

# Accounting Aid Society

## SSA/SSI Chart 2022 Season

SSI/SSA Chart					
Year	2018	2019	2020	2021	2022
SSI Monthly Maximum	\$750	\$771	\$783	\$794	\$841
Annual SSI Maximum	\$9,000	\$9,252	\$9,396	\$9,528	\$10,092
Annual SSI+SSA	\$9,240	\$9,492	\$9,636	\$9,768	\$10,332
% increase from prior year	2.0%	2.8%	1.6%	1.3%	5.9%

<ol style="list-style-type: none"> <li>1. Maximum amount of (SSI+20) X 12 = Max amount of SSI/SSA</li> <li>2. Max amount of SSI and SSA- SSA= SSI</li> <li>3. SSI/12 for monthly amounts</li> </ol>	<p>Example: In 2021 Client receives \$4,800 in SSA.</p> <p style="margin-left: 40px;"><math>\\$794 + \\$20 = \\$814</math></p> <p style="margin-left: 40px;"><math>\\$814 \times 12 = \\$9768</math></p> <p style="margin-left: 40px;"><math>\\$9768 - \\$4800 = \\$4,968</math></p> <p style="margin-left: 40px;"><math>\\$4836 / 12 = \\$414</math></p>
<p>Ask how much the client received on the first of the month. They should say \$403, but if that is not the case, ask them how much they remember. It cannot be more than \$403.</p>	

SSA Calculation from 2020 to 2021	(2020 Annual Amount) x 1.013
SSA Calculation from 2022 to 2021	(2022 Annual Amount) / 1.059

Home Heating Credit	
Exemptions	Income Ceiling
0-1	\$14,186
2	\$19,186
3	\$24,157
4	\$29,156
5	\$34,157
Over 5	Add \$5,000 per exemption

Millage Rates for 401- Residential Real Estate		
Cities:	Homestead Rate	Non-Homestead Rate
Detroit	69.5837	86.4416
Highland Park	71.1950	88.9250
Hamtramck	56.2841	74.1533

## INCOME TAX FOR RETIREMENT BENEFITS EFFECTIVE FOR TAX YEAR 2020

Taxpayers born before 1946 (Tier 1)	Taxpayers born 1946 through 1952 (Tier 2) Before the taxpayer reaches age 67	Taxpayers born after 1952 (Tier 3) Before the taxpayer reaches age 67
<ul style="list-style-type: none"> <li>• Social Security is exempt.</li> <li>• Senior citizen subtraction for interest, dividends, and capital gains up to \$11,983 for single filers and \$23,966 for joint filers. *</li> <li>• Public pensions exempt.</li> <li>• Private pensions, subtract up to \$53,759 for single filers and \$107,517 for joint filers.  *Subtraction may be limited if pension benefits are also subtracted.</li> </ul>	<ul style="list-style-type: none"> <li>• Social Security is exempt.</li> <li>• Railroad and Michigan National Guard pensions are exempt.</li> <li>• Military compensation and pensions are exempt.</li> <li>• Not eligible for the senior citizen subtraction for interest, dividends, and capital gains.</li> <li>• Public and private pension limited subtraction of \$20,000 for single filers or \$40,000 for joint filers.</li> <li>• Pensions from employment with governmental agencies not covered by the SSA. \$35,000 for single filer, \$55,000 for joint filers, or \$70,000 for joint filers if both spouses worked for an “uncovered” agency.</li> </ul>	<ul style="list-style-type: none"> <li>• Social Security is exempt.</li> <li>• Railroad and Michigan National Guard pensions are exempt.</li> <li>• Military compensation and pensions are exempt.</li> <li>• Not eligible for the senior citizen subtraction for interest, dividends, and capital gains.</li> <li>• Not eligible for public or private pension subtraction.</li> <li>• At age 62, pensions from employment with governmental agencies not covered by the SSA. \$15,000 for single or joint filer or \$30,000 for joint filers if both spouses worked for an “uncovered” agency.</li> <li>• Beginning in 2018, pension from employment with governmental agencies not covered by the SSA for persons retired as of January 1, 2013, \$35,000 for single filer, \$55,000 for joint filer, or \$70,000 for joint filers if both spouses worked for an “uncovered” agency.</li> </ul>

