

WELCOME TO AccountingAidSociety

Basic
Volunteer Training

December 18, 2021
9 a.m. to 3 p.m.

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

Instructors: Chelsea Vitale, Austin O'Neill, Sam Spolarich

Basic Volunteer Training

Welcome and Introductions

Volunteer Standards of Conduct

Intake / Interview

Basic Tax Law Training

Basic Certification Test Walkthrough

Michigan / Detroit / Locality Tax Law

Questions

Accounting AidSociety SINCE **1972**

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

Volunteer Standard of
Conduct

Why do we have Ethics Training?

The mission of the VITA/TCE return preparation programs is to assist eligible taxpayers in satisfying their tax responsibilities by providing free tax return preparation.

To establish the greatest degree of public trust, volunteers are required to maintain the highest standards of ethical conduct and provide quality service.

The integrity of the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs depends on maintaining public trust.

All taxpayers using VITA/TCE services should be confident they are receiving accurate return preparation and quality service.

Volunteer Standards of Conduct (VSC)

Annually all VITA/TCE volunteers (whether paid or unpaid) must pass the Volunteer Standards of Conduct (VSC) certification test and agree that they will adhere to the VSC by signing and dating Form 13615, Volunteer Standards of Conduct Agreement, prior to volunteering at a VITA/TCE site

Failure to comply with these standards could result in, but is not limited to, the following:

- Your removal from all VITA/TCE Programs;
- Inclusion in the IRS Volunteer Registry to bar future VITA/TCE activity indefinitely;
- Deactivation of your sponsoring partner's site VITA/TCE EFIN (electronic filing ID number);
- Removal of all IRS products, supplies, loaned equipment, and taxpayer information from your site;
- Termination of your sponsoring organizations partnership with the IRS;
- Termination of grant funds from the IRS to your sponsoring partner; and
- Referral of your conduct for potential TIGTA and criminal investigations

A teal-tinted background image showing a group of people, likely volunteers, engaged in a collaborative activity. The image is slightly blurred and has a monochromatic teal color scheme. The text "Volunteer Standards of Conduct" is centered over this image.

Volunteer Standards of Conduct

Volunteer Standards of Conduct (VSC)

All participants in the VITA/TCE Programs must adhere to these Volunteer Standards of Conduct:

1. Follow the ten Quality Site Requirements (QSR).
2. Do not accept payment, solicit donations, or accept refund payments for federal or state tax return preparation.
3. Do not solicit business from taxpayers you assist or use the knowledge gained about them (their information) for any direct or indirect personal benefit for yourself or any other specific individual.
4. Do not knowingly prepare false returns.
5. Do not engage in criminal, infamous, dishonest, notoriously disgraceful conduct, or any other conduct deemed to have a negative effect on the VITA/TCE Programs.
6. Treat all taxpayers in a professional, courteous, and respectful manner.

Volunteer Standards of Conduct #1

The purpose of the Quality Site Requirements (QSR) is to ensure the quality and accuracy of tax return preparation and consistent operation of sites.

1. Certification
2. Intake/Interview & Quality Review Process
3. Confirming Photo Identification and Taxpayer Identification Numbers
4. Reference Materials
5. Volunteer Agreement
6. Timely Filing of Tax Returns
7. Civil Rights
8. Correct Site Identification Number (SIDN)
9. Correct Electronic Filing Identification Number (EFIN)
10. Security

QSR 1: Certification Annually

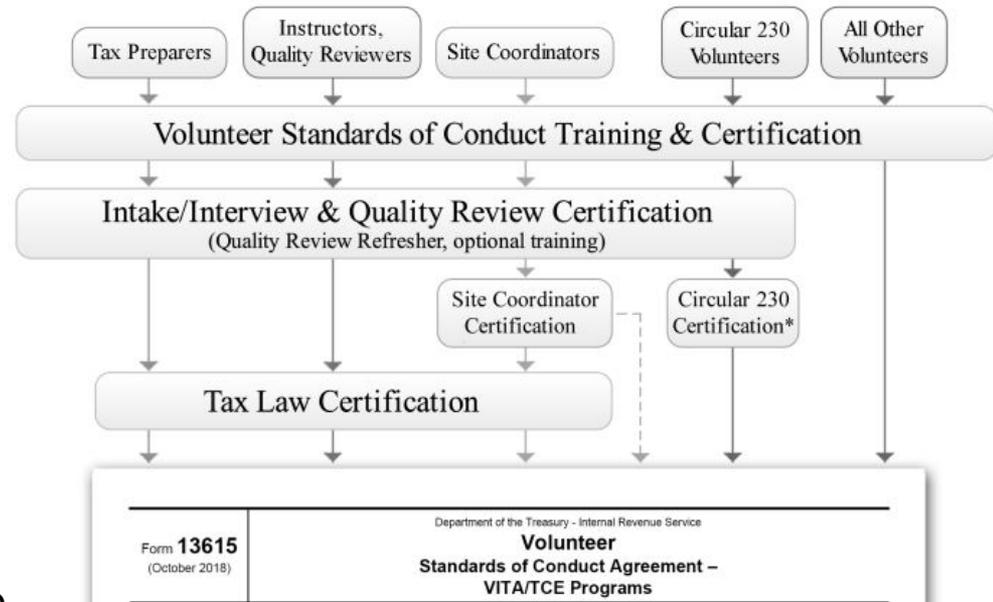
1. Everyone must complete VSC Training

2. Volunteers who:

- answer tax law questions
- instruct tax law classes,
- prepare or correct tax returns,
- or conduct quality reviews of completed tax return

must be certified in tax law (basic or advanced) and Intake/Interview & Quality Review Process.

3. All coordinators and alternate coordinators are strongly encouraged to complete the Site Coordinator Training prior to the site opening.



QSR 3 and QSR 4

QSR 3: Confirming Photo ID and Taxpayer Identification Numbers

Site coordinators are required to have a process in place to confirm taxpayer identities. This process must include using acceptable documents to confirm taxpayer identities by reviewing:

- Photo identification for primary and secondary taxpayers; and
- Social Security Numbers (SSN) or Individual Taxpayer Identification Numbers (ITIN) for everyone listed on the tax return.

QSR 4: Reference Material

All sites must have at least one copy (paper or electronic) of the following reference materials available for use by the IRS tax law-certified preparers and quality reviewers:

- Publication 4012, Volunteer Resource Guide
- Publication 17, Your Federal Income Tax for Individuals
- Publication 4299, Privacy, Confidentiality, and Civil Rights – A Public Trust
- Volunteer Tax Alerts and Quality Site Requirement Alerts

QSR 5: Volunteer Agreement

All volunteers (coordinators, certified volunteer preparers, quality reviewers, greeters, screeners, client facilitators, etc.) are required to complete the Volunteer Standards of Conduct (VSC) certification, annually.

Form 13615 (October 2021)		Department of the Treasury - Internal Revenue Service	
Volunteer Standards of Conduct Agreement – VITA/TCE Programs			
The mission of the VITA/TCE return preparation programs is to assist eligible taxpayers in satisfying their tax responsibilities by providing free tax return preparation. To establish the greatest degree of public trust, volunteers are required to maintain the highest standards of ethical conduct and provide quality service.			
Use of Form 13615: This form provides information on a volunteer's certification. All VITA/TCE volunteers (whether paid or unpaid workers) must pass the Volunteer Standards of Conduct certification, and sign and date Form 13615. Volunteer Standards of Conduct Agreement, prior to working at a VITA/TCE site. In addition, return preparers, quality reviewers, site coordinators, and VITA/TCE tax law instructors must certify in the Intake/Interview & Quality Review and tax law prior to signing this form. This form is not valid until the site coordinator, sponsoring partner, instructor, or IRS contact confirms the volunteer's identity, with a government-issued photo ID, and signs and dates the form.			
Standards of Conduct: As a volunteer in the VITA/TCE Programs, you must:			
VSC #1 - Follow the Quality Site Requirements (QSR).	VSC #4 - Not knowingly prepare false returns.	VSC #2 - Not accept payment, solicit donations, or accept refund payments for federal or state tax return preparation from customers.	VSC #5 - Not engage in criminal, infamous, dishonest, notoriously disgraceful conduct, or any other conduct deemed to have a negative effect on the VITA/TCE Programs.
VSC #3 - Not solicit business from taxpayers you assist or use the information you gained about them for any direct or indirect personal benefit for you or any other specific individual.	VSC #6 - Treat all taxpayers in a professional, courteous, and respectful manner.		
Failure to comply with these standards could result in, but is not limited to, the following: <ul style="list-style-type: none"> Your removal from all VITA/TCE Programs; Inclusion in the IRS Volunteer Registry to bar future VITA/TCE activity indefinitely; Deactivation of your sponsoring partner's site VITA/TCE EFIN (electronic filing ID number); Removal of all IRS products, supplies, loaned equipment, and taxpayer information from your site; Termination of your sponsoring organization's partnership with the IRS; Termination of grant funds from the IRS to your sponsoring partner; and Referral of your conduct for potential TIGTA and criminal investigations. 			
Taxpayer Impact: Taxpayer trust in the IRS and the local sponsoring partner organization is jeopardized when ethical standards are not followed. Fraudulent returns that report incorrect income, credits, or deductions can result in many years of interaction with the IRS as the taxpayer tries to pay the additional tax plus interest and penalties. This can result in an extreme burden for the taxpayer as the taxpayer tries to resolve the errors made on his or her return.			
Volunteer Protection: The Volunteer Protection Act generally protects unpaid volunteers from liability for acts or omissions that occur while acting within the scope of their responsibilities at the time of the act or omission. It provides no protection for harm caused by willful or criminal misconduct, gross negligence, reckless misconduct, or a conscious, flagrant indifference to the rights or safety of the individual harmed by the volunteer.			
For additional information on the volunteer standards of conduct, please refer to Publication 4961, Volunteer Standards of Conduct - Ethics Training.			

Volunteer: By signing this form, I declare that I have completed Volunteer Standards of Conduct certification and have read, understand, and will comply with the standards of conduct. I also certify that I am a U.S. citizen, a legal resident, or otherwise reside in the U.S. legally.											
Full name (please print)						Volunteer position(s)					
Home address (street, city, state and ZIP code) <input type="checkbox"/> IRS Employee											
Email address			Daytime telephone			Sponsoring partner name/site name					
Number of years volunteered (including this year)						Signature (electronic)		OR		Signature (type/print)	Date
<input type="checkbox"/> Site Coordinator Training completed in Link & Learn Taxes. (Note: There are other options acceptable for Site Coordinator Training)											
Volunteer Certification Levels (Add the letter "P" for all passing test scores)											
Standards of Conduct (Required for ALL)	Intake/Interview & Quality Review	Site Coordinator Test	Basic	Advanced	Military	International	Puerto Rico	1	2	Foreign Students	
Optional Tests											
Federal Tax Law Update Test Only for Circular 230 Professionals (C230)						Qualified Experienced Volunteer (QEV) Test					
Federal Tax Law Update Test for Circular 230 Professionals: Only volunteers in good standing as an attorney, CPA, or Enrolled Agent can take this certification. The license information below must be completed by the volunteer and verified by the partner or site coordinator. Refer to Publication 1084, Site Coordinator Handbook, for additional requirements and instructions.											
Qualified Experienced Volunteer Test: Only for returning volunteers approved by their sponsoring organization. Refer to Publication 1084, Site Coordinator Handbook.											
Note: Advanced certification is necessary to qualify for Continuing Education (CE) Credits. Neither the C230 test nor the QEV test qualify the volunteer to receive CE Credits. Refer to Publication 5300, Fact Sheet - Continuing Education Credits, for additional requirements for CE Credits.											
Professional designation (Attorney, CPA, or Enrolled Agent)			Licensing jurisdiction (state)		Bar, license, registration, or enrollment number		Effective or issue date		Expiration date (if provided)		
Site Coordinator, Sponsoring Partner, Instructor or IRS Contact: By signing this form, I declare that I have verified the required certification level(s) and government-issued photo ID for this volunteer prior to allowing the volunteer to work at the VITA/TCE site.											
Approving Official's name and title (printed) (site coordinator, sponsoring partner, instructor or IRS contact)						Signature (electronic)		Signature (type/print)		Date	
OR											
Parent/Guardian: By signing this form, I declare that I give permission for my child to volunteer in the VITA/TCE Program.						Signature (electronic)		Signature (type/print)		Date	
OR											
Parent/Guardian name (printed)						Signature (electronic)		Signature (type/print)		Date	

QSR 6 Through 8

QSR 6: Timely Filing

sites must have a process in place to ensure every return is electronically filed or delivered to the taxpayer for paper filing their own return in a timely manner.

QSR 7: Civil Rights

Title VI of the Civil Rights Act of 1964 information must be displayed or provided to taxpayers at the first point of contact between the IRS tax-law certified volunteer and the taxpayer even if a return is not completed.

QSR 8: Site Identification Number

It is critical that the correct Site Identification Number (SIDN) is reported on all returns prepared by VITA/TCE sites. This will be a number shown in each tax return.



Your Civil Rights are PROTECTED

Under no circumstances will the Internal Revenue Service tolerate discriminatory treatment of taxpayers by its employees, or individuals who volunteer or work at Low-Income Tax Clinics (LITC), Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) sites. No taxpayer shall be subject to discrimination based on sex in educational programs or activities, or race, color, national origin, reprisal, disability or age in programs or activities supported by the Department of the Treasury - Internal Revenue Service.

Taxpayers with a disability may require a reasonable accommodation in order to participate or receive the benefits of a program or activity supported by the Department of the Treasury - Internal Revenue Service. Our employees, and LITC, VITA, and TCE Site Coordinators and Managers, are responsible for ensuring that requests for reasonable accommodation are granted when the request is made by a qualified individual with a disability.

If a qualified individual with a disability does not receive a reasonable accommodation upon request, or if an individual believes that he or she has been discriminated on the basis of sex, race, color, national origin, disability, reprisal or age, he or she may file a written complaint with an employee, a Site Coordinator or Manager, or the Department of the Treasury - Internal Revenue Service. All written complaints should be sent to:

Operations Director, Civil Rights Division
Internal Revenue Service
1111 Constitution Avenue, NW
Room 2413
Washington, DC 20224

For all inquiries concerning taxpayer civil rights, contact us at the address referenced above, or e-mail us at web.external.civilrights@irs.gov

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QSR 9 and 10

QSR#9, Electronic Filing Identification Number

The correct Electronic Filing Identification Number (EFIN) is required to be used on every tax return prepared.

QSR#10, Security

All security, privacy, and confidentiality guidelines as outlined in Publication 4299, *Privacy, Confidentiality, and Civil Rights – A Public Trust*, are required to be followed. Publication 4299 serves as the resource document for providing guidance on securing Personally Identifiable Information (PII) shared by taxpayers, volunteers, and partners as well as guidance on protecting the privacy of taxpayers', volunteers', and partners' PII.

A copy (paper or electronic) of this publication must be available at every site and used when referring to security, privacy, confidentiality, and civil rights .

VSC 2

Do not accept payment, solicit donations, or accept refund payments for federal or state tax return preparation from customers.

- “Free” means we do not accept compensation for our services from the clients we serve.
- Donation or tip jars are a violation of this standard.
- Taxpayers can make cash donations to the sponsoring organization, but not in the tax preparation area. Refer taxpayers who are interested in making cash donations to the appropriate website or to the site coordinator for more information.
- Taxpayers’ federal or state refunds must not be deposited into VITA/TCE volunteers’ or any associated partners’ personal or business bank/debit card accounts.

VSC 3

Do not solicit business from taxpayers you assist or use the knowledge gained about them (their information) for any direct or indirect personal benefit for yourself or any other specific individual.

- You must properly use and safeguard taxpayers' personal information. Furthermore, do not use confidential or nonpublic information to engage in financial transactions.
- Do not allow its improper use to further your own or another person's private interests

VSC 4

Do not knowingly prepare false returns.

- It is imperative that volunteers correctly apply tax law to the taxpayer's situation.
- While a volunteer may be tempted to bend the law to help taxpayers, this will cause problems later for the taxpayer.. Fraudulent returns can result in many years of taxpayer interaction with the IRS. The taxpayer may be required to pay additional tax, plus interest and penalties, resulting in an extreme burden.
- Trust in the IRS and the local sponsoring organization is jeopardized when ethical standards are not followed

IRS-SPEC defines unethical as not conforming to agreed standards of moral conduct, especially within a particular professions.

- In most cases, unethical behavior is acted upon with the intent to disregard the establishes laws, procedures, or set policies.

VSC 5

Do not engage in criminal, infamous, dishonest, notoriously disgraceful conduct, or any other conduct deemed to have a negative effect on the VITA/TCE programs.

- Volunteers may be prohibited from participating in VITA/TCE programs if they engage (past and current) in criminal, infamous, dishonest, or notoriously disgraceful conduct, or any other conduct prejudicial to the government.
- Take care to avoid interactions that discredit the program. In addition, a taxpayer may look to state or local law to seek money from the SPEC Partner for a volunteer's fraudulent actions.

VSC 6

Treat all taxpayers in a professional, courteous, and respectful manner.

- To protect the public interest, the IRS and its employees, partners, and volunteers must maintain the confidence and esteem of the people we serve.
- All volunteers are expected to conduct themselves professionally in a courteous, businesslike, and diplomatic manner.
- Taxpayers are often under a lot of stress and may wait extended periods for assistance. Volunteers may also experience stress due to the volume of taxpayers needing service. This situation can make patience run short. It is important to remain calm and create a peaceful and friendly atmosphere.

A teal-tinted background image showing a group of people in a meeting or office setting. The image is slightly blurred and has a monochromatic teal color scheme. The people appear to be engaged in a discussion or looking at something together.

