a U.S. citizen, U.S. national, or resident of the United States
 - Has a valid SSN
 - Meets other tests for qualifying child dependent (i.e., relationship test, residency test (lived with taxpayer for more than six months), and support test (did not provide more than half of his or her own support))

OTHER CREDITS TIED TO THE CHILD TAX CREDIT

- Two credits tied to the child tax credit:
 - Additional Child Tax Credit (ACTC)
 - Credit for Other Dependents (ODC)
- All three credits are calculated on Schedule 8812, Credits for Qualifying Children and Other Dependents

ADDITIONAL CHILD TAX CREDIT

- **2022:** Taxpayers who do not get the full \$2,000 of the child tax credit may qualify for the additional child tax credit (ACTC)
- **2021:** Taxpayers who do not qualify for the fully refundable CTC can claim the nonrefundable CTC and may qualify for the ACTC
- ACTC tax rules are the same for each year:
 - Taxpayers must have over \$2,500 of taxable earned income
 - Taxpayers with three or more children may also be eligible for the ACTC regardless of their income
 - Refundable credit – taxpayers may get a refund even if they do not owe any tax
 - Limited to \$1,500 per qualifying child (\$1,400 in 2021)

ADDITIONAL CHILD TAX CREDIT (Cont.)

- For taxpayers with earned income over \$2,500, the credit is based on the lesser of:
 - 15% of the taxpayer's taxable earned income that is over \$2,500, or
 - The amount of unused child tax credit (caused when tax liability is less than allowed credit)
- The IRS cannot issue refunds before mid-February for returns that properly claim the additional child tax credit or the earned income credit (EIC)

CREDIT FOR OTHER DEPENDENTS

- \$500 nonrefundable credit covers dependents who don't qualify for the child tax credit
 - This could include qualifying children 17 years old and older, qualifying relatives, or qualifying children with an ATIN or ITIN
- The dependent must be a U.S citizen, U.S. national, or resident of the U.S.
- The dependent must have a valid identification number (ATIN, ITIN, or SSN)

(There is no change from 2021 to 2022 in the tax law)

Another credit that was expanded in 2021, and for 2021 only:

CHILD AND DEPENDENT CARE CREDIT

	2022	2021
Maximum qualifying expenses that can be claimed	<ul style="list-style-type: none">● \$3,000 for one qualifying person● \$6,000 for two or more qualifying persons	<ul style="list-style-type: none">● \$8,000 for one qualifying person● \$16,000 for two or more qualifying persons
Top credit percentage of qualifying expenses	20% - 35%	20% - 50%
AGI limit at which credit is reduced	\$15,000	\$125,000
Refundable or nonrefundable credit	Nonrefundable credit	Refundable credit for qualifying taxpayers

CHILD AND DEPENDENT CARE CREDIT

Combining the top percentage and the expense limits, the **maximum child and dependent care credit** would be:

- **For 2022 :**
 - \$1,050 if you had one qualifying child/dependent (35% of \$3,000)
 - \$2,100 if you had more than one (35% of \$6,000)
 - The full maximum only allowed for taxpayers with AGI of \$15,000 or less; it then begins to phase out (one point every \$2,000 of AGI)
 - Credit is nonrefundable for 2022
- **For 2021:**
 - \$4,000 if you had one qualifying child/dependent (50% of \$8,000)
 - \$8,000 if you had more than one (50% of \$16,000)

EARNED INCOME CREDIT

- Temporary provisions for tax year 2021 have expired:
 - More workers and couples without qualifying children qualified for the EITC
 - Maximum credit nearly tripled for these taxpayers
 - Credit was made available to both younger workers and senior citizens
 - Taxpayers were able to use their 2019 earned income to figure the EITC (as long as it was higher than 2021 earned income)

EARNED INCOME CREDIT TAXPAYERS WITHOUT A QUALIFYING CHILD

	2022	2021
Adjusted gross income (AGI) limit	\$16,480 (\$22,610 if Married Filing Jointly)	\$21,430 (\$27,380 if Married Filing Jointly)
Maximum credit	\$560	\$1,502