	Tier 2 After the taxpayer reaches Age 67	Tier 3 After the taxpayer reaches Age 67
	<ul style="list-style-type: none"> <li>• Social Security is exempt.</li> <li>• Railroad and Michigan National Guard pensions are exempt (see below).</li> <li>• Military compensation and pensions are exempt (see below).</li> <li>• Not eligible for the senior citizen subtraction for interest, dividends, and capital gains.</li> </ul> <p>Eligible for <b>Standard deduction</b>:</p> <ul style="list-style-type: none"> <li>• Subtraction against all income of \$20,000 for single filers and \$40,000 for joint filers.</li> <li>• Subtraction increased to \$35,000 for single filers and \$55,000 for joint filers with pensions from employment with governmental agencies not covered by the SSA, or to \$70,000 for joint filers if both spouses worked for an “uncovered” agency.</li> <li>• Not eligible for this income subtraction to the extent Military income and Railroad/Michigan National Guard pension exemption are claimed.</li> </ul>	<ul style="list-style-type: none"> <li>• Not eligible for the senior citizen subtraction for interest, dividends, and capital gains.</li> <li>• Not eligible for public or private pension subtraction.</li> <li>• Income exemption election: <ul style="list-style-type: none"> <li>– <b>Elect</b> exemption against all income of \$20,000 for single filers or \$40,000 for joint filer</li> </ul> </li> </ul> <p><b>Note:</b> No exemption for Social Security, Military compensation and pension, and Railroad/Michigan National Guard pension. No personal exemptions.</p> <p style="text-align: center;"><b>OR</b></p> <ul style="list-style-type: none"> <li>– <b>Elect</b> to exempt Social Security, Military compensation and pension, and Railroad/Michigan National Guard pension. May claim personal exemptions.</li> </ul> <ul style="list-style-type: none"> <li>• Beginning in 2018, persons retired as of January 1, 2013 and receiving pension from employment with governmental agencies not covered by SSA may claim standard deduction of \$35,000 for single filer, \$55,000 for joint filer, or \$70,000 for joint filers if both spouses worked for an “uncovered” agency.</li> </ul>

**Substitute for Form W-2, Wage and Tax Statement, or  
Form 1099-R, Distributions From Pensions, Annuities, Retirement  
or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.**

OMB No. 1545-0074

Department of the Treasury  
Internal Revenue Service

▶ Attach to Form 1040, 1040-SR, or 1040-X.  
▶ Go to [www.irs.gov/Form4852](http://www.irs.gov/Form4852) for the latest information.

Attachment  
Sequence No. 04

**You must take the following steps before filing Form 4852**

- Attempt to get your Form W-2, Form W-2c, or Form 1099-R (original or corrected) from your employer or payer before contacting the IRS or filing Form 4852.
- If you don't receive the missing or corrected form from your employer or payer by the end of February, you may call the IRS at 800-829-1040 for assistance. You must provide your name, address (including ZIP code), phone number, social security number, and dates of employment. You must also provide your employer's or payer's name, address (including ZIP code), and phone number. The IRS will contact your employer or payer and request the missing form. The IRS will also send you a Form 4852. If you don't receive the missing form in sufficient time to file your income tax return timely, you may use the Form 4852 that the IRS sent you to file with your return.

<b>1</b> Name(s) shown on return	<b>2</b> Your social security number
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<b>3</b> Address
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<b>4</b> Enter year in space provided and check one box. For the tax year ending December 31, _____, I have been unable to obtain (or have received an incorrect) <input type="checkbox"/> Form W-2 <b>OR</b> <input type="checkbox"/> Form 1099-R. I have notified the IRS of this fact. The amounts shown on line 7 or line 8 are my best estimates for all wages or payments made to me and tax withheld by my employer or payer named on line 5.
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<b>5</b> Employer's or payer's name, address, and ZIP code	<b>6</b> Employer's or payer's TIN (if known)
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<b>7 Form W-2.</b> Enter wages, tips, other compensation, and taxes withheld.	
<b>a</b> Wages, tips, and other compensation _____	<b>f</b> State income tax withheld . . . . . _____ (Name of state) . _____
<b>b</b> Social security wages . . . . . _____	<b>g</b> Local income tax withheld . . . . . _____ (Name of locality) _____
<b>c</b> Medicare wages and tips . . . . . _____	<b>h</b> Social security tax withheld . . . . . _____
<b>d</b> Social security tips . . . . . _____	<b>i</b> Medicare tax withheld . . . . . _____
<b>e</b> Federal income tax withheld . . . . . _____	