Due Diligence

Due Diligence

IRS-SPEC defines due diligence as the degree of care and caution reasonably expected from, and ordinarily exercised by, a volunteer in the VITA/TCE programs.

- By law, tax return preparers are required to exercise due diligence in preparing or assisting in the preparation of tax returns.
- Part of due diligence requires volunteers to ask a taxpayer to clarify information that may appear to be inconsistent or incomplete. When reviewing information for its accuracy, volunteers need to ask themselves if the information is unusual or questionable.
- If at any time a volunteer becomes uncomfortable with the information and/or documentation provided by a taxpayer, the volunteer should not prepare the tax return.

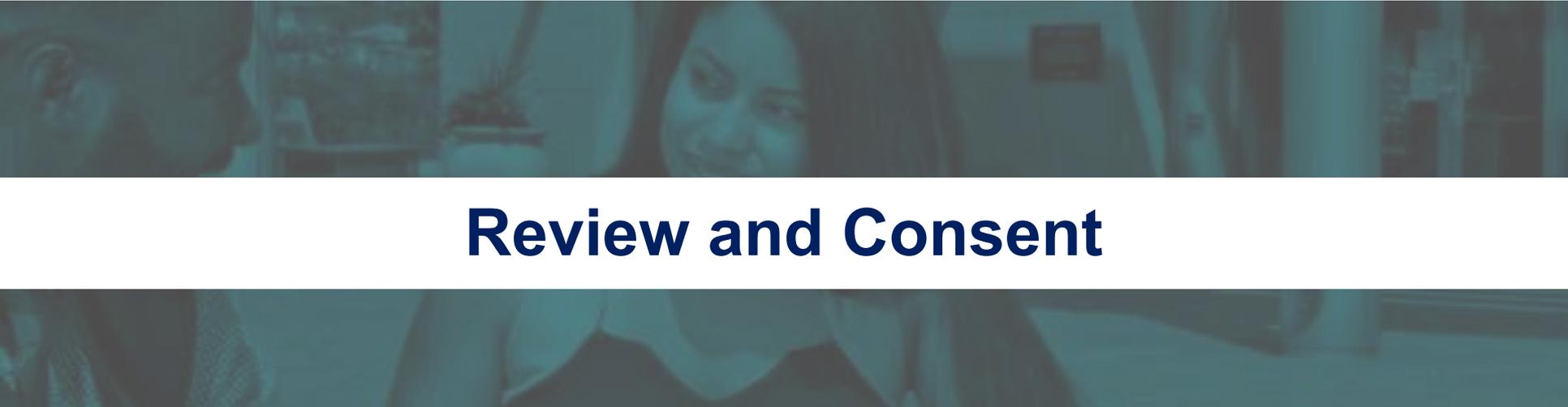
A teal-tinted background image showing a group of people, likely volunteers, working together in an office or community setting. The image is slightly blurred and has a consistent teal color overlay.

Volunteer Protection Act

Volunteer Protection Act

The purpose of the VPA is to promote the interests of social service program beneficiaries and taxpayers and to sustain the availability of programs that depend on volunteer contributions. It does this by providing certain protections from liability, so long as the volunteer is:

- acting within the scope of the program and;
- harm was not caused by willful or criminal misconduct, gross negligence, reckless misconduct, conscious, flagrant indifference to the rights or safety of the individual harmed by the volunteer.



Review and Consent

Review and Consent

- Taxpayer review and acknowledgement **after** the return is completed, an IRS tax law-certified volunteer must briefly discuss the filing status, exemptions, income, adjusted gross income, credits, taxes, payments, and the refund or balance due with the taxpayer. If the taxpayer has any questions, concerns, or requires additional clarification about the return, the volunteer must assist the taxpayer.
- Volunteers must remind taxpayers that when they sign the return (either by signing Form 1040, U.S. Individual Income Tax Return or signing Form 8879, IRS e-file Signature Authorization), they are stating under penalty of perjury that the return is accurate to the best of their knowledge.

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Volunteer Standards of
Conduct Test

Volunteer Standards of Conduct

Question 1 (page 14)

Prior to working at a VITA/TCE site, **ALL** VITA/TCE volunteers (greeters, client facilitators, tax preparers, quality reviewers, etc.) must:

- a. Annually pass the Volunteer Standards of Conduct (VSC) certification test with a score of 80% or higher.
- b. Sign and date the Form 13615, Volunteer Standards of Conduct Agreement, agreeing to comply with the VSC by upholding the highest ethical standards.
- c. Pass the Advanced tax law certification.
- d. All of the above.
- e. A and B

Volunteer Standards of Conduct

Question 2 (page 14)

Can a volunteer be removed and barred from the VITA/TCE Programs for violating the Volunteer Standards of Conduct?

- a. Yes
- b. No

Volunteer Standards of Conduct

Question 3 (page 15)

If a taxpayer offers you a \$20 bill because they were so happy about the quality service they received, what would be the appropriate action to take?

- a. Take the \$20 and thank the taxpayer for the tip.
- b. Tell the taxpayer it would be better to have the \$20 deposited directly into your bank account from his refund.
- c. Thank the taxpayer, and explain that you cannot accept any payment for your services.
- d. Refer the taxpayer to the tip jar located on the quality review and print station.

Volunteer Standards of Conduct

Question 4 (page 15)

Jake is an IRS tax law-certified volunteer preparer at a VITA/TCE site. When preparing a return for Jill, Jake learns that Jill does not have a bank account to receive a direct deposit of her refund. Jill is distraught when Jake tells her the paper refund check will take three or four weeks longer than the refund being direct deposited. Jill asks Jake if he can deposit her refund in his bank account and then turn the money over to her when he gets it. What should Jake do?

- a. Jake can offer to use his account to receive the direct deposit, and turn the money over to Jill once the refund is deposited.
- b. Jake should explain that a taxpayer's federal or state refund **cannot** be deposited into a VITA/TCE volunteer's bank account and she will have to open an account in her own name to have the refund direct deposited.
- c. Jake can suggest she borrow a bank account number from a friend because the taxpayer's name does **not** need to be on the bank account.

Volunteer Standards of Conduct

Question 5 (page 15)

Max prepares a tax return for Ali at a VITA/TCE site. He finds out during the interview that Ali has no health insurance. After Ali leaves the site, Max writes her name and contact information down to take home to his wife who sells health insurance for profit. Which of the following statements is true?

- a. There is no violation to the Volunteer Standards of Conduct (VSC) unless Max's wife makes a big commission on the sale of health insurance to Ali.
- b. Max has violated the VSC because he is using confidential information to engage in a financial transaction to further his own or another's personal interest.
- c. Max is doing Ali a favor by using her personal information to secure business for his wife.
- d. Information a taxpayer provides at a VITA/TCE site can be used for the volunteer's personal gain.

Volunteer Standards of Conduct

Question 6 (page 16)

Bob, an IRS tax law-certified volunteer preparer, told the taxpayer that cash income does not need to be reported because the IRS does not know about it. Bob indicated NO cash income on Form 13614-C. Bob prepared a tax return excluding the cash income. Jim, the designated quality reviewer, was unaware of the conversation and therefore unaware of the cash income and the return was printed, signed, and e-filed. Who has violated the Volunteer Standards of Conduct?

- a. Bob, the tax law-certified volunteer who prepared the return.
- b. Jim, the designated quality reviewer who was unaware of the cash income when he reviewed the return.
- c. Betty, the site coordinator.
- d. No one has violated the Volunteer Standards of Conduct.

Volunteer Standards of Conduct

Question 7 (page 15)

Sue, a VITA/TCE site coordinator, was watching the local news when she saw Aaron, a new tax law-certified volunteer, in a story about several bank employees being arrested for suspicion of embezzlement. She saw Aaron being led out of the bank in handcuffs. Three days later, Sue is shocked when she sees Aaron show up at the site ready to volunteer, apparently out on bond. She pulls Aaron aside and explains that his arrest on suspicion of embezzlement could have a negative effect on the site and therefore she must ask him to leave the site. Sue uses the external referral process to report the details to IRS-SPEC by sending an email to WI.Voltax@irs.gov. Did Sue take appropriate actions as the site coordinator?

- a. Yes
- b. No

Volunteer Standards of Conduct

Question 8 (page 15)

Heidi, a VSC-certified volunteer, is working at the intake station. As part of her duties, she is required to explain to the taxpayer what they are expected to do today as part of the return preparation process. What should Heidi tell them?

- a. Form 13614-C, Intake/Interview & Quality Review Sheet, must be completed prior to having the return prepared.
- b. You will be interviewed by the return preparer and asked additional questions as needed.
- c. You need to participate in a quality review of your tax return by someone other than the return preparer.
- d. All of the above.

Volunteer Standards of Conduct

Question 9 (page 16)

During the intake process, the volunteer should verify the taxpayer (and spouse, if applicable) have photo identification. Additionally, taxpayers must provide verification of taxpayer identification number (SSN or ITIN) for everyone who will be on the tax return.

- a. True
- b. False

Volunteer Standards of Conduct

Question 10 (page 17)

Mary, a VSC-certified greeter, reviews the taxpayer's completed Form 13614-C, page 2, to identify what potential volunteer certification level is needed for this tax return. Mary sees the taxpayer has checked the "yes" box indicating he has self employment income and the certification level next to the question is (A). All other questions answered "yes" have a (B) certification. When Mary assigns the return to a tax preparer, what tax law certification level should the tax preparer have?

- a. Advanced
- b. Basic
- c. It doesn't matter, any level is fine
- d. No tax law certification is necessary

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Intake/Interview Process

The Intake Process: Completing Form 13614-C

- Form 13614-C, Intake/Interview & Quality Review Sheet, is a tool designed to help ensure taxpayers are given the opportunity to provide all needed information before their tax return is prepared. When used properly, this form effectively contributes to accurate tax return preparation.
- Some sites prefer that volunteer tax preparers complete the intake form with the taxpayer while conducting an interview.
- At all sites, volunteers will complete the form with the taxpayer if assistance is required. No matter what method used, all questions on Form 13614-C must be answered.
- All taxpayers at Virtual VITA sites also need to complete Form 14446 Virtual VITA/TCE Taxpayer Consent to give consent for the site to prepare the return using the method(s) outlined in the form. Both spouses need to sign this form if married filing jointly.

The Intake Process: Return and Volunteer Certification Levels

- The site must have a process to ensure the return is within scope of the VITA/TCE program and to identify the certification level needed for the tax return. The site must also have a process to ensure volunteers have the certification needed for the returns they prepare.
- Form 13614-C includes certification levels as shown:
 - (B) for Basic
 - (A) for Advanced
 - (M) for Military

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1. (B) Wages or Salary? (Form W-2) If yes, how many jobs did you have last year? _____
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2. (A) Tip Income?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3. (B) Scholarships? (Forms W-2, 1098-T)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	4. (B) Interest/Dividends from: checking/savings accounts, bonds, CDs, brokerage? (Forms 1099-INT, 1099-DIV)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5. (B) Payment of state/local income taxes? (Form 1099-G)

The Interview Process

- Do not begin entering taxpayer information into the software until you have completed a thorough interview with the taxpayer because you may find during the interview process:
 - The tax return is above your certification level
 - The tax return is outside the scope of the VITA/TCE program
 - The taxpayer does not have all needed information or documentation
- Discovering these things before starting a return will save your time, the taxpayer's time, and will avoid frustration.
- Be alert for conflicting information. Sometimes an entry on one part will raise a question on another part of Form 13614-C.
- A critical part of the interview process is to make sure all the questions on page 2 of Form 13614-C are complete. The taxpayer may have left a question unanswered or marked the question "Unsure" because they did not understand it.

The Intake Process: Verifying Identity

- The interview should begin by requiring a photo ID to verify the identity of the taxpayer and spouse on the tax return.
- Make sure to put the current mailing address on the form.
- Spelling of the name should go by the name on the social security card.

THE INTERVIEW PROCESS: FORM 13614-C PART I - YOUR PERSONAL INFORMATION

Verify that the information in Part I is correct and complete. Ensure that the names match the social security documents.

Form 13614-C (October 2020)		Department of the Treasury • Internal Revenue Service Intake/Interview & Quality Review Sheet		OMB Number 1545-1004	
You will need:				Please complete pages 1-4 of this form.	
• Tax information such as Forms W-2, 1099, 1098, 1095.				• You are responsible for the information on your return. Please provide complete and accurate information.	
• Social security cards or ITIN letters for all persons on your tax return.				• If you have questions, please ask the IRS-certified volunteer preparer.	
• Picture ID (such as valid driver's license) for you and your spouse.					
Volunteers are trained to provide high quality service and uphold the highest ethical standards. To report unethical behavior to the IRS, email us at voltax@irs.gov .					
Part I - Your Personal Information (If you are filing a joint return, enter your names in the same order as last year's return)					
Your first name	M.I.	Last name	Daytime telephone number	Are you a U.S. citizen? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Your spouse's first name	M.I.	Last name	Daytime telephone number	Is your spouse a U.S. citizen? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Mailing address			Apt #	City	State ZIP code
Your Date of Birth	5. Your job title		6. Last year, were you:		a. Full-time student <input type="checkbox"/> Yes <input type="checkbox"/> No
			b. Totally and permanently disabled <input type="checkbox"/> Yes <input type="checkbox"/> No		c. Legally blind <input type="checkbox"/> Yes <input type="checkbox"/> No
Your spouse's Date of Birth	8. Your spouse's job title		9. Last year, was your spouse:		a. Full-time student <input type="checkbox"/> Yes <input type="checkbox"/> No
			b. Totally and permanently disabled <input type="checkbox"/> Yes <input type="checkbox"/> No		c. Legally blind <input type="checkbox"/> Yes <input type="checkbox"/> No
J. Can anyone claim you or your spouse as a dependent? <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Unsure					

Note: If the taxpayer indicates that they are not a U.S. citizen, use the flow chart in Publication 4012 to verify that you are certified to prepare their return.

The Interview Process: Part I Personal Information

- Information in Part I impacts many tax law determinations.
- For example, when a taxpayer is a “full-time student” it may impact multiple tax law issues such as:
 - Child and Dependent Care Credit
 - Retirement Savings Contributions Credit
 - Various Education Credits
 - Whether the taxpayer can be claimed as a dependent
- The fact that the taxpayer is “totally and permanently disabled” or “legally blind” may affect multiple tax law issues such as:
 - Personal exemption
 - Pension taxability
 - Whether the taxpayer can be claimed as a dependent

Your Date of Birth	5. Your job title	6. Last year, were you: b. Totally and permanently disabled <input type="checkbox"/> Yes <input type="checkbox"/> No	a. Full-time student <input type="checkbox"/> Yes <input type="checkbox"/> No c. Legally blind <input type="checkbox"/> Yes <input type="checkbox"/> No
Your spouse's Date of Birth	8. Your spouse's job title	9. Last year, was your spouse: b. Totally and permanently disabled <input type="checkbox"/> Yes <input type="checkbox"/> No	a. Full-time student <input type="checkbox"/> Yes <input type="checkbox"/> No c. Legally blind <input type="checkbox"/> Yes <input type="checkbox"/> No

The Interview Process: Part III Income

- Each income item includes the type of forms used to report the income (in parenthesis). As you discuss each of the questions, ensure that the answers agree with the documents provided by the taxpayer. You should change the original answer on Form 13614-C with any updated information as needed.
- It is necessary to ask clarifying questions, even if all the questions on Form 13614-C have been answered.
 - For example, if the taxpayer checks “Yes” to the question “Distribution from Pensions, Annuities and/or IRA?”.
 - If they have already given you a Form 1099-R from an IRA distribution. You should then ask, “Is this your only distribution?”

<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	10. (B) Disability income? (such as payments from insurance, or workers compensation) (Forms 1099-R, W-2)
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11. (A) Distribution from Pensions, Annuities, and/or IRA? (Form 1099-R)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	12. (B) Unemployment compensation? (Form 1099-G)
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	13. (B) Social Security or Railroad Retirement Benefits? (Forms SSA-1099, RRB-1099)

The Interview Process: Part IV Expenses

- The fact that a taxpayer had an expense is not the only consideration for a tax deduction or credit.
 - You will need to use your reference materials to determine eligibility for deductions and credits and take into consideration the most advantageous position for the taxpayer.
- Questions in this section help alert you to expenses paid by the taxpayer that may affect their return.

			Part IV - Expenses - Last Year, Did You (or Your Spouse) Pay
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1. (B) Alimony or separate maintenance payments? If yes, do you have the recipient's SSN? <input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2. Contributions to a retirement account? <input type="checkbox"/> IRA (A) <input type="checkbox"/> 401K (B) <input type="checkbox"/> Roth IRA (B) <input type="checkbox"/> Other
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3. (B) College or post secondary educational expenses for yourself, spouse or dependents? (Form 1098-T)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	4. (A) Any of the following? <input type="checkbox"/> Medical & Dental (including insurance premiums) <input type="checkbox"/> Mortgage Interest (Form 1098) <input type="checkbox"/> Taxes (State, Real Estate, Personal Property, Sales) <input type="checkbox"/> Charitable Contributions
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5. (B) Child or dependent care expenses such as daycare?