Note: For tax year 2020, maximum credit was \$538 for those without a qualifying child; AGI limit was \$15,820 (\$21,710 married filing jointly)

EARNED INCOME CREDIT TAXPAYERS WITHOUT A QUALIFYING CHILD

	2022	2021
Age limits	<ul style="list-style-type: none"> ● 25 to 64 years of age 	<ul style="list-style-type: none"> ● Must be at least age 19 ● Minimum age is 24 if a specified student ● Minimum age is 18 for any qualified former foster youth or qualified homeless youth ● No upper age limit

EARNED INCOME CREDIT – ALL TAXPAYERS

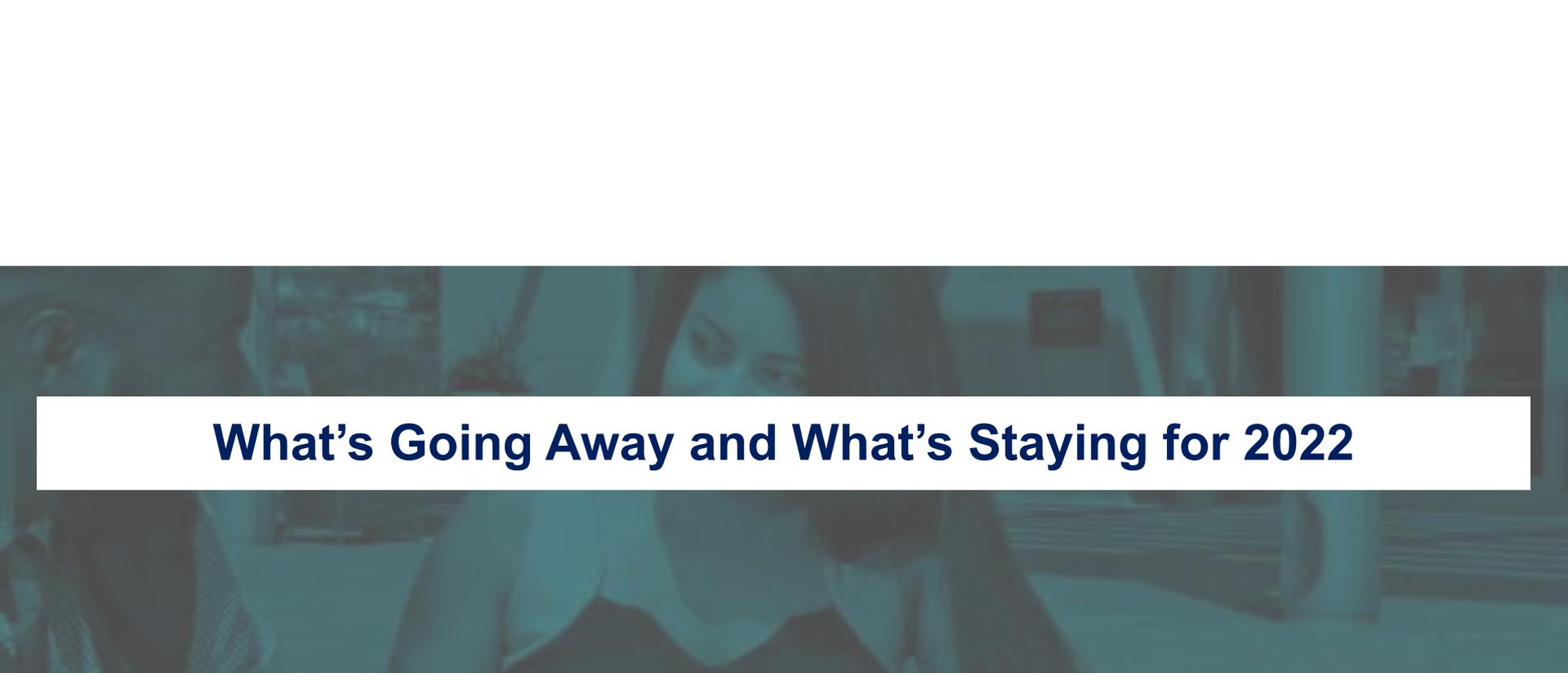
Use 2019 earned income	No	Yes
-------------------------------	----	-----