<b>8 Form 1099-R.</b> Enter distributions from pensions, annuities, retirement or profit-sharing plans, IRAs, insurance contracts, etc.	
<b>a</b> Gross distribution . . . . . _____	<b>f</b> Federal income tax withheld . . . . . _____
<b>b</b> Taxable amount . . . . . _____	<b>g</b> State income tax withheld . . . . . _____ (Name of state) . _____
<b>c</b> Taxable amount not determined . <input type="checkbox"/>	<b>h</b> Local income tax withheld . . . . . _____ (Name of locality) _____
<b>d</b> Total distribution . . . . . <input type="checkbox"/>	<b>i</b> Employee contributions . . . . . _____
<b>e</b> Capital gain (included on line 8b) . _____	<b>j</b> Distribution codes . . . . . _____

<b>9</b> How did you determine the amounts on lines 7 and 8 above?
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<b>10</b> Explain your efforts to obtain Form W-2, Form 1099-R (original or corrected), or Form W-2c, Corrected Wage and Tax Statement.
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**General Instructions**

Section references are to the Internal Revenue Code.

**Future developments.** For the latest information about developments related to Form 4852, such as legislation enacted after it was published, go to [www.irs.gov/Form4852](http://www.irs.gov/Form4852).

**Purpose of form.** Form 4852 serves as a substitute for Forms W-2, W-2c, and 1099-R (original or corrected) and is completed by you or your representatives when (a) your employer or payer doesn't issue you a Form W-2 or Form 1099-R, or (b) an employer or payer has issued an incorrect Form W-2 or Form 1099-R. Attach this form to the back of your income tax return before any supporting forms or schedules.

You should always attempt to get your Form W-2, Form W-2c, or Form 1099-R (original or corrected) from your employer or payer before contacting the IRS or filing Form 4852. If you don't receive the missing or corrected form from your employer or payer by the end of February, you may call the IRS at 800-829-1040 for assistance. You must provide your name, address (including ZIP code), phone number, social security number, and dates of employment. You must also provide your employer's or payer's name, address (including ZIP code), and phone number. The IRS will contact your employer or payer and request the missing form. The IRS will also send you a Form 4852. If you don't receive the missing form in sufficient time to file your income tax return timely, you may use the Form 4852 that the IRS sent you.

If you received an incorrect Form W-2 or Form 1099-R, you should always attempt to have your employer or payer issue a corrected form before filing Form 4852.

**Note:** Retain a copy of Form 4852 for your records. To help **protect your social security benefits**, keep a copy of Form 4852 until you begin receiving social security benefits, just in case there is a question about your work record and/or earnings in a particular year. After September 30 following the date shown on line 4, you may use your Social Security online account to verify wages reported by your employers. Please visit [www.SSA.gov/myaccount](http://www.SSA.gov/myaccount). Or, you may contact your local SSA office to verify wages reported by your employer.

**Will I need to amend my return?** If you receive a Form W-2, Form W-2c, or Form 1099-R (original or corrected) after your return is filed with Form 4852, and the information you receive indicates that the information reported on your original return is incorrect, you must amend your return by filing Form 1040-X, Amended U.S. Individual Income Tax Return. You are responsible for filing your income tax return with accurate information regardless of whether you receive a Form W-2, Form W-2c, or Form 1099-R (original or corrected) and regardless of whether the information on any forms received is correct.

**Penalties.** The IRS will challenge the claims of individuals who attempt to avoid or evade their federal tax liability by using Form 4852 in a manner other than as prescribed. Potential penalties for the improper use of Form 4852 include:

- Accuracy-related penalties equal to 20% of the amount of taxes that should have been paid,
- Civil fraud penalties equal to 75% of the amount of taxes that should have been paid, and
- A \$5,000 civil penalty for filing a frivolous return or submitting a specified frivolous submission as described by section 6702.

## Specific Instructions

**Lines 1 through 3.** Enter your name, social security number, and current address including street, city, state, and ZIP code.

**Line 4.** Enter the year for which Form W-2 or Form 1099-R wasn't received or was incorrect.

**Line 5.** Enter your employer's or payer's name, address, and ZIP code.

**Line 6.** Enter your employer's or payer's taxpayer identification number (TIN), if known. If you had the same employer or payer in the prior year, use the employer identification number (EIN) shown on the prior year's Form W-2 or Form 1099-R. If you don't know the EIN, but you know a different TIN associated with the employer or payer, such as a social security number (SSN), you may enter that TIN.