The Interview Process: Part V Life Events

- The Life Events section asks numerous questions that relate to the calculation of tax and the processing of the return.

es	NO	UNSURE	Part V - Life Events - Last Year, Did You (or Your Spouse)?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1. (A) Have a Health Savings Account? (Forms 5498-SA, 1099-SA, W-2 with code W in box 12)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2. (A) Have credit card or mortgage debt cancelled/forgiven by a lender or have a home foreclosure? (Forms 1099-C, 1099-A)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3. (A) Adopt a child?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	4. (B) Have Earned Income Credit, Child Tax Credit or American Opportunity Credit disallowed in a prior year? If yes, for which tax year
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5. (A) Purchase and install energy-efficient home items? (such as windows, furnace, insulation, etc.)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6. (A) Receive the First Time Homebuyers Credit in 2008?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7. (B) Make estimated tax payments or apply last year's refund to this year's tax? If so how much? _____
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8. (A) File a federal return last year containing a "capital loss carryover" on Form 1040 Schedule D?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9. (A) Have health coverage through the Marketplace (Exchange)? (Provide Form 1095-A)

Interview Process: Additional Information

- The taxpayer will indicate how they want to receive their refund as well as other information which may be needed to complete the return.
 - Demographic information in this section may be collected and entered in the tax software.
 - Ask your coordinator about how to record the demographic information.

Additional Information and Questions Related to the Preparation of Your Return

1. Would you like to receive written communications from the IRS in a language other than English? Yes No If yes, which language? _____
2. Presidential Election Campaign Fund *(If you check a box, your tax or refund will not change)*
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund You Spouse
3. If you are due a refund, would you like:
a. Direct deposit Yes No b. To purchase U.S. Savings Bonds Yes No c. To split your refund between different accounts Yes No
4. If you have a balance due, would you like to make a payment directly from your bank account? Yes No
5. Did you live in an area that was declared a Federal disaster area? Yes No If yes, where? _____
6. Did you, or your spouse if filing jointly, receive a letter from the IRS? Yes No

Many free tax preparation sites operate by receiving grant money or other federal financial assistance. The data from the following questions may be used by this site to apply for these grants or to support continued receipt of financial funding . Your answer will be used only for statistical purposes. These questions are optional.

7. Would you say you can carry on a conversation in English, both understanding & speaking? Very well Well Not well Not at all Prefer not to answer
8. Would you say you can read a newspaper or book in English? Very well Well Not well Not at all Prefer not to answer
9. Do you or any member of your household have a disability? Yes No Prefer not to answer
10. Are you or your spouse a Veteran from the U.S. Armed Forces? Yes No Prefer not to answer
11. Your race?
 American Indian or Alaska Native Asian Black or African American Native Hawaiian or other Pacific Islander White Prefer not to answer
12. Your spouse's race?
 American Indian or Alaska Native Asian Black or African American Native Hawaiian or other Pacific Islander White Prefer not to answer
 No spouse
13. Your ethnicity? Hispanic or Latino Not Hispanic or Latino Prefer not to answer
14. Your spouse's ethnicity? Hispanic or Latino Not Hispanic or Latino Prefer not to answer No spouse

Additional comments

Interview Process: Form 15080

- This form is used by sites to obtain the taxpayer's consent to make their tax return information available to any VITA/TCE site that the taxpayer selects to have their tax return prepared at in the next filing season.
- The taxpayer has the option to decline this consent.
 - Your coordinator will instruct you on the site's procedures on how this form will be completed by the taxpayer

Form 15080 (October 2021)	Consent to Disclose Tax Return Information to VITA/TCE Tax Preparation Sites
Federal Disclosure: Federal law requires this consent form be provided to you. Unless authorized by law, we cannot disclose your tax return information to third parties for purposes other than the preparation and filing of your tax return without your consent. If you consent to the disclosure of your tax return information, Federal law may not protect your tax return information from further use or distribution.	
You are not required to complete this form to engage our tax return preparation services. If we obtain your signature on this form by conditioning our tax return preparation services on your consent, your consent will not be valid. If you agree to the disclosure of your tax return information, your consent is valid for the amount of time that you specify. If you do not specify the duration of your consent, your consent is valid for one year from the date of signature.	
Terms: Global Carry Forward of data allows TaxSlayer LLC, the provider of the VITA/TCE tax software, to make your tax return information available to ANY volunteer site participating in the IRS's VITA/TCE program that you select to prepare a tax return in the next filing season. This means you will be able to visit any volunteer site using TaxSlayer next year and have your tax return populate with your current year data, regardless of where you filed your tax return this year. This consent is valid through November 30, 2023.	
The tax return information that will be disclosed includes, but is not limited to, demographic, financial and other personally identifiable information, about you, your tax return and your sources of income, which was input into the tax preparation software for the purpose of preparing your tax return. This information includes your name, address, date of birth, phone number, SSN, filing status, occupation, employer's name and address, and the amounts and sources of income, deductions and credits that were claimed on, or contained within, your tax return. The tax return information that will be disclosed also includes the name, SSN, date of birth, and relationship of any dependents that were claimed on your tax return.	
You do not need to provide consent for the VITA/TCE partner preparing your tax return this year. Global Carry Forward will assist you only if you visit a different VITA or TCE partner next year that uses TaxSlayer.	
Limitation on the Duration of Consent: I/we, the taxpayer, do not wish to limit the duration of the consent of the disclosure of tax return information to a date earlier than presented above (November 30, 2023). If I/we wish to limit the duration of the consent of the disclosure to an earlier date, I/we will deny consent.	
Limitation on the Scope of Disclosure: I/we, the taxpayer, do not wish to limit the scope of the disclosure of tax return information further than presented above. If I/we wish to limit the scope of the disclosure of tax return information further than presented above, I/we will deny consent.	
Consent: I/we, the taxpayer, have read the above information. I/we hereby consent to the disclosure of tax return information described in the Global Carry Forward terms above and allow the tax return preparer to enter a PIN in the tax preparation software on my behalf to verify that I/we consent to the terms of this disclosure.	
Primary taxpayer printed name and signature	Date
Secondary taxpayer printed name and signature	Date
If you believe your tax return information has been disclosed or used improperly in a manner unauthorized by law or without your permission, you may contact the Treasury Inspector General for Tax Administration (TIGTA) by	

The Interview Process: Due Diligence

- IRS-certified volunteer preparers are required to exercise due diligence.
 - This means, as a volunteer, you are required to do your part when preparing or quality reviewing a tax return to ensure the information on the return is correct and complete.
- Generally, as an IRS certified volunteer, you can rely in good faith on information from a taxpayer without requiring documentation as verification.
 - However, part of due diligence requires asking a taxpayer to clarify information that may appear to be inconsistent or incomplete.
 - When reviewing information for its accuracy, you need to ask yourself if the information is unusual or questionable.
- **For example:** You do not need to see proof of a taxpayer's cash contribution to a charity if you feel comfortable that this information is not unusual or questionable.

Remember, if you are not comfortable with the information provided by a taxpayer, you are not obligated to prepare the tax return.

Quality Reviewing Process

- The purpose of a Quality Review is to ensure that the taxpayer's tax return is accurate based on the Intake/Interview Sheet, and the supporting documents provided by the taxpayer and the interview with the taxpayer.
- Sites will conduct a Quality Review of every return prepared. Having a second pair of eyes, focused on the Quality Review, offers the best opportunity to correct small errors before they can cause big problems.
- The Quality Review takes place after the return is prepared, but before the taxpayer signs the return

Two acceptable methods for quality reviewing:

Designated Review: This preferred quality review method employs a designated Quality Reviewer, a volunteer who is solely dedicated to reviewing returns prepared by the other volunteers at the site.

Peer Review: When a designated Quality Reviewer is not available, volunteers can review each other's returns.

Note: Self-Review, quality reviewing a return you prepared, is not an acceptable quality review method.

Quality Reviewing Process

The Quality Review Process must include four critical actions:

1. Engaging the taxpayer in the review process
2. Using the Quality Review Checklist in Publication 4012 during every review.
3. Comparing all information provided by the taxpayer on Form 13614-C and supporting documents against the completed tax return entries
4. If necessary, using reference materials to verify that tax law determinations are correct

Accounting Aid Society SINCE 1972

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

Intake / Interview Test

Intake / Interview

Question 1 (page 24)

All IRS-certified volunteer preparers participating in the VITA/TCE programs must use Form 13614-C along with an effective interview for every return prepared at the site.

- a. True
- b. False

Intake / Interview

Question 2 (page 24)

What should the certified volunteer preparer do before starting the tax return?

- a. Make sure all questions on Form 13614-C are answered.
- b. Change “Unsure” answers to “Yes” or “No” based on a conversation with the taxpayer.
- c. Complete all applicable Certified Volunteer Preparer shaded-area questions on Form 13614-C.
- d. All of the above

Intake / Interview

Question 3 (page 24)

When reviewing Form 13614-C, you see the “Interest” question is marked “Yes” and the taxpayer gives you a Form 1099-INT. You should ask the taxpayer if they had any other interest income.

- a. True
- b. False

Intake / Interview

Question 4 (page 24)

VITA/TCE sites are required to conduct Quality Reviews:

- a. Of all the returns prepared by volunteers who have less than two years of experience preparing returns.
- b. Of every return prepared at the site.
- c. Only when there is a Quality Reviewer available.
- d. Of all returns prepared by volunteers with certification levels below Advanced, Military, or International.

Intake / Interview

Question 5 (page 24)

You do not need to see proof of cash donations made by a taxpayer if you feel that the information is not unusual or questionable.

- a. True
- b. False

Intake / Interview

Question 6 (page 24)

In most cases a volunteer must review photo identification for every taxpayer(s) to deter the possibility of identity theft.

- a. True
- b. False

Intake / Interview

Question 7 (page 25)

When does the taxpayer sign the tax return?

- a. Before quality review and before being advised of their responsibility for the accuracy of the information on the return.
- b. Before quality review and after being advised of their responsibility for the accuracy of the information on the return.
- c. After quality review and before being advised of their responsibility for the accuracy of the information on the return.
- d. After quality review and after being advised of their responsibility for the accuracy of the information on the return

Intake / Interview

Question 8 (page 25)

The site is busy with many taxpayers waiting for assistance. All volunteers are busy preparing tax returns. Can you quality review the return you just prepared instead of waiting for someone else to quality review the return?

- a. Yes, if it is a returning taxpayer.
- b. Yes, with approval of the Site Coordinator.
- c. No, self review is never an acceptable quality review method.
- d. No, unless you are certified at the Advanced level.

Intake / Interview

Question 9 (page 25)

Which of the following is true?

- a. Quality review can be conducted by a volunteer preparer certified at Basic when the tax return required an Advanced certification to prepare.
- b. Quality review is conducted after the taxpayer signs the tax return.
- c. Quality review is an effective tool for preparing an accurate tax return.
- d. Taxpayers do not need to be involved in the quality review process.

Intake / Interview

Question 10 (page 25)

As part of the intake process, each site must:

- a. Have a process to ensure a return is within the scope of the VITA/TCE Programs.
- b. Identify the certification level needed to prepare a return.
- c. Have a process to ensure volunteers have the certification needed for the returns they prepare.
- d. All of the above.

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Basic Training

Form 1040

- Form 1040 - U.S. Individual Tax Return
Primary form to file an income tax return with the IRS.

Form **1040** Department of the Treasury—Internal Revenue Service (99) **2021** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

U.S. Individual Income Tax Return

Filing Status Single Married filing jointly Married filing separately (MFS) Head of household (HOH) Qualifying widow(er) (QW)
Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW 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. 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.
 You Spouse

City, town, or post office. If you have a foreign address, also complete spaces below. State ZIP code
Foreign country name Foreign province/state/country Foreign postal code

At any time during 2021, did you receive, sell, exchange, or otherwise dispose of any financial interest in any virtual currency? 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, 1957 Are blind Spouse: Was born before January 2, 1957 Is blind

Dependents (see instructions): (1) First name Last name (2) Social security number (3) Relationship to you (4) If qualifies for (see instructions): Child tax credit Credit for other dependents

If more than four dependents, see instructions and check here ▶

1	Wages, salaries, tips, etc. Attach Form(s) W-2	1
2a	Tax-exempt interest	2a
3a	Qualified dividends	3a
4a	IRA distributions	4a
5a	Pensions and annuities	5a
6a	Social security benefits	6a
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶	7
8	Other income from Schedule 1, line 10	8
9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9
10	Adjustments to income from Schedule 1, line 26	10
11	Subtract line 10 from line 9. This is your adjusted gross income	11
12a	Standard deduction or itemized deductions (from Schedule A)	12a
b	Charitable contributions if you take the standard deduction (see instructions)	12b
c	Add lines 12a and 12b	12c
13	Qualified business income deduction from Form 8995 or Form 8995-A	13
14	Add lines 12c and 13	14
15	Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-	15

Attach Sch. B if required.

Standard Deduction for—
• Single or Married filing separately, \$12,500
• Married filing jointly or Qualifying widow(er), \$25,100
• Head of household, \$18,800
• If you checked any box under Standard Deduction, see instructions

Form 1040 (2021)

Form 1040 (2021) Page 2

16 Tax (see instructions). Check if any from Form(s): 1 8814 2 4972 3

17 Amount from Schedule 2, line 3

18 Add lines 16 and 17

19 Nonrefundable child tax credit or credit for other dependents from Schedule 8812

20 Amount from Schedule 3, line 8

21 Add lines 19 and 20

22 Subtract line 21 from line 18. If zero or less, enter -0-

23 Other taxes, including self-employment tax, from Schedule 2, line 21

24 Add lines 22 and 23. This is your **total tax**

25 Federal income tax withheld from:
a Form(s) W-2 25a
b Form(s) 1099 25b
c Other forms (see instructions) 25c
d Add lines 25a through 25c 25d

26 2021 estimated tax payments and amount applied from 2020 return

27a **Early-life income credit (EIC)**
Check here if you had not reached the age of 19 by December 31, 2021, and satisfy all other requirements for claiming the EIC. See instructions

27b Nonrefundable combat pay election

27c Prior year (2019) earned income

28 Refundable child tax credit or additional child tax credit from Schedule 8812

29 American opportunity credit from Form 8863, line 8

30 Recovery rebate credit. See instructions

31 Amount from Schedule 3, line 15

32 Add lines 27a and 28 through 31. These are your **total other payments and refundable credits**

33 Add lines 25d, 26, and 32. These are your **total payments**

34 If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you **overpaid**

35a Amount of line 34 you want **refunded to you**. If Form 8888 is attached, check here Yes. Complete below. No

35b Routing number Checking Savings

35c Account number

35 Amount of line 34 you want **applied to your 2022 estimated tax**

36 Amount you owe. Subtract line 33 from line 24. For details on how to pay, see instructions

37 Estimated tax penalty (see instructions)

Third Party Designee
Do you want to allow another person to discuss this return with the IRS? See instructions Yes. Complete below. No
Designee's name ▶ Phone no. ▶ Personal identification number (PIN) ▶

Sign Here
Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
Your signature Date Your occupation
If the IRS sent you an Identity Protection PIN, enter it here (see inst.) ▶

Spouse's signature. If a joint return, both must sign. Date Spouse's occupation
If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.) ▶

Phone no. Email address

Paid Preparer Use Only
Preparer's name Preparer's signature Date PTIN Check if:
 Self-employed
Firm's name ▶ Firm's address ▶ Phone no. Firm's EIN ▶

Go to www.irs.gov/Form1040 for instructions and the latest information. Form 1040 (2021)

Form 1040 Schedules

- Form 1040 Schedules - Provide in depth information that is not shown on Form 1040. These forms are automatically done by Taxslayer.

Schedule 1	Additional Income and Adjustments	
Schedule 2	Additional Taxes	
Schedule 3	Additional Credits and Payments	
Schedule A	Itemized Deductions	Advanced Certification
Schedule B	Interest and Dividends	
Schedule C	Profit or Loss from Business	Advanced Certification



Filing Requirements

Who Should File?