EARNED INCOME CREDIT PERMANENT CHANGES

- Separated taxpayers can claim the EIC if they are married, not filing a joint return, had a qualifying child who lived with them for more than half of the tax year, and either:
 - Lived apart from their spouse for the last 6 months of the year, or
 - Are legally separated according to state law and didn't live in the same household as their spouse at the end of the year
- Individuals and couples who have SSNs can claim the credit, even if their children don't have SSNs
 - In this instance, they would get the smaller credit available to taxpayers without qualifying children
 - In the past, these filers didn't qualify for the credit
- Starting in 2021, the limit on investment income was increased (for 2022, limit is \$10,300; it is \$10,000 for 2021, \$3,650 for 2020)

IMPROPER CLAIMS

- Taxpayers claiming the *earned income credit*, *child tax credit*, *advanced child tax credit*, *credit for other dependents*, or *American opportunity credit* when not eligible to do so, may be banned from claiming the credit for 2 to 10 years depending on their conduct
- Form 8862, Information To Claim Certain Credits After Disallowance
 - If taxpayer is claiming any of the above-listed credits, make sure the question on the Intake/Interview & Quality Review Sheet about disallowance of these credits is answered correctly
 - If the credit was disallowed in a prior year, see “Disallowance of Certain Credits” in the Earned Income Credit section of Publication 4012 and the instructions for Form 8862 to determine if Form 8862 needs to be completed



What's Going Away and What's Staying for 2022

WHAT OTHER PROVISIONS HAVE EXPIRED?

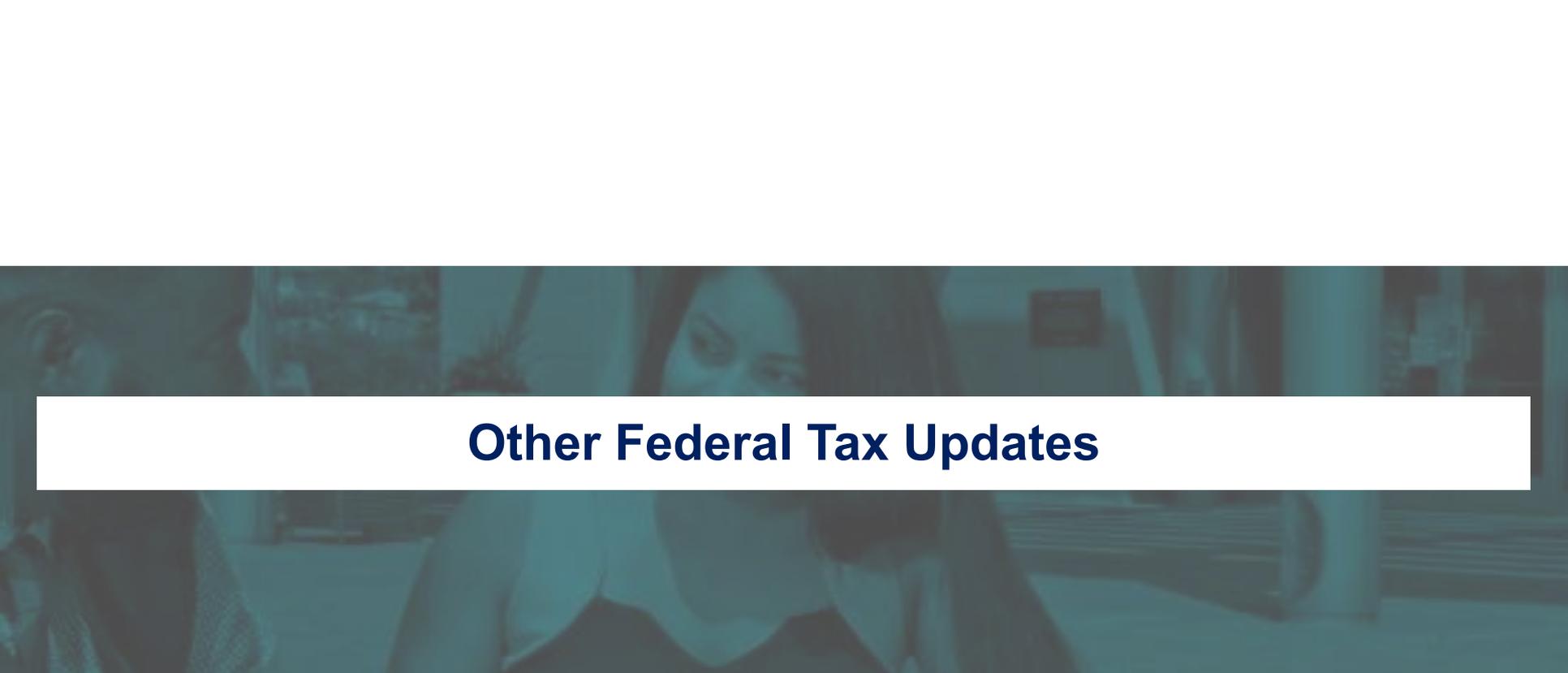
Provisions that don't apply for tax year 2022 include:

- Recovery Rebate Credit
- Temporary deduction for charitable contributions for taxpayers who do not itemize (through 2021)
- Private mortgage insurance premiums (PMI) deducted as home mortgage interest (through 2021)
- Premium tax credit (PTC) enhancement of meeting the credit's household income requirement for taxpayers who received, or were approved to receive, unemployment compensation (through 2021)
- Qualified sick and family leave credits for self-employed individuals expired on 09/31/2021

WHAT TEMPORARY PROVISIONS ARE STILL IN EFFECT?

Provisions still in effect include:

- Exclusion from gross income of cancelled qualified principal residence indebtedness (through 2025)
- Exclusion from gross income for student loan forgiveness after 2020 and before 2026 for most forgiven student loans
- Temporary 100% deduction for food or beverages from restaurants (Beginning January 1, 2021, through December 31, 2022.)
- Taxpayers with household income that exceeds 400% of the federal poverty line for their family size may be allowed a premium tax credit
- Nonbusiness energy property credit is extended for 2022; name has been changed to energy efficient home improvement credit



Other Federal Tax Updates

EDUCATOR EXPENSES

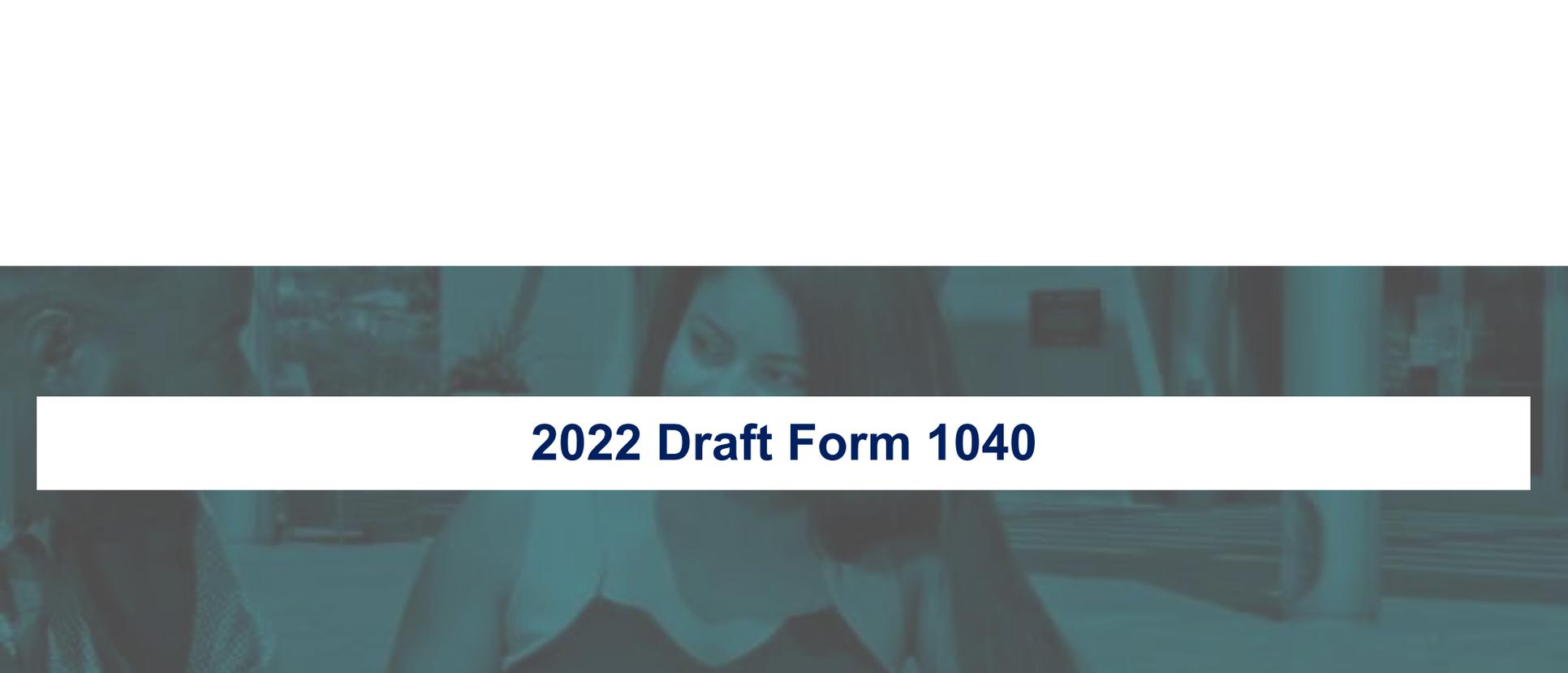
- Deduction amount increased to \$300 (from \$250 in 2021)
 - If the taxpayer and spouse are both eligible educators, they can deduct up to \$600, but neither can deduct more than their own expenses up to \$300