**Line 7—Form W-2.** To the extent the Form W-2 you received reported correct information, complete line 7 by entering that correct information. If you don't have complete and accurate information from a Form W-2, use your final pay stub to help complete line 7. For additional information, get Form W-2 and the General Instructions for Forms W-2 and W-3.

**a—Wages, tips, and other compensation.** Enter your total wages received (include wages, noncash income, tips reported, and all other compensation before deductions for taxes, insurance, etc.).

**b—Social security wages.** Enter your total wages subject to employee social security tax. Don't include social security tips and allocated tips.

**c—Medicare wages and tips.** Enter your total wages and tips subject to Medicare tax. This amount may be required to be entered on Form 8959, Additional Medicare Tax. See the Instructions for Forms 1040 and 1040-SR to determine if you are required to complete Form 8959.

**d—Social security tips.** Enter the tips you reported to your employer for the year. The total of lines 7b and 7d can't exceed the social security wage base for the year reported on line 4. The total amount of tips received during the year should be included on line 7a. You can find the social security wage base for any given year at [www.SSA.gov/OACT/COLA/cbb.html](http://www.SSA.gov/OACT/COLA/cbb.html). The social security wage base for a given year can be found in Pub. 15 (Circular E), Employer's Tax Guide, for that year, usually under *What's New* at the beginning of the publication.

**e—Federal income tax withheld.** Enter the amount of federal income taxes withheld from your wages for the year. Include the 20% excise tax withheld on excess parachute payments on this line.

**f—State income tax withheld.** Enter the amount of state income tax withheld from wages for the year. Enter the name of the state.

**g—Local income tax withheld.** Enter the amount of local income tax withheld from wages for the year. Enter the name of the locality.

**h—Social security tax withheld.** Enter the amount of social security tax withheld (not including the employer's share), including social security tax on tips.

**i—Medicare tax withheld.** Enter the amount of Medicare tax withheld (not including the employer's share). This amount includes the 1.45% Medicare tax withheld on all Medicare wages and tips you report on line 7c, as well as the 0.9% Additional Medicare Tax withheld on any of those Medicare wages and tips above \$200,000. For more information on Additional Medicare Tax, go to [www.irs.gov/AdMT](http://www.irs.gov/AdMT).

**Line 8—Form 1099-R.** To the extent the Form 1099-R you received reported correct information, complete line 8 by entering that correct information. If you don't have complete and accurate information from a Form 1099-R, use a distribution statement from your plan trustee to help complete line 8. For additional information, get Form 1099-R and the Instructions for Forms 1099-R and 5498.

**a—Gross distribution.** Enter the total amount you received for the year as a gross distribution.

**b—Taxable amount.** Enter the taxable amount of your distribution.

**c—Taxable amount not determined.** Check this box if you are unable to compute your taxable distribution. If you check this box, leave line 8b blank.

**d—Total distribution.** Check this box only if the payment shown on line 8a is a total distribution.

**e—Capital gain (included on line 8b).** Enter the capital gain on your lump-sum distributions that you also included on line 8b. Only certain individuals can elect to treat lump-sum distributions as a capital gain on Form 4972, Tax on Lump-Sum Distributions. See the Instructions for Form 4972 for details.

**f—Federal income tax withheld.** Enter the amount of federal income tax withheld.

**g—State income tax withheld.** Enter the amount of state income tax withheld. Enter the name of the state.

**h—Local income tax withheld.** Enter the amount of local income tax withheld. Enter the name of the locality.

**i—Employee contributions.** Enter your investment in the contract (after-tax contributions), if any, recovered tax free this year.

**j—Distribution codes.** Enter the distribution code or codes that apply. If you are reporting more than one code, separate the codes with a comma. See the Instructions for Forms 1099-R and 5498 for a complete list of codes. If your distribution was from a traditional IRA, SEP IRA, or SIMPLE IRA, write "IRA," "SEP," or "SIMPLE" in the right margin.

**Line 9.** Explain how you determined the amounts on line 7 or 8. For example, tell us if you estimated the amounts, used your pay stubs, or used a statement reporting your distribution.

**Line 10.** Explain any attempts made to get the missing or corrected Form W-2, Form 1099-R, or Form W-2c from your employer or payer.