(IRS Pub. 4012, Pgs. A-1– A-4)

- Who **Must** File

- Federal filing requirements are based on gross income compared to standard deductions (including 65 and over).
- 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

- Who **Should** File

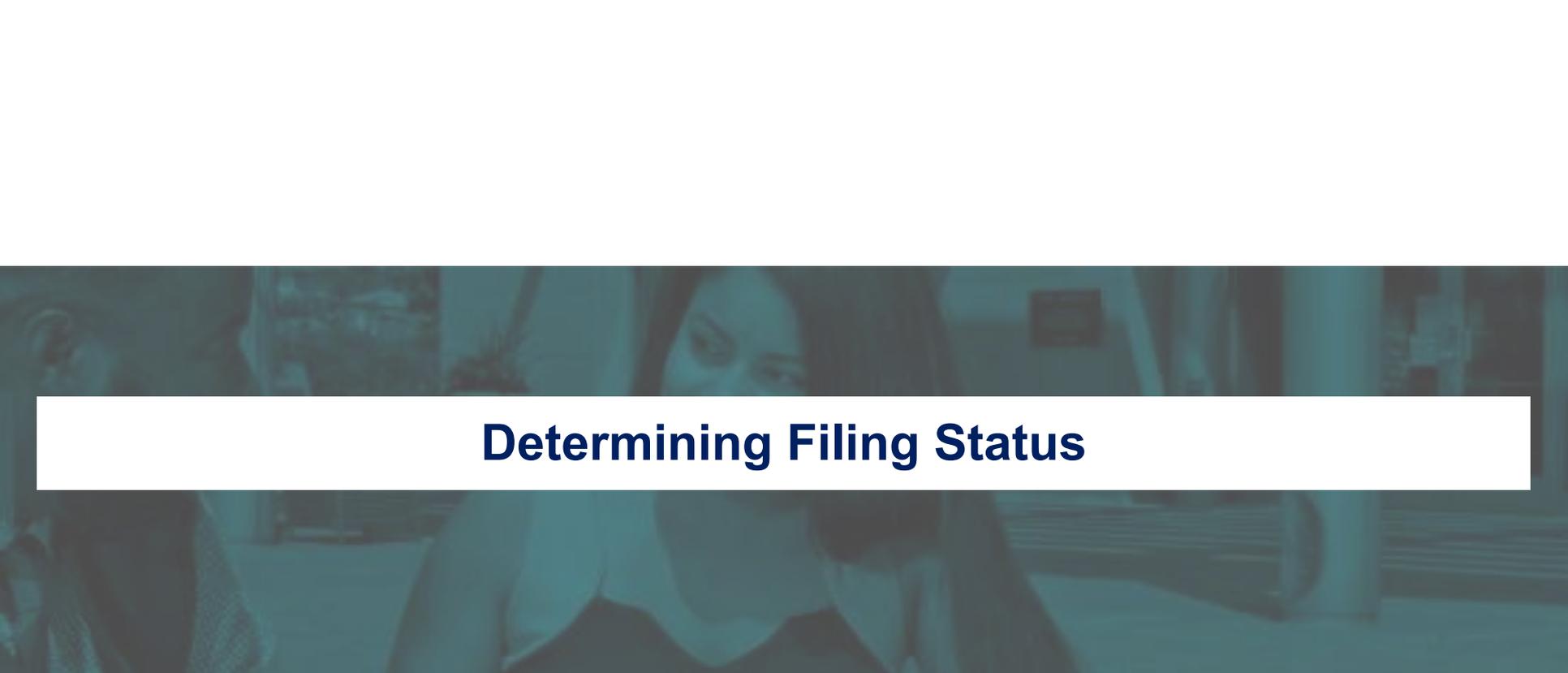
- Some clients should file to recover withholding or collect refundable credits (such as the Earned Income Tax Credit), even if they are not required to file by the gross income guidelines.
- If eligible for MI Credits even if no refund nor payment needed for federal or state

Filing Requirements Based on Income

Chart A – For Most People Who Must File

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

If your filing status is...	AND at the end of 2021 you were...*	THEN file a return if your gross income was at least...**
Single	under 65	\$12,550
	65 or older	\$14,250
Married filing jointly***	under 65 (both spouses)	\$25,100
	65 or older (one spouse)	\$26,450
	65 or older (both spouses)	\$27,800
Married filing separately (see the Instructions for Form 1040)	any age	\$5
Head of household (see the Instructions for Form 1040)	under 65	\$18,800
	65 or older	\$20,500
Qualifying widow(er) (see the Instructions for Form 1040)	under 65	\$25,100
	65 or older	\$26,450



Determining Filing Status

Filing Status: Single

Taxpayers may file as **Single** if they are unmarried on the last day of the calendar year. Unmarried means:

1. **Never been married,**
2. **Divorced, or**
3. **Widowed (but not qualified widow filing status)**

EXAMPLE:

Scott's divorce was finalized on December 30th, 2021 and he has no dependents. What would his filing status be for tax year 2021?

ANSWER:

Scott's filing status is **Single***, because he was considered divorced on the last day of the calendar year.

EXAMPLE:

Scott's divorce is finalized on January 1, 2022 and he has no dependents. What would his filing status be for tax year 2021?

ANSWER:

Scott's filing status is **Married Filing Jointly or Married Filing Separately.**

Filing Status: Head of Household

A taxpayer may file as **Head of Household** if on the last day of the calendar year they are:

1. **Unmarried (or considered unmarried)**
 - On the last day of the year a taxpayer is unmarried, legally separated under a separate maintenance decree, or divorced under a final decree on or before December 31.
 - A married taxpayer can **ONLY** claim Head of Household IF
 - They did not live with their spouse the last 6 months of the year; **and**
 - They meet the other two criteria, and the qualifying person is only the taxpayer's dependent child, stepchild or eligible foster child.
2. **Provided more than half of the cost of maintaining the household for themselves**
3. **Have a qualifying person who must live in the same household (e.g. not just sharing child support costs)**
 - **Must** have lived in the taxpayer's home for more than half the year (at least 183 days).
 - A dependent parent does not have to reside with the taxpayer.

Filing Status: Head of Household

Cost of Maintaining a Home

Cost of Maintaining a Home		
	Amount client paid	Total Cost
Property taxes/ mortgage/rent		
Utility		
Food expenses		
Total		
Amount Paid by Client / Total Cost		
Note: Do not include the cost of clothing, education, medical expenses, traveling and transportation.		

Filing Status: Head of Household

Cost of Maintaining a Home

Example: Andrea has a daughter (age 8) that lived stayed with her all year. They live with Andrea's mother, Julie. Their expenses are the following:

Cost of Maintaining a Home		
	Andrea's household contributions	Total Cost
Property taxes/ mortgage/rent	\$400	\$900
Utility	\$70	\$200
Food expenses	\$150	\$250
Total	\$620	\$1350
Amount Paid by Client / Total Cost	\$650 / \$1350= 45%	
Note: Do not include the cost of clothing, education, medical expenses, traveling and transportation.		

Andrea cannot claim HOH because she does not cover half the cost of maintaining the home.

Examples for Head of Household

EXAMPLE:

Jeremy is divorced and paid for 100% of the cost for keeping up his home for the year. His son, age 9, lives with him and he is the primary caregiver for his son. What is his filing status?

ANSWER:

Head of Household, because he meets all the requirements necessary.

EXAMPLE:

Jeremy is divorced and paid for 100% of the cost for keeping up his home for the year. His son lived in the house for three months in the summer. What is his filing status?

ANSWER:

Single, he does not meet the Head of Household qualifications because his son did not live with him for more than half the year.

Basic Scenario 1: Joe Wilson

Interview Notes:

- Joe is 35 years old and has never been married.
- Suzanna, age 12, is Joe's niece who lived with him all year. Joe provided all of her support and provided over half the cost of keeping up the home.
- Joe elected not to receive advance child tax credit payments.
- Joe earned \$42,000 in wages.
- Joe is blind and cannot be claimed as a dependent by another taxpayer.
- Joe and Suzanna are U.S. citizens, have valid Social Security numbers and lived in the U.S. the entire year.

Question 1 (page 34)

What is the most advantageous filing status allowable that Joe can claim on his tax return for 2021?

- a. Single
- b. Head of Household
- c. Qualifying Widow(er)
- d. Married Filing Separate

Basic Scenario 8: Sheila Parsons

Interview Notes:

- Sheila is single and 45 years old.
- Sheila has two children. Rebecca, age 18, has a job and earned wages of \$4,900. John, age 25, also worked and earned wages of \$4,500. Both children lived with her all year.
- Sheila paid all the cost of keeping up the home and more than half the support for her children.
- Sheila received disability pension benefits, but she has not reached the minimum retirement age of her employer's plan.
- She does not have enough expenses to itemize for the 2021 tax year.
- Sheila received a \$2,800 Economic Impact Payment (EIP3) in 2021.
- Sheila, Rebecca, and John are U.S. citizens and have valid Social Security numbers. They all lived in the United States for the entire year.
- If she has any balance due or refund, she would like to use Branch Bank: Bank Routing number is 128760000, Checking Account number is 123456

Using the documents from pages 50-54, complete Sheila's tax return and use it to answer questions 20-24.

Basic Scenario 8: Sheila Parsons

Question 21 (page 55)

Sheila's most advantageous filing status allowable is

- a. Single
- b. Married Filing Separately
- c. Head of Household
- d. Qualifying Widow(er)

Relevant Intake Notes:

- **Sheila is single and 45 years old.**
- **Sheila has two children. Rebecca, age 18, has a job and earned wages of \$4,900. John, age 25, also worked and earned wages of \$4,500. Both children lived with her all year.**
- **Sheila paid all the cost of keeping up the home and more than half the support for her children.**

Married Filing Separately Qualifications (MFS)

Special rules pertaining to married couples who choose to file separate returns

The MFS filing threshold is \$5. If the spouse used itemized deductions, both must itemize!

Higher tax rate than MFJ

If the taxpayer and spouse lived together at any time in the year, 85% of Social Security Income is taxed

Ineligibility

Credit for child and dependent care expenses

exclusion or credit for adoption expenses

Earned Income Credit (if taxpayer lived with spouse any time in the year)

Student Loan Interest Deduction

Education Credits and deduction (if taxpayer lived with spouse any time in the year)

exclusion for interest income from qualified U.S. savings bonds

Married Filing Jointly Qualifications (MFJ)

- Married Filing Jointly:

- If two taxpayers are married, they can choose to file a joint return. If one of the spouses died during the tax year, the widow(er) can still file a joint return for that year.

Note: The taxpayer and their spouse must be at the tax site.

Qualifying Widow(er) With Dependent Child

For the **two tax years AFTER** a spouse has died, a widow(er) with children may file using this status.

Qualifications:

1. You were entitled to file a joint return with your spouse for the year your spouse died
2. You didn't remarry before the end of this tax year
3. You have a child or stepchild (Don't include a grandchild or foster child) who:
 - a. lived with you all year, except for temporary absences or other limited exceptions
 - b. who is your dependent or who would qualify as your dependent except that: he or she does not meet the gross income test, does not meet the joint return test, or except that you may be claimed as a dependent by another taxpayer.
4. You paid more than half the cost of keeping up the home for the required period of time.

Basic Scenario 9: Mary Rodgers

Interview Notes:

- Mary is 30 years old and married to Mark, age 36. Mark passed away on January 30, 2021.
- Mark was unemployed and had no income in 2021 due to his illness.
- Mary's seven-year-old daughter, Jenny, lived with her the entire year.
- Mary paid more than half the cost of keeping up a home and support for Mark and Jenny.
- Mary received a distribution from her traditional IRA in January to pay for living expenses.
- Mary was a full-time high school teacher and earned \$35,000 in wages. Mary purchased supplies for her class out of her own pocket totaling \$320.
- Mary received a W-2G in the amount of \$8,200 from the local casino.
- Mary paid child and dependent care expenses for Jenny while she worked.
- Mary elected to not receive advance child tax credit payments.
- Mary and Mark received a \$4,200 Economic Impact Payment (EIP3) in 2021.
- Mary, Mark, and Jenny are U.S. citizens and have valid Social Security numbers. They all lived in the United States for the entire year.
- If Mary is entitled to a refund, she would like to deposit half into her checking account and half into her savings account. Documents from Adelphi Bank and Trust show that the routing number for both accounts is 111000025. Her checking account number is 113355779 and her savings account number is 224466880.

Using the documents from pages 56-62, complete the Rodgers's tax return and use it to answer questions 25-30.

Basic Scenario 9: Mary Rodgers

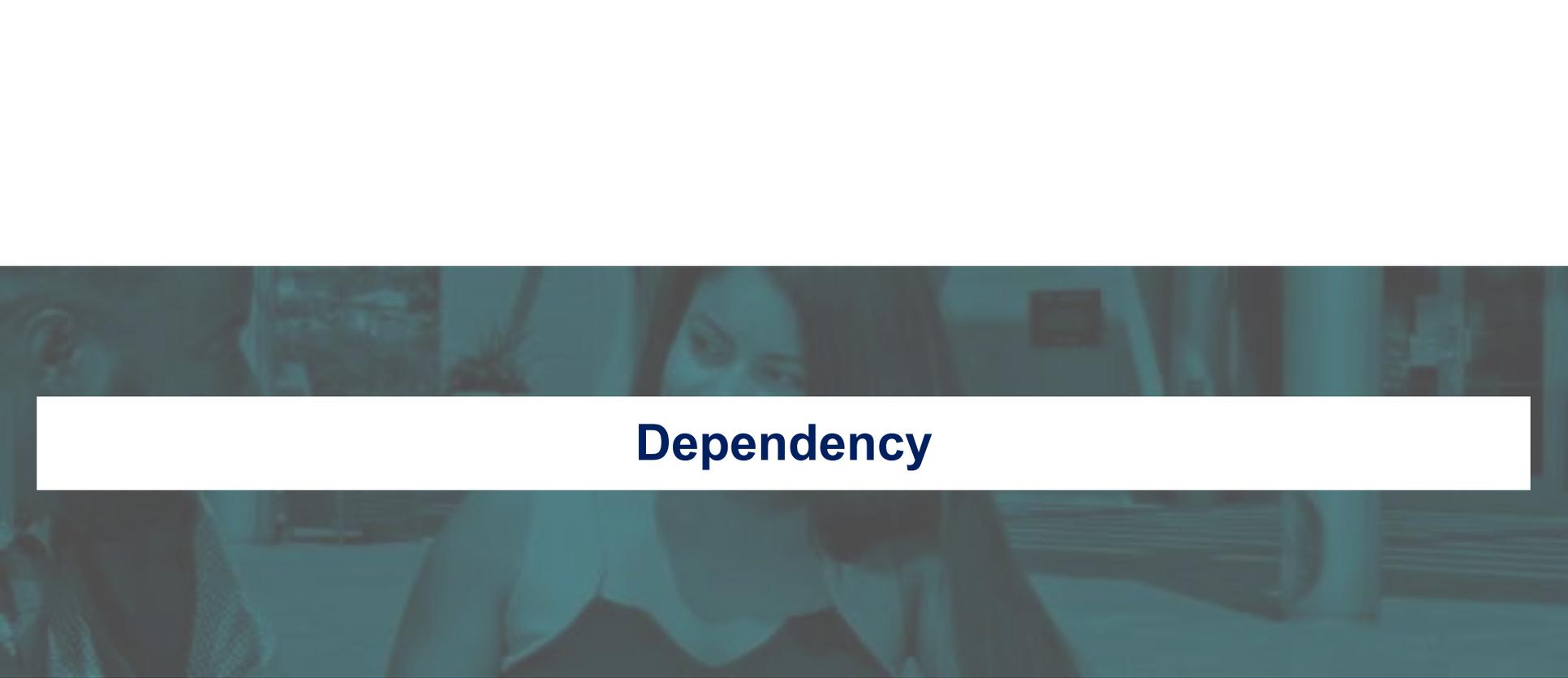
Question 26 (page 63)

Mary's most advantageous filing status is:

- a. Head of Household
- b. Married Filing Jointly
- c. Married Filing Separately
- d. Qualifying Widow(er)

Relevant Intake Notes:

- **Mary is 30 years old and married to Mark, age 36. Mark passed away on January 30, 2021.**
- **Mary's seven-year-old daughter, Jenny, lived with her the entire year.**
- **Mary paid more than half the cost of keeping up a home and support for Mark and Jenny.**



Dependency

Dependents

- Need to include dependents on return to:
 1. Determine eligibility for:
 - Head of household
 - Child Tax Credit
 - Earned Income Credit
 - Education Credits
 - Other deductions and credits
 2. Dependents are needed for State and City income tax returns
 - **IMPORTANT:** The rules for determining a dependent have not changed.
- The dependent is still either a “qualifying child” or a “qualifying relative”.

Dependents - Qualifying Child Test

- Qualifying Child Tests
 1. Relationship - Child/Stepchild, grandchild, brother, sister (including step brother & stepsister, niece or nephew), foster child placed by agency
 2. Age - Must be: Under 19, or Under 24 and a full-time student, or Totally and permanently disabled at any age (Does not have to be younger than the taxpayer if disabled)
 3. Residency - Lived with taxpayer more than half of the year
 - a. (Temporary absences are ok)
 4. Support - the qualifying child cannot have provided more than 50% of their own support for the year
 5. Joint Return - Cannot file a joint return (unless filed only to claim a refund)
 6. Not Qualifying Child of Another Taxpayer with higher priority

Note: Custodial parent can release exemption to non-custodial parent

Dependents - Qualifying Relative Test

- Qualifying Relative Tests:
 1. Not a Qualifying Child - the person cannot be the taxpayer's qualifying child or the qualifying child of anyone else (an exception applies where the parent is not required to file or only files to get a refund of taxes withheld)
 2. Member of Household or Relationship Test
 - a. Person must be one of the specified relatives of the taxpayer/spouse (either taxpayer if joint return)
 - b. **OR**....Be a member of the household for the entire year
 - c. Relationship cannot be in violation of local law (an issue in Michigan)
 3. Gross Income Test - the person's gross income must be less than \$4,300 for the year
 4. Support Test - the taxpayer must provide more than 50% of the person's support during the tax year
 - a. Note: Benefits provided by the state to a needy person (welfare, food stamps, housing, SSI) are generally considered support provided by the state, **not by the taxpayer**.

Tiebreaker Rules for Qualifying Child for More than One Person

- More than one person can claim tax benefits associated with an exemption, unless the child is the child of a divorced or separated couple.
 - If the child meets the conditions to be the qualifying child of more than one people, only **ONE** person may claim the child as a dependent for tax benefits.
- If the parents don't file a joint return together, the IRS will treat the child as the qualifying child of the parent with whom the child lived for longer period of time than the parent who lived with the child during the year.
- If no parent can claim the child as a qualifying child, the child is treated as the qualifying child of the person who had the highest AGI for the year.
- If a parent can claim the child as a qualifying child but no parent claims the child, the child is treated as the qualifying child of the person who had the highest AGI for the year. If the child's parents file a joint return with each other, this rule can be applied by dividing the parents' combined AGI equally between the parents.

Tiebreaker Rules for Qualifying Child for More than One Person - Supporting Documents

- Form 14815: Supporting Documents to Prove the Child Tax Credit (CTC) and Credit for Other Dependents (ODC) for 2018-2025

4. Residency	Documents to show where you lived and where each dependent lived for the entire year, such as: <ul style="list-style-type: none">- A rental property lease or statement from the property owner or agent with the address, parties to the lease, time period of the lease and names of persons residing there; mortgage payment records or real estate tax statement.- Records for school or child care enrollment, government benefits, legal or financial matters, medical care or health insurance or other similar documents showing your address and the address of the dependent. Or, if you're the non-custodial parent of a child whose parents are divorced, separated or living apart : <ul style="list-style-type: none">- Form 8332, Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent, in effect for the year we are examining, and- Divorce decree, separation agreement or custody order if in effect for the year we're examining.
5. Support <u>Exception:</u> Don't send us these documents if the dependent was under age 18 at the end of the year we're examining AND either: <ul style="list-style-type: none">• Lived with you for more than half the year we're examining, or• Lived with someone who signed Form 8332 for more than half the year we're examining.	Information to show who provided the dependent's financial support for the year: <ul style="list-style-type: none">- Send documents and estimates of total amounts paid for the dependent's support, such as proof of payment for housing and utilities, and estimates of amounts paid for personal living expenses, such as clothing, medical care and transportation.- State how much of the total support was provided by you, by the dependent, and by other sources. Other sources include individuals, as well as governmental, tribal and private entities. Send the names of the other individuals and entities, if any.- Send written declarations from others contributing to the dependent's support that they will not claim the individual as a dependent if the dependent individual's support was provided under a multiple support agreement.

