

**Accounting Aid Society**  
**Site Coordinator Update – February 28, 2026**

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**Self-Employment Income with Qualified Tips**

Please hold all returns with self-employment income that have tips reported/included on Form 1099-NEC, Form 1099-K, and/or Form 1099-MISC. It is reported that TaxSlayer may have issues with certain limitations on claiming the no tax on tips deduction for these taxpayers. Please select the Return Tag, **Tips & SE Income**, for these returns.

**Federal Returns Where Direct Deposit is Not Chosen – IND-477 Alert; IRS Notice CP53E**

For federal tax returns where direct deposit is not chosen (i.e., taxpayer is choosing to receive their federal refund by paper check) an **IND-477** warning will appear on the Return Details page in the E-file section of TaxSlayer. An IND-477 alert will also be received after the return is electronically filed.

Please let taxpayers know that there will be a significant delay in receiving their federal refund if they choose to receive it by paper check. If they do not have a bank account that can be used for direct deposit, offer them the option of opening a CFR card that can be used for direct deposit of both their federal and Michigan refunds.

If they still choose not to use direct deposit, let them know that they will receive **Notice CP53E** from the IRS. We have attached a sample IRS Notice CP53E to the email with this update. They will have 30 days to respond to the notice:

- They can go to [irs.gov/account](https://irs.gov/account) or use the QR code that is on the CP53E Notice to access their IRS online account (or create one) to enter direct deposit information. Direct deposit information can only be done online; the IRS will not accept bank information over the phone.
- They can call the IRS to explain why they can't do direct deposit.
- If they don't reply to the Notice, a paper check will be issued after six weeks.
- For more information, visit [Understanding Your CP53E Notice](#)

More information on the transition to fully electronic federal payments both to and from the IRS can be found on Fact Sheet 2026-02 at [Questions and Answers about Executive Order 14247: Modernizing Payments to and From America's Bank Account](#)

**Best Practices**

**Warnings in TaxSlayer – Correction**

In last week's update we incorrectly indicated that Warnings can be viewed in the E-file section of TaxSlayer. In fact, Warnings and any existing Notes in the software will be shown on the first page when the Summary/Print section is selected. We advise quality reviewers to look at this page as part of their review.

## Michigan Return

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### Total Household Resources – Deduction for Health Insurance/HMO Premiums

A reminder on the rules for claiming a deduction for health insurance/HMO Premiums on the Michigan credit claims. This is a deduction that will reduce total household resources (THR). The following premiums paid for the taxpayer and their family may be included:

- Medical insurance, dental insurance, vision insurance and prescription drug plan
- Medical care portion only of auto insurance
  - Auto PIP (personal injury protection) in Michigan covers medical expenses, lost wages, survivor losses, and a certain amount per day for replacement services.
  - The **portion of PIP that is for medical care coverage can be deducted** on the credit claims as medical insurance.
  - Effective July 1, 2020, an insured person can reduce coverage or opt out of Auto PIP.
  - For purposes of claiming a medical insurance deduction to arrive at THR:
    - If PIP medical coverage was NOT waived, (i.e., they are paying for it under their auto insurance) and taxpayer does not know what portion of their PIP premium relates to medical coverage, \$130 is an allowable medical insurance deduction per insured vehicle.
    - If a higher amount can be proven for the medical care portion of car insurance, the higher amount can be used. The medical care portion must be clearly identified.
    - If the taxpayer does not have medical coverage under auto PIP, they **cannot claim the \$130** allowable medical insurance deduction.
    - When completing the Health Insurance section of the Michigan Intake Sheet, AAS Part VI, ask the taxpayer if they have auto PIP that includes medical coverage.
- For those who have health insurance through the Marketplace/Affordable Care Act, the insurance premium must be reduced by the federal premium tax credit. Use Form 8962, Premium Tax Credit, to calculate the net insurance premium:
  - The annual total insurance premium (line 11(a) or the sum of lines 12(a) through 23(a)) less the premium tax credit (line 24 of Form 8962) may be claimed.
  - Use Part VI, Health Insurance, section of the Michigan Intake Sheet to do the calculation.
  - If a rejected return has been corrected to add Form 8962 (i.e., information from Form 1095-A, Health Insurance Marketplace Statement, was added to the return), remember to look at the form to see if there is a net insurance premium that can be deducted to reduce THR.