**Paperwork Reduction Act Notice.** We ask for the information on Form 4852 to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The average time and expenses required to complete and file this form vary depending on individual circumstances. For the estimated averages, see the instructions for your income tax return.

If you have suggestions for making Form 4852 simpler, we would be happy to hear from you. See the instructions for your income tax return.

## Volunteer Income Tax Assistance/Tax Counseling for the Elderly Job-Aid

### Supplemental Guidance on How to Use Form 4852 When Missing the Form W-2 or 1099-R

When a severe disaster strikes, taxpayers often find themselves unable to obtain income statements from employers or other payers. [Form 4852](#) can be used as a substitute statement if taxpayer's attempts to obtain a missing Form W-2, W-2c or 1099-R from the responsible party are unsuccessful. *Efforts to obtain the missing form must be explained in Box 10 of the Form 4852.*

**TIP:** Before completing Form 4852 in TaxSlayer, you should fill out a printed copy to ensure you have all the necessary information. The hard copy can be [printed from irs.gov](#). Carefully review the instructions on the form. The following guidance serves as a supplement to the instructions. Please be aware, some taxpayers will need to be referred to professional preparers due to complexities.

#### What to use to complete line 7 of Form 4852 for missing W-2

1. **A pay stub** often has most of the information needed, especially if it was the last one for the year and has Year-To-Date amounts. If it's an interim or other periodic pay stub, it can be used to calculate the final amounts for the entire period of employment as shown in the following examples.
  - a. A monthly paid employee has a stub for June showing Y-T-D wages of \$12,000 and details of deductions. If the taxpayer worked through September, the wages for line 7a would be \$18,000 (\$12,000 divided by 6 equals \$2000 and \$2000 X 9 months = \$18,000) Similarly, calculate amounts for the other line 7 items.
  - b. A weekly paid employee has a stub showing wages of \$500 and details of deductions but no Y-T-D amounts. Employee says they were paid the same during 5 months of employment. Estimating 4 weeks per month, the wages to report on line 7a would be \$10,000 (\$500 X 20 weeks). Similarly, calculate amounts for the other line 7 items.
  - c. There should be no attempt to complete Form 4852 if a pay stub only shows the take-home amount. Attempt to secure a more reliable source such as a prior year W-2 to complete the form.
2. **A prior year W-2** can be useful if a current W-2 is not available:
  - a. If employee had the same employer and confirms his/her pay and deductions remained essentially the same, the prior year W-2 can be the basis to calculate amounts for the missing W-2. For example, if she worked all of year 1 but only 9 months of year 2 due to the disaster, you would report  $\frac{9}{12}$  of the prior year's W-2 wages, withholding, etc., in line 7 of Form 4852.
  - b. If the employee received a W-2 in the prior year from the same employer, it can be used to provide the employer's name, address and EIN if not shown on a pay stub.
  - c. If a returning VITA/TCE client doesn't have a prior year W-2 from the same employer, the site can probably print his/her prior year return including the W-2 that can be used per above.
  - d. Non-returning taxpayers can go to [irs.gov](#) to request a copy of their prior year return (which includes copy(s) of the W-2(s)).

#### What to use to complete line 8 of Form 4852 for missing 1099-R

A substitute 1099-R for a retiree can be completed if the taxpayer provides a prior year 1099-R and declares she/he receives a 1099-R with the same information every year. Due to complexities, refer to the instructions on Form 4852 for line 8.



# Screening Sheet for Foreclosures/Abandonments and Cancellation of Debt

If the taxpayer is in bankruptcy, the tax return is Out of Scope for the VITA/TCE Programs.

**Instructions:** Use this Screening Sheet to assist taxpayers with Form(s) 1099-A and/or 1099-C with cancellation of debt issues.

- Use Part I for taxpayers with only Form 1099-A for a foreclosure or abandonment of their principal residence.
- Use Part II for taxpayers with Form 1099-C, or both Forms 1099-A and 1099-C resulting from cancellation of debt on a home mortgage loan.
- Use Publication 4731, Screening Sheet for Nonbusiness Credit Card Debt Cancellation, for taxpayers with Form 1099-C resulting from cancellation of credit card debt.