Determining Total Support

Total Support		
	Amount Client Paid	Total Support
Lodging		
Food expenses		
Utilities		
Repairs		
Clothing		
Education		
Medical and dental expenses		
Travel		
Total		
Amount Paid by Client / Total Support		

Who is a Dependent?

Tests to be a qualifying child	Tests to be qualifying relative
<ol style="list-style-type: none"> 1. The child must be your son, daughter, stepchild, eligible foster child, brother, sister, half sibling, step sibling, or a descendant of any of them. <p>Note: An adopted child is always treated as your own. Must be legally adopted.</p> <ol style="list-style-type: none"> 2. The child must be: <ol style="list-style-type: none"> a) under age 19 at the end of the year and younger than you b) under age 24 at end of the year and a full time student c) Any age if permanently and totally disabled. 3. The child must have lived with you for more than half the year 4. The child must not have provided more than half of his or her own support for the year. 	<ol style="list-style-type: none"> 1. The person cannot be your qualifying child or qualifying child of any other. 2. Must have lived with you the entire year, unless: <p>the person your son, daughter, stepchild, foster child, or a descendant of any of them (i.e., your grandchild) OR your brother, sister, half brother, half sister, or a son or daughter of any of them OR your father, mother, or an ancestor or sibling of either of them OR your stepbrother, stepsister, stepfather, stepmother, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law</p> 3. You must have provided more than half of the person's support for the year. 4. Must have gross income less than \$4,300, not including tax exempt income such as Social Security or SSI.

Basic Scenario 8: Sheila Parsons

Interview Notes:

- Sheila is single and 45 years old.
- Sheila has two children. Rebecca, age 18, has a job and earned wages of \$4,900. John, age 25, also worked and earned wages of \$4,500. Both children lived with her all year.
- Sheila paid all the cost of keeping up the home and more than half the support for her children.
- Sheila received disability pension benefits, but she has not reached the minimum retirement age of her employer's plan.
- She does not have enough expenses to itemize for the 2021 tax year.
- Sheila received a \$2,800 Economic Impact Payment (EIP3) in 2021.
- Sheila, Rebecca, and John are U.S. citizens and have valid Social Security numbers. They all lived in the United States for the entire year.
- If she has any balance due or refund, she would like to use Branch Bank: Bank Routing number is 128760000, Checking Account number is 123456

Using the documents from pages 50-54, complete Sheila's tax return and use it to answer questions 20-24.

Basic Scenario 8: Sheila Parsons

Question 23 (page 55)

Rebecca and John are dependents on Sheila's tax return.

- a. True
- b. False

Relevant Intake Notes:

- **Sheila has two children. Rebecca, age 18, has a job and earned wages of \$4,900. John, age 25, also worked and earned wages of \$4,500. Both children lived with her all year.**

Qualifying Child- Julie and Andrea Revist

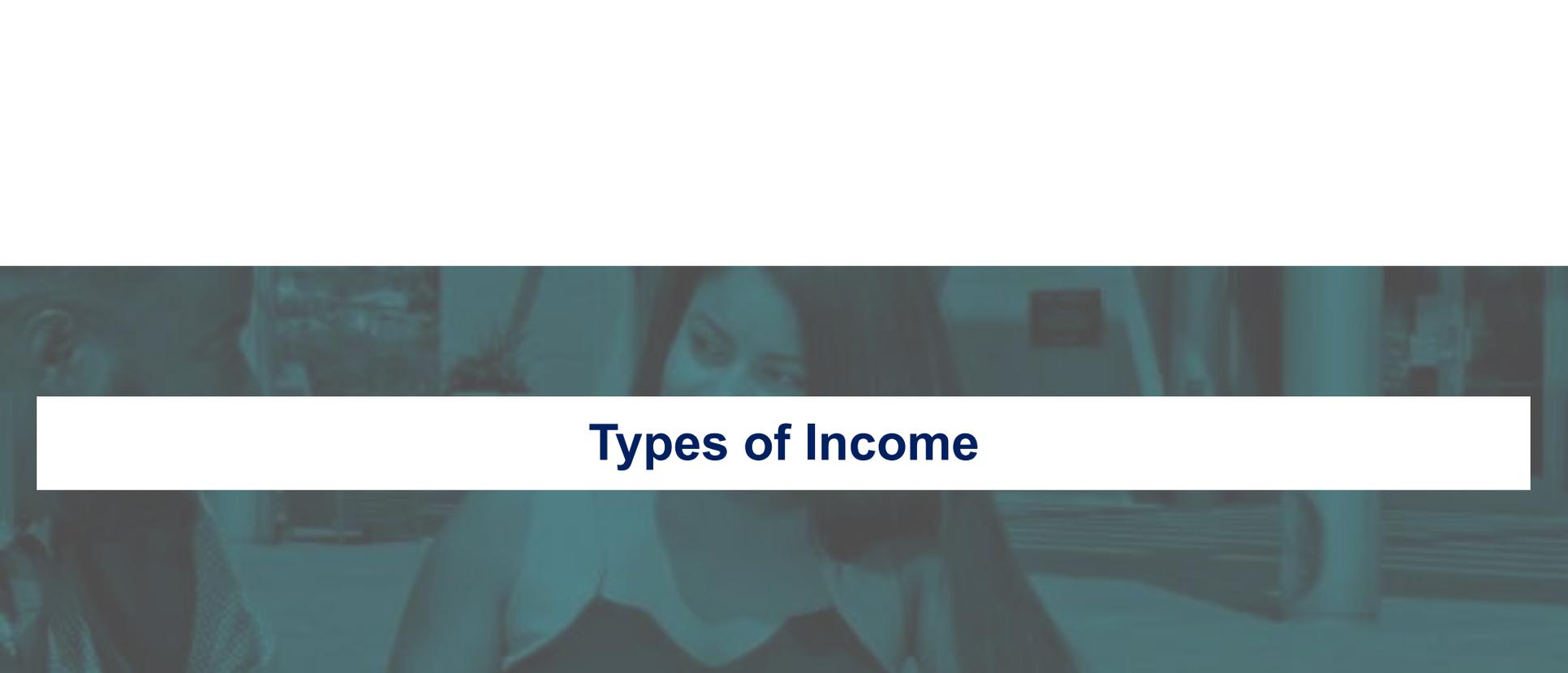
Andrea is able to claim her daughter as a dependent.

1. Relationship Test
The child is Andrea's daughter.
2. Age Test
Andrea's daughter is 8 years old.
3. Residency test
The child lived with Andrea all year.
4. Support test
The child did not provide any of their support.



Filing head of Household status lowers taxpayer's taxable income, but a client can still file Single with dependents to claim other credits:

1. Earned Income Credit
2. Child Tax Credit
3. Credit of Other Dependents
4. Child and Dependent Care Credit



Types of Income

Income

Earned income

any income received for work, such as wages or business/self-employment income

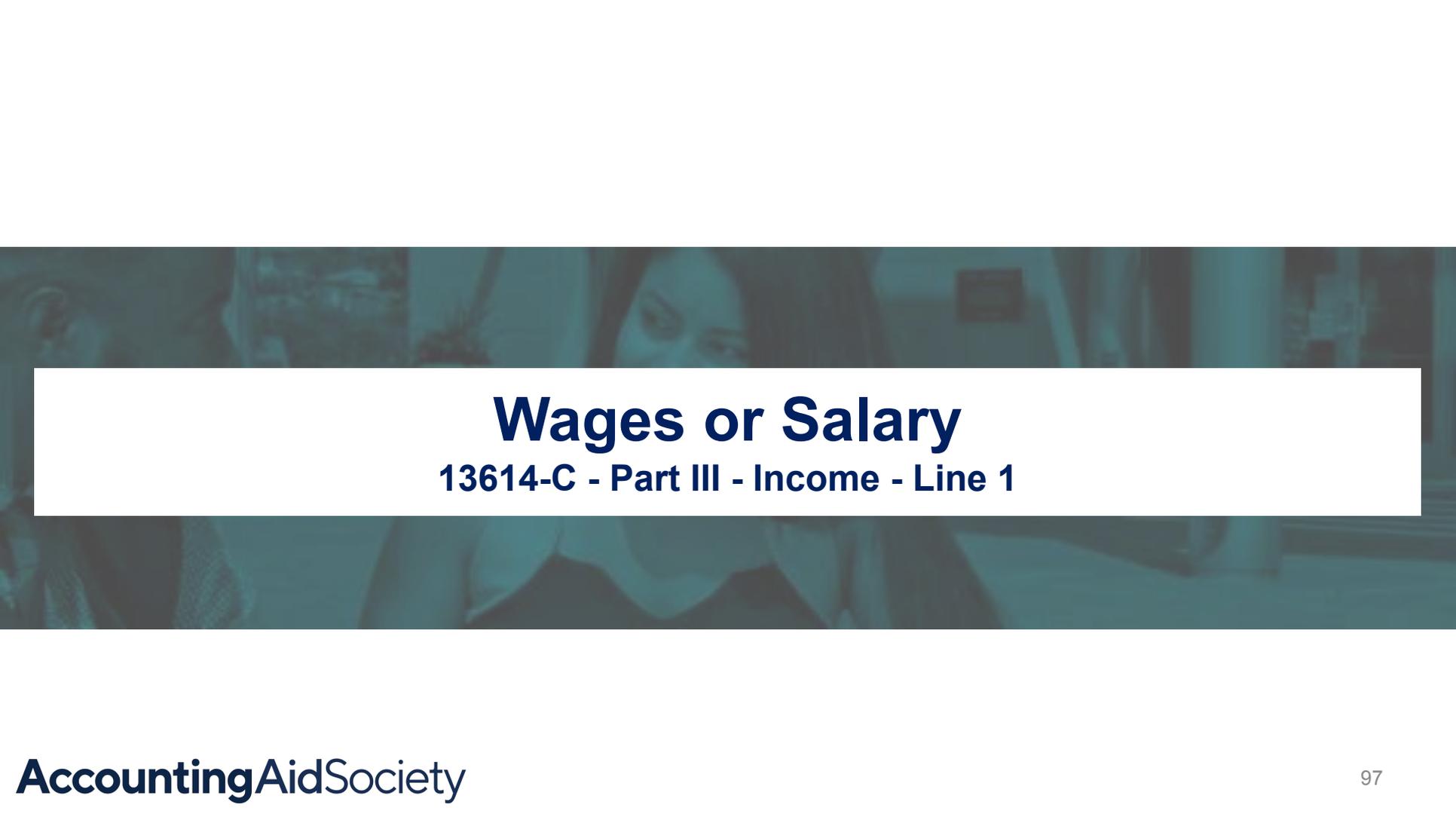
Unearned income

any income produced by investments, such as interest on savings, dividends on stocks, rental income and unemployment income.

Note: Unless there is an exception in the tax law, all income is taxable.

Income on Form 1040

Attach Sch. B if required.	1	Wages, salaries, tips, etc. Attach Form(s) W-2			1			
	2a	Tax-exempt interest	2a		b	Taxable interest	2b	
	3a	Qualified dividends	3a		b	Ordinary dividends	3b	
	4a	IRA distributions	4a		b	Taxable amount	4b	
	5a	Pensions and annuities	5a		b	Taxable amount	5b	
	6a	Social security benefits	6a		b	Taxable amount	6b	
Standard Deduction for— • Single or Married filing separately, \$12,550	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here			<input type="checkbox"/>	7		
	8	Other income from Schedule 1, line 10				8		
	9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income				9		



Wages or Salary

13614-C - Part III - Income - Line 1

Wages and Salary

Every employer engaged in a trade or business who pays compensation for services performed by an employee must file a Form W-2 for each employee.

Taxpayers must bring a W-2 for every job they worked in. All W-2s are reported to the IRS, so we must match their records.

All information in Taxslayer must match the W-2! If there is incorrect information, the return may be **rejected** or the client may receive a letter from the IRS.

a Employee's social security number		OMB No. 1545-0008		Safe, accurate, FAST! Use 		Visit the IRS website at www.irs.gov/efile	
b Employer identification number (EIN)		1 Wages, tips, other compensation		2 Federal income tax withheld			
c Employer's name, address, and ZIP code		3 Social security wages		4 Social security tax withheld			
		5 Medicare wages and tips		6 Medicare tax withheld			
		7 Social security tips		8 Allocated tips			
d Control number		9		10 Dependent care benefits			
e Employee's first name and initial Last name Suff.		11 Nonqualified plans		12a See instructions for box 12			
		13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b			
		14 Other		12c			
				12d			
f Employee's address and ZIP code							
15 State	Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name	

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

2020

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.

Wages and Salary- Box 12

D	Elective deferrals to a section 401(k) cash or deferred arrangement
E	Elective deferrals under a section 403(b) salary reduction agreement
W	Employer contributions (including amounts the employee contributes through a cafeteria plan) to employee's health savings account
AA	Designated Roth contributions under a section 401(k) plan
BB	Designated Roth contributions under a section 403(b) plan
DD	Cost of employer-sponsored health coverage (not taxable)
EE	Designated Roth contributions under a governmental section 457(b) plan

Codes D, E, G, AA, BB, and EE also indicate elective (voluntary) contributions which qualify for retirement savings credit.

Basic Scenario 8: Sheila Parsons

Interview Notes:

- Sheila is single and 45 years old.
- Sheila has two children. Rebecca, age 18, has a job and earned wages of \$4,900. John, age 25, also worked and earned wages of \$4,500. Both children lived with her all year.
- Sheila paid all the cost of keeping up the home and more than half the support for her children.
- Sheila received disability pension benefits, but she has not reached the minimum retirement age of her employer's plan.
- She does not have enough expenses to itemize for the 2021 tax year.
- Sheila received a \$2,800 Economic Impact Payment (EIP3) in 2021.
- Sheila, Rebecca, and John are U.S. citizens and have valid Social Security numbers. They all lived in the United States for the entire year.
- If she has any balance due or refund, she would like to use Branch Bank: Bank Routing number is 128760000, Checking Account number is 123456

Using the documents from pages 50-54, complete Sheila's tax return and use it to answer questions 20-24.

Basic Scenario 8: Sheila Parsons

Question 20 (page 55)

What amount is required to be reported as wages on Sheila's tax return?

\$ _____

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.			1 Gross distribution		OMB No. 1545-0119	
DELK CORPORATION 983 GREEN STREET YOUR CITY, YOUR STATE, ZIP			\$ 39,500.00		2021 Form 1099-R	
			2a Taxable amount			
			\$ 39,500.00			
PAYER'S TIN			2b Taxable amount not determined <input type="checkbox"/>		Total distribution <input type="checkbox"/>	
56-700XXX			127-00-XXXX			
RECIPIENT'S name			3 Capital gain (included in box 2a)		4 Federal income tax withheld	
SHEILA PARSONS					\$ 100.00	
Street address (including apt. no.)			5 Employee contributions/ Designated Roth contributions or insurance premiums		6 Net unrealized appreciation in employer's securities	
320 MAIN STREET			\$		\$	
City or town, state or province, country, and ZIP or foreign postal code			7 Distribution code(s)		8 Other	
YOUR CITY, YOUR STATE, ZIP			3			
10 Amount allocable to IRR within 5 years			9a Your percentage of total distribution		9b Total employee contributions	
\$			%		\$	
11 1st year of desig. Roth contrib.			14 State tax withheld		15 State/Payer's state no.	
			\$		\$	
12 FATCA filing requirement			17 Local tax withheld		18 Name of locality	
<input type="checkbox"/>			\$		\$	
Account number (see instructions)			13 Date of payment		19 Local distribution	
			\$		\$	

Form 1099-R

www.irs.gov/Form1099R

Department of the Treasury - Internal Revenue Service

Copy B
Report this income on your federal tax return. If this form shows federal income tax withheld in box 4, attach this copy to your return.
This information is being furnished to the IRS.

Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.