- Rules are the same:
 - Eligible educators – A kindergarten through grade 12 teacher, instructor, counselor, principal, or aide who worked in a school for at least 900 hours during a school year
 - Qualified expenses include:
 - Books, supplies, equipment (including computer equipment, software, and services), and other materials used in the classroom
 - Professional development expenses (see Pub 4012)
 - Amounts paid or incurred for personal protective equipment, disinfectant, and other supplies used for the prevention of the spread of coronavirus
 - Qualified expenses don't include expenses for home schooling or for non athletic supplies for courses in health or physical education
 - Qualified expenses must be reduced by certain reimbursements (see Pub 4012)
 - Advise taxpayers that they must have receipts for verification if they get audited

OTHER MISCELLANEOUS FEDERAL TAX LAW UPDATES

- **Due Date:** Tuesday, April 18, 2023
- Gross income limitation for a qualifying relative is \$4,400 (\$100 increase from 2021)
- Standard Deduction
 - \$25,900 – MFJ or QSS (increase of \$800)
 - \$19,400 – HOH (increase of \$600)
 - \$12,950 – Single or MFS (increase of \$400)
- Additional standard deduction for taxpayers who are 65 and older or blind:
 - \$1,750 for Single or HOH (increase of \$50)
 - \$1,400 for married taxpayers or QSS (increase of \$50)

OTHER MISCELLANEOUS FEDERAL TAX LAW UPDATES (Cont.)