## Part I – Home Mortgage Loan

<b>STEP 1</b>	Did the taxpayer receive Form 1099-A, Acquisition or Abandonment of Secured Property, from their home mortgage lender?	<b>YES</b> – Go to Step 2 <b>NO</b> – Advise the taxpayer to get the documentation from the home mortgage lender.
<b>STEP 2</b>	Did the taxpayer ever use the home in a trade or business or as rental property?	<b>YES</b> – Go to Step 6 <b>NO</b> – Go to Step 3
<b>STEP 3</b>	Is Box 5 of Form 1099-A checked indicating a recourse loan in which the taxpayer is personally liable?	<b>YES</b> – The sales price is the lesser of Box 2 (Balance of principal outstanding) or Box 4 (Fair market value of property) on Form 1099-A. <b>NO</b> – The sales price is the amount in Box 2 (Balance of principal outstanding) on Form 1099-A. The taxpayer is not personally liable (nonrecourse loan).
<b>STEP 4</b>	Ask the taxpayer for the cost or basis of the home. Refer to Publication 523, Selling your Home, for further information, if needed.	
<b>STEP 5</b>	Report the sale of the personal residence on Form 8949, Sales and Other Disposition of Capital Assets, and Schedule D, Capital Gains and Losses.. If the disposition of the property results in a: <b>Gain</b> – The taxpayer cannot claim a loss on the sale or disposition of a principal residence. Use adjustment Code L on Form 8949 to exclude this loss. <b>Loss</b> – The taxpayer cannot claim a loss on the sale or disposition of a principal residence. Use adjustment Code L on Form 8949 to exclude this loss. Refer to Publication 4012 (Legislative Extenders Tab), “Entering Forgiveness of Qualified Principal Residence Indebtedness” for further information.	
<b>STEP 6</b>	These tax issues are outside the scope of the volunteer program. <b>Refer the taxpayer to:</b> <ul style="list-style-type: none"><li>• IRS website for the most up-to-date information</li><li>• The Taxpayer Advocate Service (TAS): 1-877-777-4778,</li><li>• TTY/TDD 1-800-829-4059. TAS may help if the problem cannot be resolved through normal IRS channels.</li><li>• A professional tax preparer.</li></ul>	<b>Additional Resources:</b> <ul style="list-style-type: none"><li>• Publication 523, Selling your Home</li><li>• Publication 525, Taxable and Nontaxable Income</li><li>• Publication 4681, Canceled Debts, Foreclosures, Repossessions, and Abandonments</li></ul>

- Use Part I for taxpayers with only Form 1099-A for a foreclosure or abandonment of their principal residence.
- Use Part II for taxpayers with Form 1099-C, or both Forms 1099-A and 1099-C resulting from cancellation of debt on a home mortgage loan.
- Use Publication 4731 for taxpayers with Form 1099-C resulting from cancellation of credit card debt.

## Part II – Home Mortgage Loan

<b>STEP 1</b>	Did the taxpayer receive Form 1099-C, Cancellation of Debt, from their home mortgage lender and is the information shown on the form correct?  <b>Note:</b> Answer “yes” if the taxpayer has received a Form 1099-A and Form 1099-C.	<b>YES</b> – Go to Step 2 <b>NO</b> – Go to Step 6
<b>STEP 2</b>	Did the taxpayer ever use the home in a trade or business or as rental property?	<b>YES</b> – Go to Step 6 <b>NO</b> – Go to Step 3
<b>STEP 3</b>	Does Box 3 of Form 1099-C show any interest or does box 6 show code A indicating bankruptcy?  <b>Note:</b> If Box 6 is not marked with code A but the taxpayer has subsequently filed bankruptcy, answer “yes.”	<b>YES</b> – Go to Step 6 <b>NO</b> – Go to Step 4
<b>STEP 4</b>	Ask the following questions to determine if the discharged debt is “qualified principal residence indebtedness.”	
	a. Was the mortgage taken out to buy, build, or substantially improve the taxpayer’s principal residence? (Note: A principal residence is generally the home where the taxpayer lives most of the time. A taxpayer can have only one principal residence at any one time.)	<b>YES</b> – Go to Step 4b <b>NO</b> – Go to Step 6
	b. Was the mortgage secured by the taxpayer’s principal residence?	<b>YES</b> – Go to Step 4c <b>NO</b> – Go to Step 6
	c. Was any part of the mortgage used to pay off credit cards, purchase a car, pay for tuition, pay for a vacation, pay medical/dental expenses, or used for any other purpose other than to buy, build, or substantially improve the principal residence?	<b>YES</b> – Go to Step 6 <b>NO</b> – Go to Step 4d
	d. Was the mortgage amount more than \$2 million (\$1 million if Married Filing Separately)?	<b>YES</b> – Go to Step 6 <b>NO</b> – Go to Step 5
<b>STEP 5</b>	The discharged debt is “qualified principal residence indebtedness.”  The volunteer should complete the applicable lines on Form 982, and file it with the taxpayer’s return. If the residence was disposed of, the taxpayer also may be required to report the disposition (sale) on Form 8949 and Schedule D.	
<b>STEP 6</b>	These tax issues are outside the scope of the volunteer program. The taxpayer may qualify to exclude all or some of the discharged debt. However, the rules involved in the mortgage debt relief exclusions are complex.  <b>Refer the taxpayer to:</b> <ul style="list-style-type: none"> <li>• IRS website for the most up-to-date information</li> <li>• The Taxpayer Advocate Service (TAS): 1-877-777-4778,</li> <li>• TTY/TDD 1-800-829-4059. TAS may help if the problem cannot be resolved through normal IRS channels.</li> <li>• A professional tax preparer.</li> </ul>	<b>Additional Resources:</b> <ul style="list-style-type: none"> <li>• Publication 523, Selling your Home</li> <li>• Publication 525, Taxable and Nontaxable Income</li> <li>• Publication 4681, Canceled Debts, Foreclosures, Repossessions, and Abandonments</li> </ul>