Basic Scenario 8: Sheila Parsons

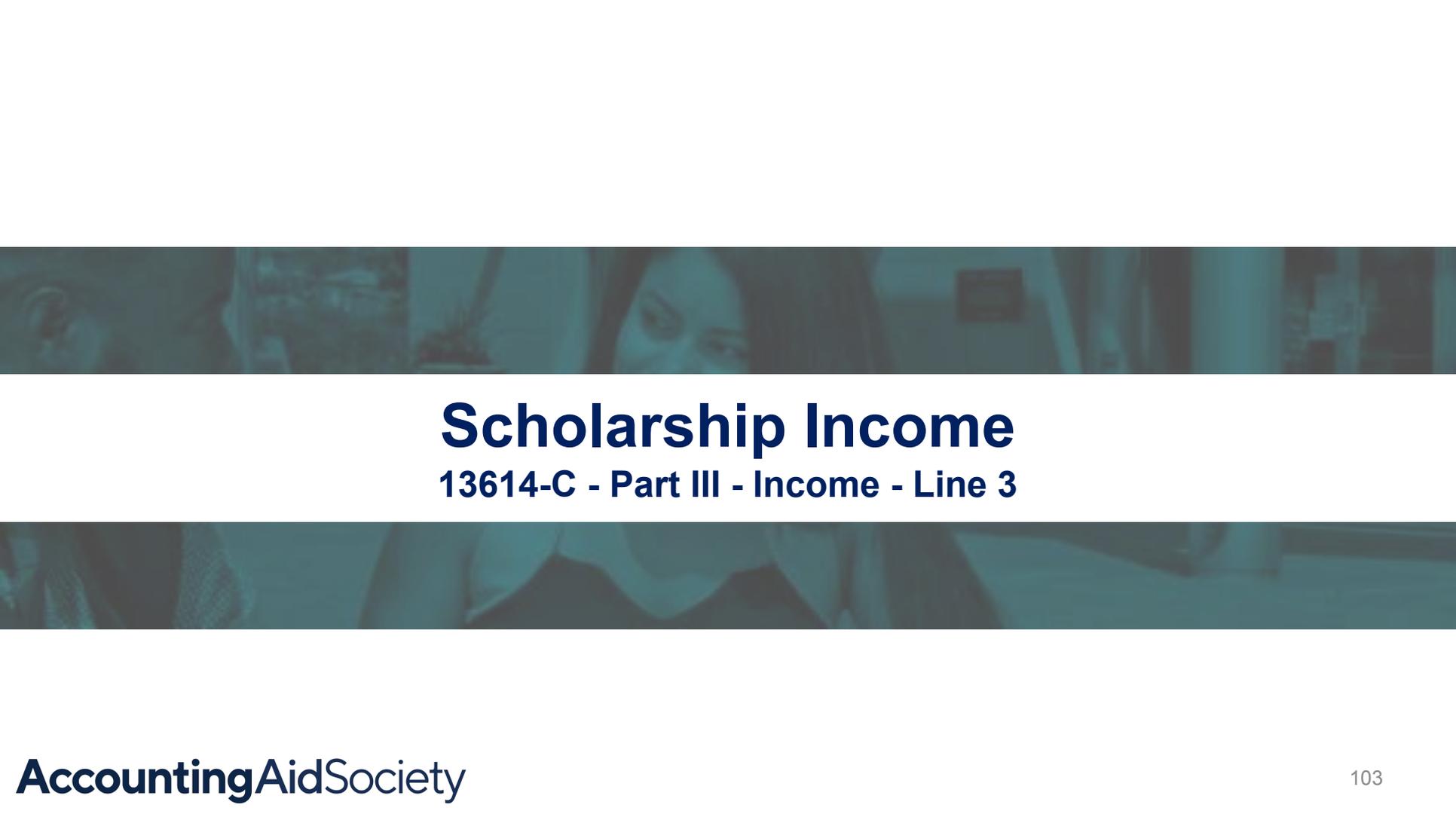
Question 20 (page 55)

What amount is required to be reported as wages on Sheila's tax return?

\$ 39,500

Explanation:

Code 3 on the 1099R can be considered wages due to income is considered disability income and the Sheila's has not reached the minimum retirement age of her employer's plan.



Scholarship Income

13614-C - Part III - Income - Line 3

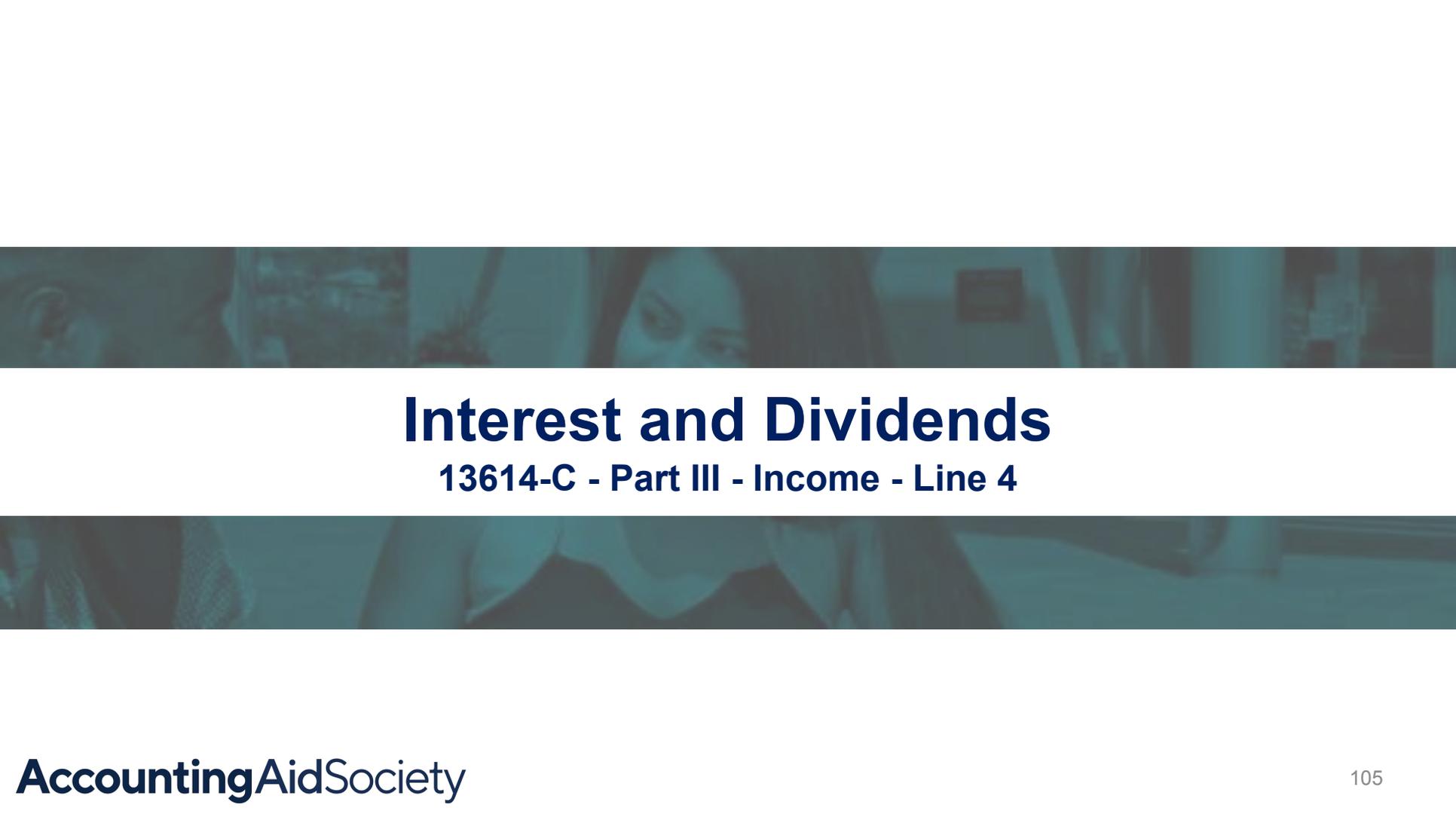
Scholarship Income

You must include scholarships and grants in gross income if:

- Amounts used for incidental expenses, such as room and board, travel, and optional equipment.
- Any payment received excess scholarships or grants

<input type="checkbox"/> CORRECTED				Tuition Statement			
FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number RUBBLE UNIVERSITY 900 COLLEGE BLVD YOUR CITY, YOUR STATE, ZIP		1 Payments received for qualified tuition and related expenses \$ 5,000.00 2	OMB No. 1545-1574 2021 Form 1098-T	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.			
FILER'S employer identification no. 89-700XXXX	STUDENT'S TIN 129-00-XXXX	3					
STUDENT'S name STEPHEN JONES		4 Adjustments made for a prior year \$	5 Scholarships or grants \$ 6,800.00				
Street address (including apt. no.) 100 STONE STREET		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 2022 <input type="checkbox"/>				
City or town, state or province, country, and ZIP or foreign postal code YOUR CITY, YOUR STATE, ZIP		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 \$			
Service Provider/Acct. No. (see instr.)							

Form **1098-T** (keep for your records) www.irs.gov/Form1098T Department of the Treasury - Internal Revenue Service



Interest and Dividends

13614-C - Part III - Income - Line 4

Interest and Dividend Income

These types of Income are reported on:

- 1099-INT for Interest Income
- 1099-DIV for Dividend Income
- 1099-OID for Original Issue Discount (rarely seen, if ever)

Sometimes these forms are stand-alone, as seen on the next slides. Or they may be included as part of a large brokerage statement along with securities transactions.

Interest Income

VOID CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		Payer's RTN (optional)		OMB No. 1545-0112		
		1 Interest income		<div style="font-size: 2em; font-weight: bold; text-align: center;">2019</div> <div style="text-align: center;">Form 1099-INT</div>		
PAYER'S TIN		RECIPIENT'S TIN				<div style="text-align: center; font-weight: bold;">Copy 1</div> <div style="text-align: center; font-weight: bold;">For State Tax Department</div>
		2 Early withdrawal penalty				
PAYER'S name		3 Interest on U.S. Savings Bonds and Treas. obligations				
Street address (including apt. no.)		4 Federal income tax withheld		5 Investment expenses		
City or town, state or province, country, and ZIP or foreign postal code		6 Foreign tax paid		7 Foreign country or U.S. possession		
FATCA filing requirement <input type="checkbox"/>		8 Tax-exempt interest		9 Specified private activity bond interest		
		10 Market discount		11 Bond premium		
Account number (see instructions)		12 Bond premium on Treasury obligations		13 Bond premium on tax-exempt bond		
		14 Tax-exempt and tax credit bond CUSIP no.		15 State		16 State identification no.
						\$
						\$

Interest

Taxable Interest	Nontaxable Interest
<ul style="list-style-type: none">▪ Reported to taxpayer on Form 1099-INT, Box 1 ▪ Examples of taxable interest income include:<ul style="list-style-type: none">▪ Checking and Savings accounts▪ CDs,▪ savings certificates,▪ interest on insurance dividends, or▪ US government bonds ▪ Total taxable interest income is reported on Form 1040, Line 2b. If total taxable interest is over \$1,500, the tax software will add a <u>Schedule B</u> to taxpayer's tax return.	<ul style="list-style-type: none">▪ Reported to taxpayer on Form 1099-INT, Box 8 ▪ Examples of tax-exempt interest income are from bonds issued by:<ul style="list-style-type: none">▪ State political subdivisions▪ District of Columbia▪ Port authorities

Dividend Income – Form 1099-DIV

VOID CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1a Total ordinary dividends		OMB No. 1545-0110	
		\$		2020	
		1b Qualified dividends			
				\$	
PAYER'S TIN		2a Total capital gain distr.		2b Unrecap. Sec. 1250 gain	
				\$	
RECIPIENT'S TIN		2c Section 1202 gain		2d Collectibles (28%) gain	
		\$		\$	
RECIPIENT'S name		3 Nondividend distributions		4 Federal income tax withheld	
		\$		\$	
Street address (including apt. no.)		5 Section 199A dividends		6 Investment expenses	
		\$		\$	
City or town, state or province, country, and ZIP or foreign postal code		7 Foreign tax paid		8 Foreign country or U.S. possession	
		\$			
		9 Cash liquidation distributions		10 Noncash liquidation distributions	
		\$		\$	
		11 Exempt-interest dividends		12 Specified private activity bond interest dividends	
		\$		\$	
Account number (see instructions)		13 State		14 State identification no.	
		\$		\$	
				15 State tax withheld	
				\$	
				\$	

Income Reported on 1099-DIV

Ordinary Dividends

Reported to taxpayer on **Form 1099-DIV, Box 1a.**

- The most common type of distribution from a corporation or a mutual fund.
- They are paid out of earnings and profits and are ordinary income to you.
- They are not capital gains.
- Assume that any dividend on common or preferred stock is an ordinary dividend unless the payer tells you otherwise.

Qualified Dividends

Reported to taxpayer on **Form 1099-DIV, Box 1b**

- Reported on Form 1040, Line 3a
- These are ordinary dividends subject to capital gains tax rates (0%, 15%, or 20%).

Capital Gain Distributions

Reported to taxpayer on **Form 1099-DIV, Box 2a**

- Our software automatically enters this onto a Schedule D.

Basic Scenario 7: Fred and Wilma Jones

Question 19 (page 49)

Which of the following statements are true?

- a. Qualified dividends are part of the total ordinary dividends.
- b. Qualified dividends qualify for lower, long-term capital gains tax rates.
- c. Qualified dividends are reported on Form 1099-DIV
- d. All of the above

Dividend and Interest Income on 1040

Attach Sch. B if required.	1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	
	2a	Tax-exempt interest	2a	
	3a	Qualified dividends	b	Taxable interest
	4a	IRA distributions	3a	
			b	Ordinary dividends
			4a	
			b	Taxable amount
			4b	

These forms of income are reported on Form 1040, as above. You will see two worksheets in TaxSlayer, showing Interest and Dividend details, and calculation of tax on Qualified Dividends.

SCHEDULE B
(Form 1040)

Interest and Ordinary Dividends

OMB No. 1545-0071
2021
Attachment
Sequence No. 05

Department of the Treasury
Internal Revenue Service (IRS)

Go to www.irs.gov/ScheduleB for instructions and the latest information.
Attach to Form 1040 or 1040-SR.

Name(s) shown on return

Your social security number

Part I
Interest

(See instructions and the instructions for Forms 1040 and 1040-SR, line 2a.)

Note: If you received a Form 1099-INT, Form 1099-DIV, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see the instructions and list the interest first. Also show the buyer's social security number and address.

Amount

2 Add the amounts on line 1

3 Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815.

4 Subtract line 3 from line 2. Enter the result here and on Form 1040 or 1040-SR, line 2b.

Note: If line 4 is over \$1,500, you must complete Part III.

Amount

Part II
Ordinary Dividends

(See instructions and the instructions for Forms 1040 and 1040-SR, line 3b.)

Note: If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

5 List name of payer

Amount

6 Add the amounts on line 5. Enter the total here and on Form 1040 or 1040-SR, line 3b.

Schedule D Tax Worksheet

Keep for Your Records

Complete this worksheet only if line 18 or line 19 of Schedule D is more than zero and lines 15 and 16 of Schedule D are gains or if you file Form 4952 and you have an amount on line 4e or 4g, even if you don't need to file Schedule D. Otherwise, complete the Qualified Dividends and Capital Gain Tax Worksheet in the instructions for Forms 1040 and 1040-SR, line 16 (or in the instructions for Form 1040-NR, line 16) to figure your tax. Before completing this worksheet, complete Form 1040, 1040-SR, or 1040-NR through line 15.

Exception: Don't use the Qualified Dividends and Capital Gain Tax Worksheet or this worksheet to figure your tax if:

- Line 15 or line 16 of Schedule D is zero or less and you have no qualified dividends on Form 1040, 1040-SR, or 1040-NR, line 3a; or
- Form 1040, 1040-SR, or 1040-NR, line 15, is zero or less.

Instead, see the instructions for Forms 1040 and 1040-SR, line 16 (or Form 1040-NR, line 16).

1. Enter your taxable income from Form 1040, 1040-SR, or 1040-NR, line 15. (However, if you are filing Form 2555 (relating to foreign earned income), enter instead the amount from line 3 of the Foreign Earned Income Tax Worksheet in the instructions for Forms 1040 and 1040-SR, line 16) 1. _____

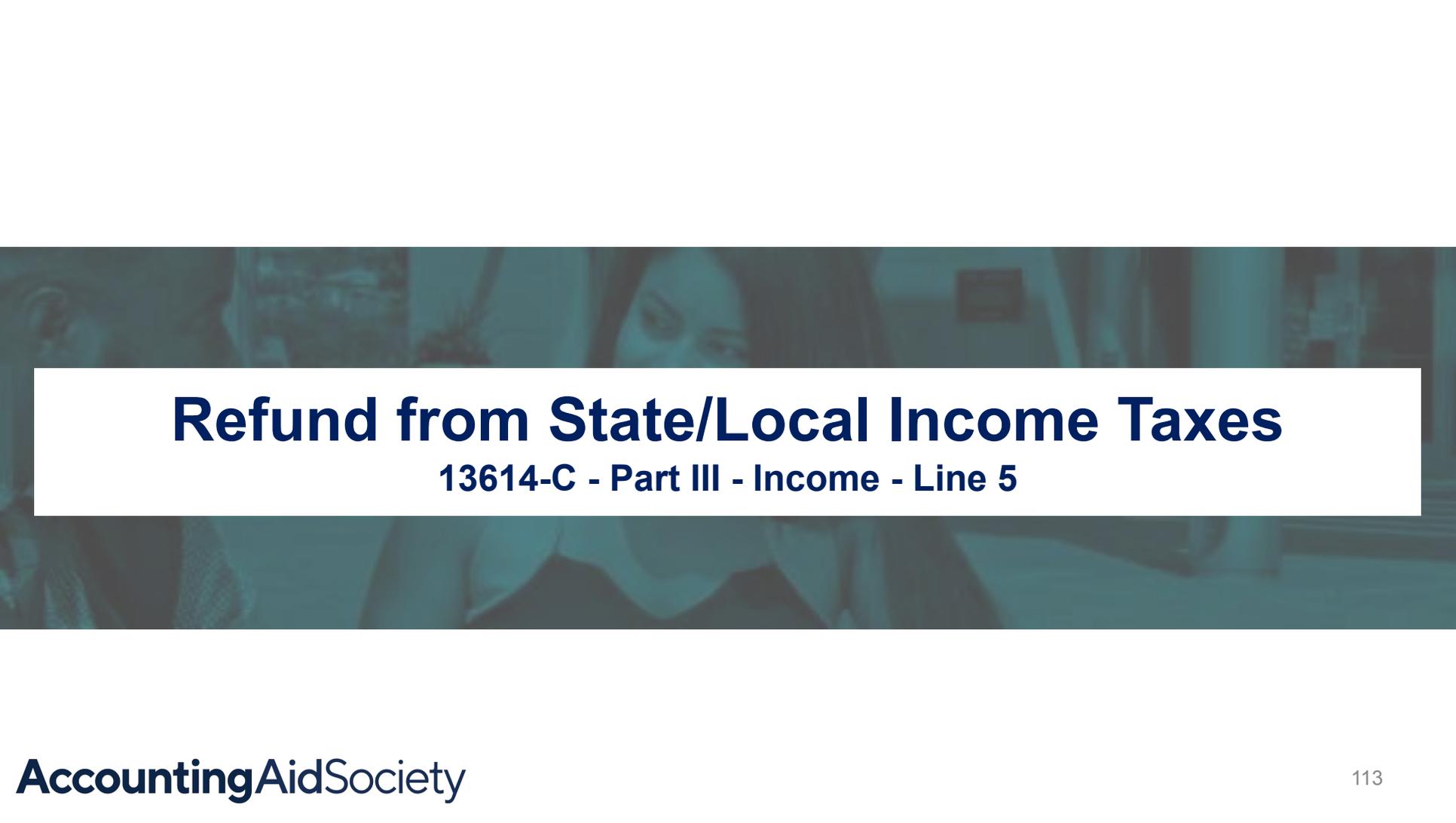
2. Enter your qualified dividends from Form 1040, 1040-SR, or 1040-NR, line 3a 2. _____