- Form 1099-K, Payment Card and Third Party Network Transactions
 - Reporting requirement is reduced. Sites may see more of these forms.
 - Form will be issued if payments are over \$600 for goods or services, regardless of the number of transactions
 - Previously, the form was only sent if payments were over \$20,000 and payee participated in more than 200 transactions



2022 Draft Form 1040

FORM 1040 CHANGES for 2022

- Updated digital assets statement
- New lines 1a through 1z replaces line 1 (wages, salaries, tips, etc.)
 - To decrease the number of write-ins
 - Lines 1a through 1g list specific items that are reported as wages or earned income on the 1040
 - Line 1h is for “Other earned income”
 - Line 1i is an inside line for reporting nontaxable combat pay (this line was in the payments section, under the line for Earned income credit, on the 2021 Form 1040)
 - Line 1z is the total of lines 1a through 1h
- New line 6c has a checkbox for taxpayers who use the lump-sum election method when figuring taxable Social Security benefits (eliminates the need for the write-in “LSE”)
- Schedule 1 – Expanded line 8, Other Income, for additional entries

DRAFT 2022 FORM 1040

Form **1040**

Department of the Treasury—Internal Revenue Service

U.S. Individual Income Tax Return

2022

OMB No. 1545-0074

IRS Use Only—Do not write or staple in this space.

Filing Status Single Married filing jointly Married filing separately (MFS) Head of household (HOH) **Qualifying surviving spouse (QSS)**

Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent:

Your first name and middle initial		Last name		Your social security number	
If joint return, spouse's first name and middle initial		Last name		Spouse's social security number	
Home address (number and street). If you have a P.O. box, see instructions.				Apt. no.	
City, town, or post office. If you have a foreign address, also complete spaces below.			State	ZIP code	
Foreign country name		Foreign province/state/county		Foreign postal code	
Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse					

Digital Assets At any time during 2022, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, gift, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) Yes No

Standard ~~Someone can claim.~~ You as a dependent Your spouse as a dependent

Note: Digital Assets – The return is in scope only if the taxpayer can answer No

DRAFT 2022 FORM 1040

Digital Assets At any time during 2022, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, gift, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) Yes No

Standard Deduction **Someone can claim:** You as a dependent Your spouse as a dependent
 Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness **You:** Were born before January 2, 1958 Are blind **Spouse:** Was born before January 2, 1958 Is blind

Dependents (see instructions):

If more than four dependents, see instructions and check here <input type="checkbox"/>	(1) First name		(2) Social security number	(3) Relationship to you	(4) Check the box if qualifies for (see instructions):	
	Last name				Child tax credit	Credit for other dependents
					<input type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>