## Screening Sheet for Nonbusiness Credit Card Debt Cancellation

If the taxpayer is in bankruptcy, the tax return is out of scope for the VITA/TCE Programs.

**Instructions:** Use this Screening Sheet for taxpayers with Form 1099-C or other documentation resulting from cancellation of nonbusiness credit card debt and to assist in identifying taxpayers with cancellation of credit card debt issues.

### Credit Card Debt

<b>STEP 1</b>	Did the taxpayer receive Form 1099-C, Cancellation of Debt, or other documentation (if less than \$600) from a creditor and is the information shown on the form or document correct?  <b>Note:</b> The creditor is not required to issue a Form 1099-C if the canceled debt is under \$600. However, the taxpayer may be required to report the canceled debt as income regardless of the amount.	<b>YES</b> – Go to Step 2 <b>NO</b> – Go to Step 6
<b>STEP 2</b>	Was the credit card debt related to a business?	<b>YES</b> – Go to Step 6 <b>NO</b> – Go to Step 3
<b>STEP 3</b>	Does box 6 of the Form 1099-C indicate Code A for bankruptcy?  <b>Note:</b> Note: If box 6 is not marked with a Code A, but the taxpayer has subsequently filed bankruptcy, answer “yes.”	<b>YES</b> – Go to Step 6 <b>NO</b> – Go to Step 4
<b>STEP 4</b>	Was the taxpayer insolvent* immediately before the cancellation of debt?  Use the Insolvency Determination Worksheet in Publication 4012 and interview the taxpayer to determine if the taxpayer was insolvent immediately before the cancellation of debt.	<b>YES</b> – Go to Step 6 <b>NO</b> – Go to Step 5
<b>STEP 5</b>	The cancellation of nonbusiness indebtedness or cancellation of debt (the amount in box 2 of Form 1099-C or an amount less than \$600 provided in other documentation) must be reported as ordinary income on Form 1040, line 21 (Other Income). No additional supporting forms or schedules are required for reporting income from canceled credit card debt.	
<b>STEP 6</b>	This tax issue is outside the scope of the volunteer programs. The taxpayer may qualify to exclude all or some of the discharged debt. However, the rules involved are complex.  <b>Refer the taxpayer to:</b> <ul style="list-style-type: none"><li>• <a href="http://www.irs.gov">www.irs.gov</a> for the most up-to-date information.</li><li>• The Taxpayer Advocate Service (TAS): 1-877-777-4778, TTY/TDD 1-800-829-4059. TAS may help if the problem cannot be resolved through normal IRS channels.</li><li>• A professional tax preparer.</li><li>• Publication 4681, Canceled Debts, Foreclosures, Repossessions, and Abandonments (For Individuals)</li></ul>	

\*If the taxpayer is not in bankruptcy or unable to determine if they are insolvent the credit card debt forgiveness is presumed fully taxable.