3. Enter the amount from Form 4952 (used to figure investment interest expense deduction), line 4g 3. _____

4. Enter the amount from Form 4952, line 4e* 4. _____

5. Subtract line 4 from line 3. If zero or less, enter -0- 5. _____

6. Subtract line 5 from line 2. If zero or less, enter -0- ** 6. _____



Refund from State/Local Income Taxes

13614-C - Part III - Income - Line 5

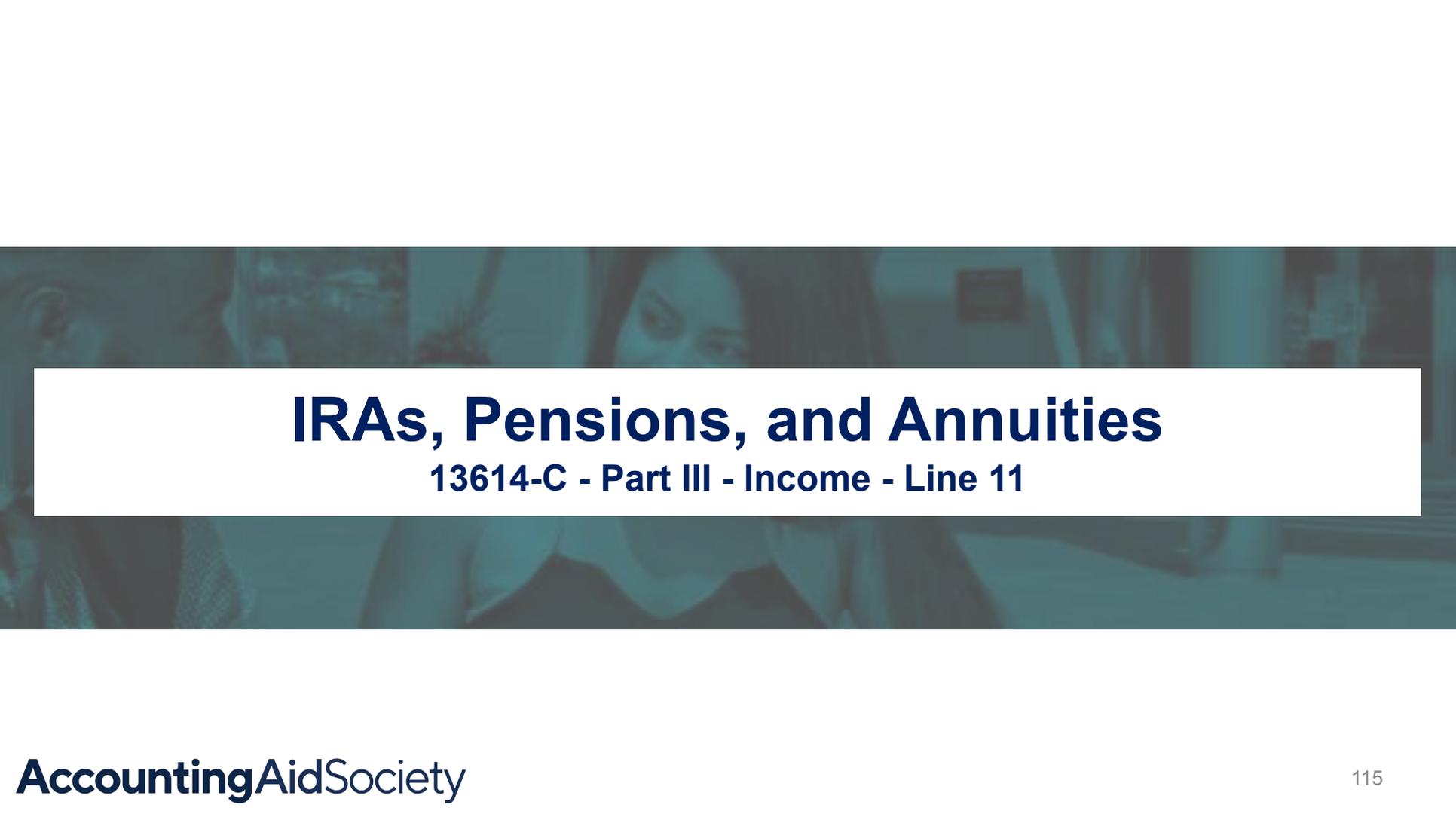
Refund of State/Local Income Taxes

This income is reported **only** if the taxpayer itemized deductions last year claiming state income taxes as a deduction and received a state or local income tax refund.

VOID CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Unemployment compensation \$	OMB No. 1545-0120	Certain Government Payments Copy 1 For State Tax Department
		2 State or local income tax refunds, credits, or offsets \$	<div style="border: 2px solid red; padding: 5px; display: inline-block;"> 2021 Form 1099-G </div>	
PAYER'S TIN	RECIPIENT'S TIN	3 Box 2 amount is for tax year	4 Federal income tax withheld \$	
RECIPIENT'S name		5 RTAA payments \$	6 Taxable grants \$	
Street address (including apt. no.)		7 Agriculture payments \$	8 Check if box 2 is trade or business income <input type="checkbox"/>	
City or town, state or province, country, and ZIP or foreign postal code		9 Market gain \$		
Account number (see instructions)		10a State	10b State identification no.	11 State income tax withheld \$
				\$

Form **1099-G** www.irs.gov/Form1099G Department of the Treasury - Internal Revenue Service



IRAs, Pensions, and Annuities

13614-C - Part III - Income - Line 11

IRAs, Annuities, and Pensions– Form 1099-R

VOID CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and phone no.		1 Gross distribution \$ _____		OMB No. 1545-0119 <div style="font-size: 2em; font-weight: bold; text-align: center;">2020</div> Form 1099-R		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. Copy 1 For State, City, or Local Tax Department			
		2a Taxable amount \$ _____							
PAYER'S TIN RECIPIENT'S TIN		2b Taxable amount not determined <input type="checkbox"/> Total distribution <input type="checkbox"/>		3 Capital gain (included in box 2a) \$ _____				4 Federal income tax withheld \$ _____	
RECIPIENT'S name Street address (including apt. no.) City or town, state or province, country, and ZIP or foreign postal code		5 Employee contributions/ Designated Roth contributions or insurance premiums \$ _____		6 Net unrealized appreciation in employer's securities \$ _____				8 Other \$ _____ %	
7 Distribution code(s) _____		IRA/ SEP/ SIMPLE <input type="checkbox"/>		9a Your percentage of total distribution _____ %		9b Total employee contributions \$ _____			
10 Amount allocable to IRR within 5 years \$ _____		11 1st year of desig. Roth contrib.	12 FATCA filing requirement <input type="checkbox"/>	14 State tax withheld \$ _____		15 State/Payer's state no.		16 State distribution \$ _____	
Account number (see instructions)		13 Date of payment		17 Local tax withheld \$ _____		18 Name of locality		19 Local distribution \$ _____	

Form **1099-R** www.irs.gov/Form1099R Department of the Treasury - Internal Revenue Service

IRAs, Annuities, and Pensions

Distributions from an Individual Retirement Account, annuity, or pension, might be fully taxable or partially taxable

Gross Distributions	Taxable Amount
<ul style="list-style-type: none">• The total amount the taxpayer received in the tax year• Reported to taxpayer on Form 1099-R, Box 1	<ul style="list-style-type: none">• The part of the distribution that is taxable• Reported to taxpayer on Form 1099-R, Box 2a• Also reported on Form 1040, Line 4b

NOTE: If there is no entry in this Box 2a, the payer may not have all the facts needed to figure the taxable amount. In that case, the first box in box 2b: “***Taxable amount not determined***” should be checked.

****Preparing returns with the taxable amount not determined requires Advanced certification****

Taxable Amount Undetermined

Some clients may receive a form where the taxable amount is not determined. If this is the case, we will have to use the simplified method. To do so, we will need the following information:

1. Plan Cost at annuity start date (shown in box 9b)
2. Starting date of annuity
3. Is this a joint or survivor annuity?
4. What was the age of the recipient at start date? (if joint or survivor annuity, add ages of recipients)
5. Number of months paid in 2020?

Office of Personnel Management
Retirement Operations
P.O. Box 45
Boyers, PA 16017-0045

Statement of Survivor Annuity Paid

Copy C - For annuitant's records.
This information is being furnished to the U.S. Internal Revenue

2019

OMB No. 1545-0119
Form 1099-R
Distributions From
Pensions, Annuities,
Retirement or Profit-
Sharing Plans, IRAs,
Insurance Contracts, etc.

PAYER's Federal Identification	Recipient's ID No. (Survivor)	Account number (Retirement Claim No.)
5. Employee Contributions/ Designated ROTH Contributions or Insurance Premiums	Paid To	CS F7152555W
3127.83		
7. Distribution Code(s)		
4-DEATH-BENEFIT		
9b. Total Employee Contributions		
11440.00		

1. Gross distribution	18684.00
2a. Taxable amount	UNKNOWN
4. Federal Income Tax Withheld	NONE
12. State tax withheld	NONE
13. State/Payer's state no.	
12. State tax withheld	NONE
13. State/Payer's state no.	

Required Minimum Contributions

Minimum Distributions - To avoid an additional tax for excess accumulation, participants in retirement plans must begin taking a Required Minimum Distribution (RMD) by a specified date.

- That date is April 1 of the calendar year following the year in which the taxpayers either reached age 72 (70½ if the taxpayer reaches 70½ before January 1, 2020), or retired, whichever is later.
- For IRAs, it does not matter whether the taxpayer has retired.
- These rules do not apply to Roth IRAs. The trustee of the qualified plan will contact the taxpayer at the appropriate time to begin their RMD.

Basic Scenario 5: Alan Carmichael

Interview Notes:

- Alan is single and 71 years old.
- Alan worked as a greeter at the local department store and earned wages of \$6,000. Alan also received Social Security benefits of \$14,500. He received a taxable pension of \$11,700.
- He retired from his previous job on October 30, 2019. During his career he contributed pretax dollars to a qualified 401(k) retirement plan through his employer.
- Alan cannot be claimed as a dependent by another taxpayer.
- Alan is a U.S. citizen with a valid Social Security number.

Question 10 (page 38)

Alan must take a required minimum distribution in 2021.

- a. True
- b. False

IRAs, Annuities, and Pensions

Before starting the return, make sure the return is in scope. Box 7 shows the distribution code:

1	Early distribution, no known exception - If this wasn't rolled over, a 10% additional tax will be applied unless the taxpayer qualifies for an exception.
2	Early distribution, exception applies - Applies if the taxpayer is under 59 ½ but the payer knows that an exception to the additional tax applies.If the IRA/SEP/SIMPLE box IS checked, additional reporting may be required on Form 8606, and the return is Out of Scope.
3	Disability - If the taxpayer is under the minimum retirement age for the company he retired from, then check the box under Rollover or Disability that says, "Check here to report as wages on the Form 1040." This will reclassify the disability income as wages.
4	Death - A survivor's benefit or an inherited IRA
7	Normal distribution
6,7,8,9	Out of Scope

Exceptions to 10% Early Withdrawal Penalty

<u>Exception</u>	<u>Circumstances</u>	<u>Qualified Plans</u>	<u>IRA, SEP, and Simple IRA</u>
Homebuyers	qualified first-time homebuyers, up to \$10,000	no	yes
Levy	because of an IRS levy of the plan	yes	yes
Medical	amount of unreimbursed medical expenses (>10% AGI for 2021) or health insurance premiums paid while unemployed	yes	yes
Military	certain distributions to qualified military reservists called to active duty	yes	yes
Rollovers	in-plan Roth rollovers or eligible distributions contributed to another retirement plan or IRA within 60 days	yes	yes

Basic Scenario 9: Mary Rodgers

Interview Notes:

- Mary is 30 years old and married to Mark, age 36. Mark passed away on January 30, 2021.
- Mark was unemployed and had no income in 2021 due to his illness.
- Mary's seven-year-old daughter, Jenny, lived with her the entire year.
- Mary paid more than half the cost of keeping up a home and support for Mark and Jenny.
- Mary received a distribution from her traditional IRA in January to pay for living expenses.
- Mary was a full-time high school teacher and earned \$35,000 in wages. Mary purchased supplies for her class out of her own pocket totaling \$320.
- Mary received a W-2G in the amount of \$8,200 from the local casino.
- Mary paid child and dependent care expenses for Jenny while she worked.
- Mary elected to not receive advance child tax credit payments.
- Mary and Mark received a \$4,200 Economic Impact Payment (EIP3) in 2021.
- Mary, Mark, and Jenny are U.S. citizens and have valid Social Security numbers. They all lived in the United States for the entire year.
- If Mary is entitled to a refund, she would like to deposit half into her checking account and half into her savings account. Documents from Adelphi Bank and Trust show that the routing number for both accounts is 111000025. Her checking account number is 113355779 and her savings account number is 224466880.

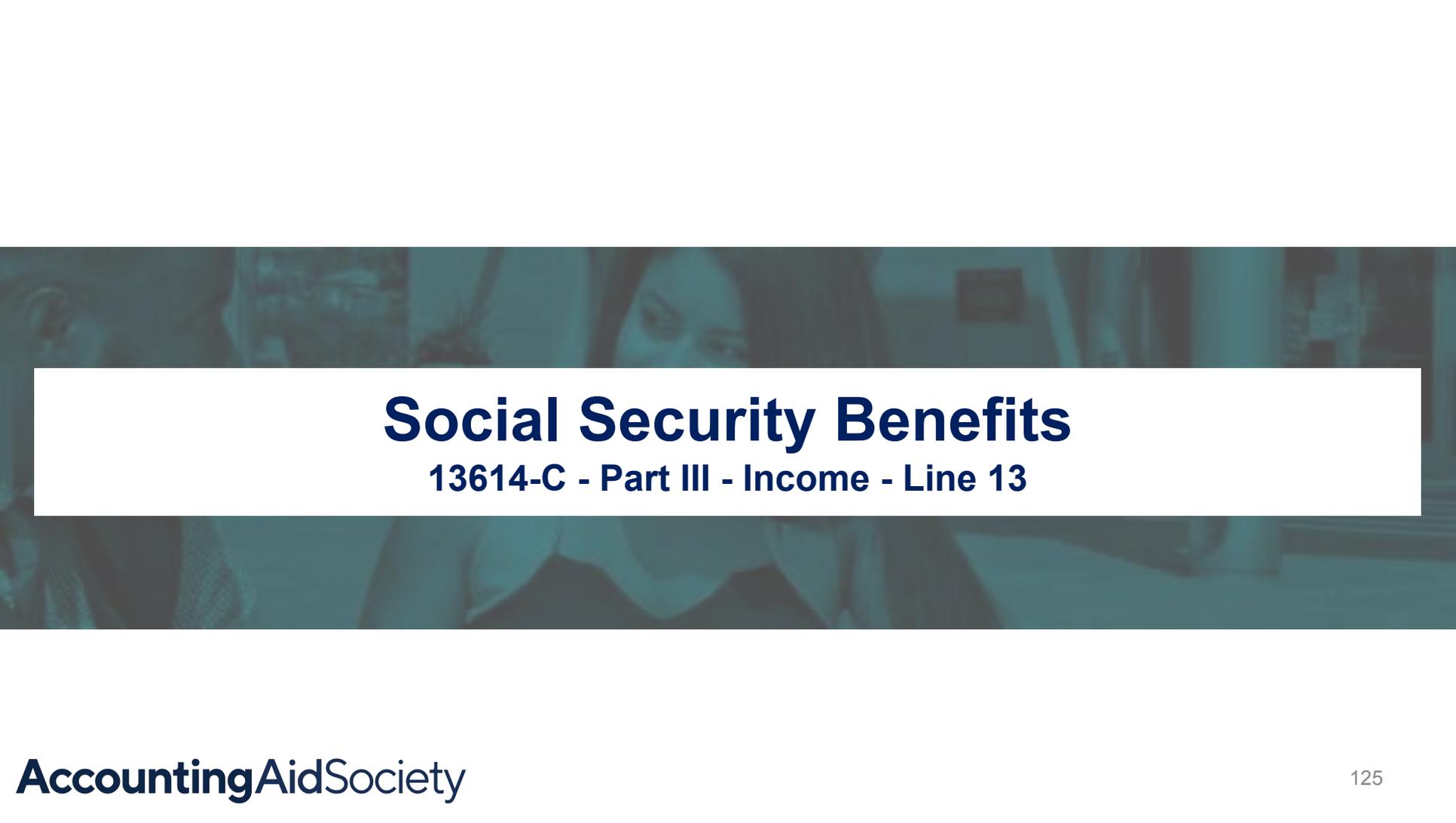
Using the documents from pages 56-62, complete the Rodgers's tax return and use it to answer questions 25-30.