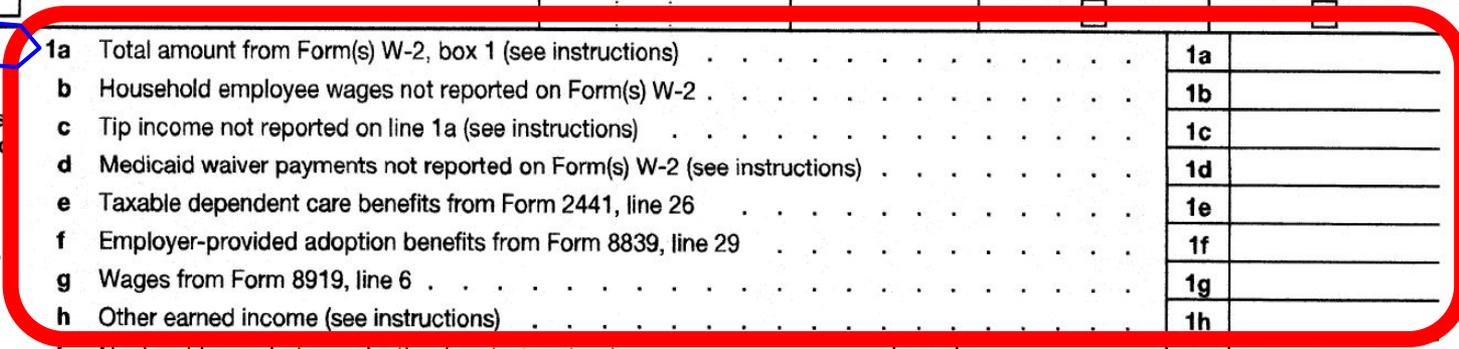
Income

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

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

1a	Total amount from Form(s) W-2, box 1 (see instructions)	1a	
b	Household employee wages not reported on Form(s) W-2	1b	
c	Tip income not reported on line 1a (see instructions)	1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d	
e	Taxable dependent care benefits from Form 2441, line 26	1e	
f	Employer-provided adoption benefits from Form 8839, line 29	1f	
g	Wages from Form 8919, line 6	1g	
h	Other earned income (see instructions)	1h	
i	Nontaxable combat pay election (see instructions)	1i	
z	Add lines 1a through 1h	1z	
2a	Tax-exempt interest	2a	
b	Taxable interest	2b	

Previously, this was line 1, Wages, salaries, tips, etc.



FORM 1040 CHANGES for 2022

New lines **1a** through **1h** on the **Draft 2022 Form 1040**:

- **1a** Amounts from Form(s) W-2, box 1
- **1b** Household employee wages not reported on Form(s) W-2
 - If taxpayer received wages as a household employee and didn't receive a Form W-2 because an employer paid them less than \$2,400 in 2022, enter the amount on line 1b that was not reported on a Form W-2
 - Household employees include housekeepers, maids, babysitters, gardeners, and others who work in or around an individual's private residence as their employee. Repairmen, plumbers, contractors, and other business people who provide their services as independent contractors, are not the individual's employees.
 - Note: If an employer pays the household employee less than \$2,400 in cash wages in 2022 (\$2,300 in 2021), none of the wages are Social Security or Medicare wages and neither the employer or employee will owe FICA tax on those wages
 - On previous year Forms 1040, "HSH" had to be written in the space to the left of line 1

FORM 1040 CHANGES for 2022

New lines **1a through 1h** on the **Draft 2022 Form 1040 (continued)**:

- **1c** Tip income not reported on line 1a
 - Enter tip income the taxpayer didn't report to their employer
 - Also include the value of any noncash tips the taxpayer received, such as tickets, passes, or other items of value
 - See the Form 1040 instructions and Publication 531, Reporting Tip Income, for more details
- **1d** Medicaid waiver payments not reported on Form(s) W-2
 - Any Medicaid waiver payments taxpayer received that he or she chooses to include in earned income for purposes of claiming a credit or other tax benefit, even if the taxpayer didn't receive a Form W-2 reporting these payments. See the instructions for Schedule 1, line 8s.

MEDICAID WAIVER PAYMENTS

- Medicaid waiver payments involve certain payments to individual care providers for the care of eligible individuals under a state Medicaid Home and Community-Based Services waiver program described in section 1915(c) of the Social Security Act (Medicaid Waiver payments)
- Section 1915(c) of the Act enables individuals who otherwise would require care in a hospital, nursing facility, or intermediate care facility to receive care in the individual care provider's home
- In 2014, the IRS issued Notice 2014-7 that provides that these Medicaid waiver payments will be treated as difficulty of care payments excludable from gross income
- In 2019, there was a tax law change that allowed the taxpayer to choose to include qualified Medicaid waiver payments in the calculation of earned income for purposes of the EIC and ACTC

MEDICAID WAIVER PAYMENTS

Accounting Aid Society Position

- **The issue:** The key is determining if the payments for care of an eligible individual in the provider's home were in fact paid under a Medicaid Waiver Program
 - Certain Michigan programs appear to specifically involve Medicaid waivers, but these are limited in number (see table on next slide)
 - Note that Michigan Department of Health and Human Services (MDHHS) is **not** listed in the table.

MEDICAID WAIVER PAYMENTS

Accounting Aid Society Policy

Medicaid Waiver Section 1915(c)	Agency	Home Based Services for:
Mi Choice	Area Agency on Aging	Elderly & Disabled
Mi Choice-MC (managed care)	Area Agency on Aging	Elderly & Disabled
MI HealthLink	Aetna Better Health of Michigan, Inc.	Elderly & Disabled
	AmeriHealth Caritas VIP Care Plus	Elderly & Disabled
	Michigan Complete Health	Elderly & Disabled
	HAP Midwest Health Link	Elderly & Disabled
	Meridian Complete	Elderly & Disabled
	Molina Healthcare, Inc.	Elderly & Disabled
	UP Health Plan MI HealthLink	Elderly & Disabled
Children's Waiver Program	Community Mental Health	Children under age 21
Children with Serious Emotional Disturbances	Community Mental Health	Children under age 21
Children's Home & Community Based Services	Community Mental Health	Children under age 18
Habilitation Supports Waiver	Community Mental Health	Beneficiaries with Dev. Disabilities

You may assume that W-2s issued to home care providers by the Michigan employers/agencies listed in this table are Medicaid waiver payments and are not taxable

MEDICAID WAIVER PAYMENTS

Accounting Aid Society Policy (Cont.)

- If a taxpayer has a W-2 or income from an agency not listed in the table, the taxpayer must provide written evidence from the payer that the payments are under a Medicaid Waiver Program before we will exclude the payments on the tax return
- Michigan Department of Health and Human Services (MDHHS) is not listed in the table
 - We are not aware that the MDHHS Home Help Program is a qualified Medicaid Waiver Program
 - These are typically the payments reported on a W-2 where the person being cared for is listed as the employer
 - This is an example where the taxpayer would need to provide written proof (from MDHHS) that these payments are under a qualified Medicaid Waiver Program before we will exclude the payments

MEDICAID WAIVER PAYMENTS

Accounting Aid Society Policy (Cont.)

- If it's determined the taxpayer has qualified Medicaid waiver payments reported on Form W-2 that may be excluded from gross income, follow the instructions in Tab D of Publication 4012 (page D-59 of Pub 4012 for 2020 returns). Tab N has instructions for other reporting scenarios.
- For purposes of including the excluded income in the calculation of earned income for the EIC and ACTC, try both scenarios – including and not including the income for the earned income calculation – to determine which one results in the higher earned income credit and/or additional child tax credit

MEDICAID WAIVER PAYMENTS

Michigan Income Tax Return

- Michigan Tax Return – Exempt Medicaid waiver payments are also not taxable for Michigan; however, they must be included in total household resources for the Michigan credit claims
 - No additional entry is needed in TaxSlayer if payments are reported on a W-2
 - If payments are reported under a different scenario, carefully review the Michigan return and credit claims to ensure Medicaid waiver payments are treated correctly on the forms

FORM 1040 CHANGES for 2022

New lines **1a through 1h** on the **Draft 2022 Form 1040 (continued)**:

- **1e** Taxable dependent care benefits from Form 2441, line 26
 - Dependent care benefits, which should be shown in box 10 of the taxpayer's Form(s) W-2. But first complete Form 2441 to see if taxpayer can exclude part or all of the benefits.
- **1f** Employer-provided adoption benefits from Form 8839, line 29
- **1g** Wages from Form 8919 (Uncollected Social Security and Medicare Tax on Wages), line 6
- **1h** Other earned income (see instructions)
 - Note: As of the time of this presentation, the instructions for 2022 Form 1040 were not available

FORM 1040 CHANGES for 2022

SCHEDULE 1

- **Form 1040, Schedule 1, Part I, Additional Income**, expanded line 8 to add lines for the following entries:
 - **8r** Scholarship and fellowship grants not reported on Form W-2
 - **8s** Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d
 - **8t** Pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan
 - **8u** Wages earned while incarcerated

Search for federal draft tax forms at:

[irs.gov/draftforms](https://www.irs.gov/draftforms)

Tax Masters Session 2

Date: Nov. 10, 2022

Time: 5:45-8:00 pm

Topics: State Tax Law Refreshers
and Updates for 2022

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Questions

Thank you for your participation in this presentation!

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END