Basic Scenario 9: Mary Rodgers

Question 27 (page 63)

Mary is subject to the additional 10% tax on early distributions.

- a. True
- b. False



Social Security Benefits

13614-C - Part III - Income - Line 13

Social Security Benefits – Form SSA-1099

- Reported to taxpayer on **Form SSA-1099, Box 5**
 - Box 5 is pink.
- Social Security benefits are reported on Form 1040, Line 5a
- Be sure to also enter any income tax withheld from Form SSA-1099, Box 6
- Up to 85 percent of the benefits may be taxable depending on:
 - Filing Status
 - Amount of Social Security benefits
 - Amount of total income

FORM SSA-1099 – SOCIAL SECURITY BENEFIT STATEMENT

2011 • PART OF YOUR SOCIAL SECURITY BENEFITS SHOWN IN BOX 5 MAY BE TAXABLE INCOME.
• SEE THE REVERSE FOR MORE INFORMATION.

Box 1. Name		Box 2. Beneficiary's Social Security Number
Box 3. Benefits Paid in 2019	Box 4. Benefits Repaid to SSA in 2019	Box 5. Net Benefits for 2019 (Box 3 minus Box 4)
DESCRIPTION OF AMOUNT IN BOX 3		DESCRIPTION OF AMOUNT IN BOX 4
		Box 6. Voluntary Federal Income Tax Withheld
		Box 7. Address
		Box 8. Claim Number (Use this number if you need to contact SSA.)

Form SSA-1099-SM (1-2020) **DO NOT RETURN THIS FORM TO SSA OR IRS**

Social Security Benefits – Taxable Portion

Fifty percent of a taxpayer's benefits may be taxable if they are:

- Filing single, head of household or qualifying widow or widower with \$25,000 to \$34,000 income.
- Married filing separately and lived apart from their spouse for all of 2019 with \$25,000 to \$34,000 income.
- Married filing jointly with \$32,000 to \$44,000 income.

Up to 85% of a taxpayer's benefits may be taxable if they are:

- Filing single, head of household or qualifying widow or widower with more than \$34,000 income.
- Married filing jointly with more than \$44,000 income.
- Married filing separately and lived apart from their spouse for all of the tax year with more than \$34,000 income.
- Married filing separately and lived with their spouse at any time during the tax year

Basic Scenario 7: Fred and Wilma Jones

Interview Notes:

- Fred, age 67 and Wilma, age 58, are married. They elect to file Married Filing Jointly.
- Fred is retired. He received Social Security benefits and a pension.
- Fred and Wilma have one son, Stephen, age 18. Stephen is a full-time college student in his second year of study. He is pursuing a degree in Music and does not have a felony drug conviction. He received a Form 1098-T for 2021. Box 2 was not filled in and Box 7 was not checked on his Form 1098-T for the previous tax year.
- Stephen spent the summer at home with his parents but lived in an apartment near campus during the school year.
- Stephen received a scholarship and the terms require that it be used to pay tuition. Fred and Wilma paid the cost of Stephen's tuition and course-related books in 2021 not covered by scholarship. They paid \$90 for a parking sticker, \$4,500 for a meal plan, \$500 for textbooks purchased at the college bookstore, and \$100 for access to an online textbook.
- Fred and Wilma paid more than half the cost of maintaining a home and support for Stephen.
- Fred and Wilma do not have enough deductions to itemize on their federal tax return.
- The Joneses made timely estimated tax payments of \$150 each quarter for tax year 2021.
- The Joneses received a \$4,200 Economic Impact Payment (EIP3) in 2021.
- Fred, Wilma and Stephen are U.S. citizens and have valid Social Security numbers. They all lived in the United States for the entire year.
- If Fred and Wilma receive a refund, they would like to deposit it into their checking account. Documents from County Bank show that the routing number is 111000025. Their checking account number is 11337890.

Using the documents from pages 41-48, complete the Jones' tax return and use it to answer questions 14-19.

Basic Scenario 7: Fred and Wilma Jones

Question 18 (page 49)

The taxable amount of Fred's Social Security is \$7,650.00

- a. True
- b. False

Relevant Intake Notes:

- The Joneses are filing MFJ
- Their gross income in regards to calculating taxable social security is \$54,200.

FORM SSA-1099 – SOCIAL SECURITY BENEFIT STATEMENT		
2021 • PART OF YOUR SOCIAL SECURITY BENEFITS SHOWN IN BOX 5 MAY BE TAXABLE INCOME. • SEE THE REVERSE FOR MORE INFORMATION.		
Box 1. Name FRED JONES	Box 2. Beneficiary's Social Security Number 127-00-XXXX	
Box 3. Benefits Paid in 2021 \$9,000.00	Box 4. Benefits Repaid to SSA in 2021	Box 5. Net Benefits for 2021 (Box 3 minus Box 4) \$9,000.00
DESCRIPTION OF AMOUNT IN BOX 3 Paid by check or direct deposit: \$9,000		DESCRIPTION OF AMOUNT IN BOX 4
		Box 6. Voluntary Federal Income Tax Withholding \$900.00
		Box 7. Address 100 STONE STREET YOUR CITY, YOUR STATE, ZIP
		Box 8. Claim Number (Use this number if you need to contact SSA)
Draft as of June 21, 2021 - Subject to Change		
Form SSA-1099-SM (6/2020) DO NOT RETURN THIS FORM TO SSA OR IRS		

Basic Scenario 7: Fred and Wilma Jones

Question 17 (page 49)

What is the total amount of federal income tax withholding shown on Fred Jones' Form(s) W-2 and 1099?

- a. \$2,700
- b. \$5,200
- c. \$6,100
- d. \$6,622

Documents to follow on next slide.

Basic Scenario 7: Fred and Wilma Jones

545-0008 FAST! Use  www.irs.gov/efile

1 Wages, tips, other compensation \$42,000.00	2 Federal income tax withheld \$2,700.00
3 Social security wages \$42,000.00	4 Social security tax withheld \$2,604.00
5 Medicare wages and tips \$42,000.00	6 Medicare tax withheld \$609.00
7 Social security tips	8 Allocated tips
9	10 Dependent care benefits
11 Nonqualified plans	12a See instructions for box 12 DD \$2,300.00
13 Statutory employee <input type="checkbox"/> Retirement plan <input checked="" type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b
14 Other	12c

W2 Income

RECTED (if checked)

1 Gross distribution \$ 10,000.00	OMB No. 1545-0119 2021 Form 1099-R
2a Taxable amount \$ 10,000.00	
2b Taxable amount not determined <input type="checkbox"/>	Total distribution <input type="checkbox"/>
3 Capital gain (included in box 2a) \$	4 Federal income tax withheld \$ 2,500.00
5 Employee contributions/ Designated Roth	6 Net unrealized appreciation in

Dis
Pen
Profi

RECTED (if checked)

1a Total ordinary dividends \$ 2,200.00	OMB No. 1545-0110 2021 Form 1099-DIV
1b Qualified dividends \$ 2,200.00	
2a Total capital gain distr. \$	2b Unrecap. Sec. 1250 gain \$
2c Section 1202 gain \$	2d Collectibles (28%) gain \$
2e Section 897 ordinary dividends \$	2f Section 897 capital gain \$
3 Nondividend distributions \$	4 Federal income tax withheld \$ 522.00
5 Section 199A dividends \$	6 Investment expenses \$

Di
I

ES | 127-00-XXXX

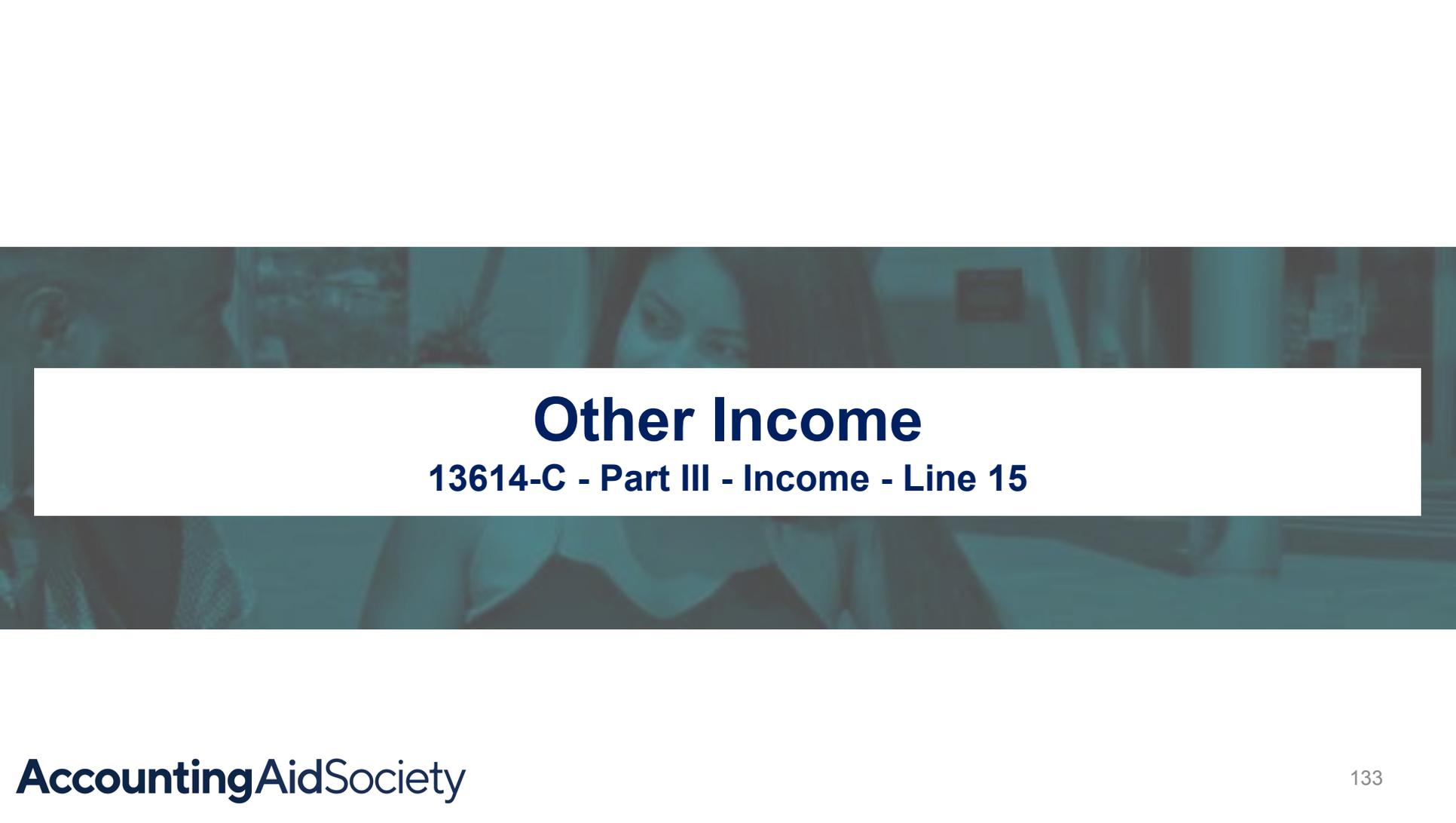
SSA in 2021	Box 5. Net Benefits for 2021 (Box 3 minus Box 4) \$9,000.00
DESCRIPTION OF AMOUNT IN BOX 4	
Box 6. Voluntary Federal Income Tax Withholding \$900.00	
Box 7. Address 1099-SSA Income	

Basic Scenario 7: Fred and Wilma Jones

Question 17 (page 49)

What is the total amount of federal income tax withholding shown on Fred Jones' Form(s) W-2 and 1099?

- a. \$2,700
- b. \$5,200
- c. \$6,100
- d. \$6,622



Other Income

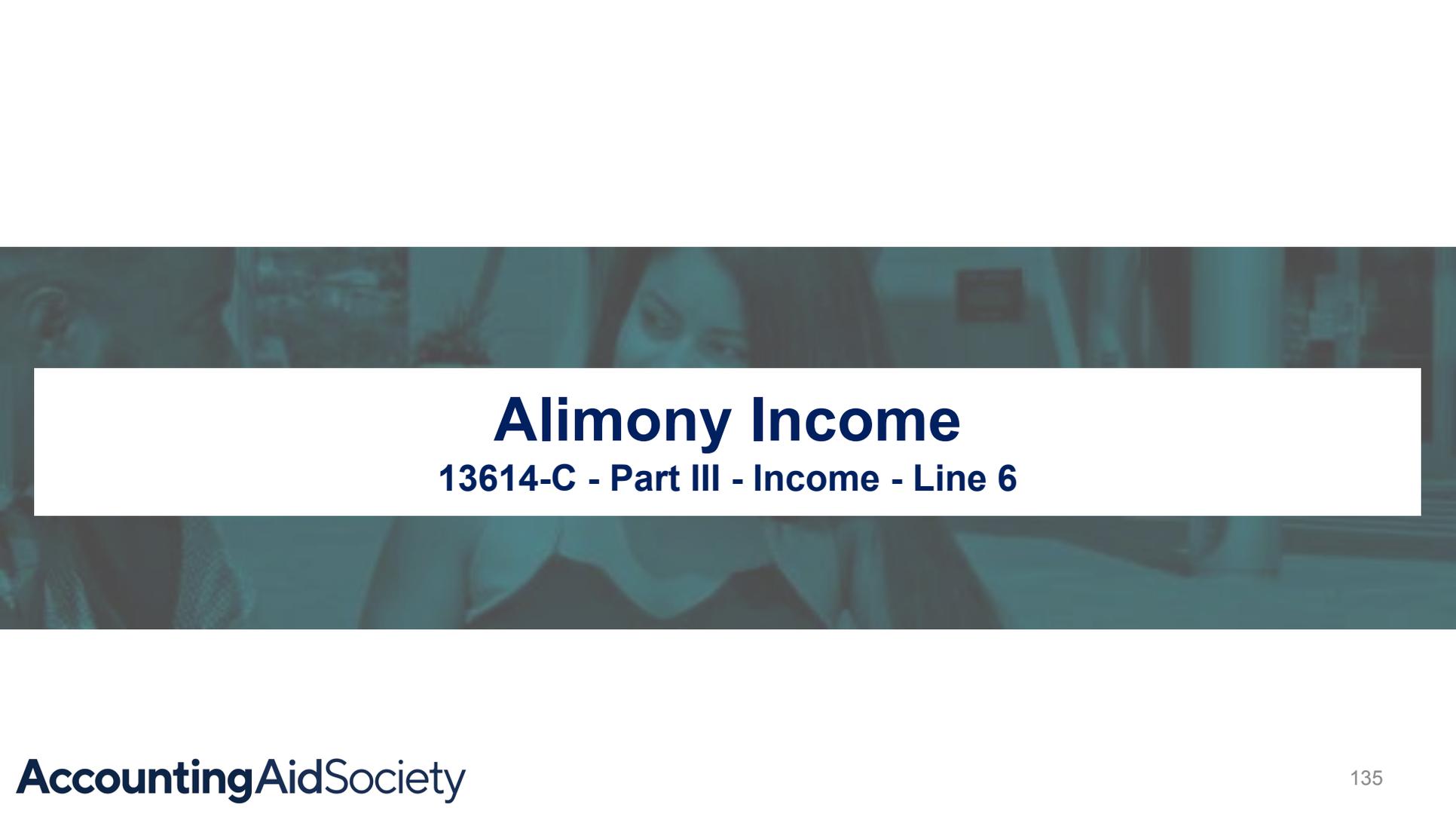
13614-C - Part III - Income - Line 15

Schedule- Part I

Line 8 on Form 1040 “Other income from Schedule 1, line 10.” Any income highlighted in blue is the income that is in scope for Basic certification. Anything in Red is in scope with an Advanced certification.

SCHEDULE 1 (Form 1040)		Additional Income and Adjustments to Income		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040, 1040-SR, or 1040-NR. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.		2021 Attachment Sequence No. 01
Name(s) shown on Form 1040, 1040-SR, or 1040-NR			Your social security number	
Part I Additional Income				
1	Taxable refunds, credits, or offsets of state and local income taxes		1	
2a	Alimony received		2a	
	b Date of original divorce or separation agreement (see instructions) ▶			
3	Business income or (loss). Attach Schedule C		3	
4	Other gains or (losses). Attach Form 4797		4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		5	
6	Farm income or (loss). Attach Schedule F		6	
7	Unemployment compensation		7	
8	Other income:			
a	Net operating loss	8a ()		
b	Gambling income	8b		
c	Cancellation of debt	8c		
d	Foreign earned income exclusion from Form 2555	8d ()		
e	Taxable Health Savings Account distribution	8e		
f	Alaska Permanent Fund dividends	8f		
g	Jury duty pay	8g		

h	Prizes and awards	8h	
i	Activity not engaged in for profit income	8i	
j	Stock options	8j	
k	Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property	8k	
l	Olympic and Paralympic medals and USOC prize money (see instructions)	8l	
m	Section 951(a) inclusion (see instructions)	8m	
n	Section 951A(a) inclusion (see instructions)	8n	
o	Section 461(l) excess business loss adjustment	8o	
p	Taxable distributions from an ABL account (see instructions)	8p	
z	Other income. List type and amount ▶	8z	
9	Total other income. Add lines 8a through 8z		9
10	Combine lines 1 through 7 and 9. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8		10



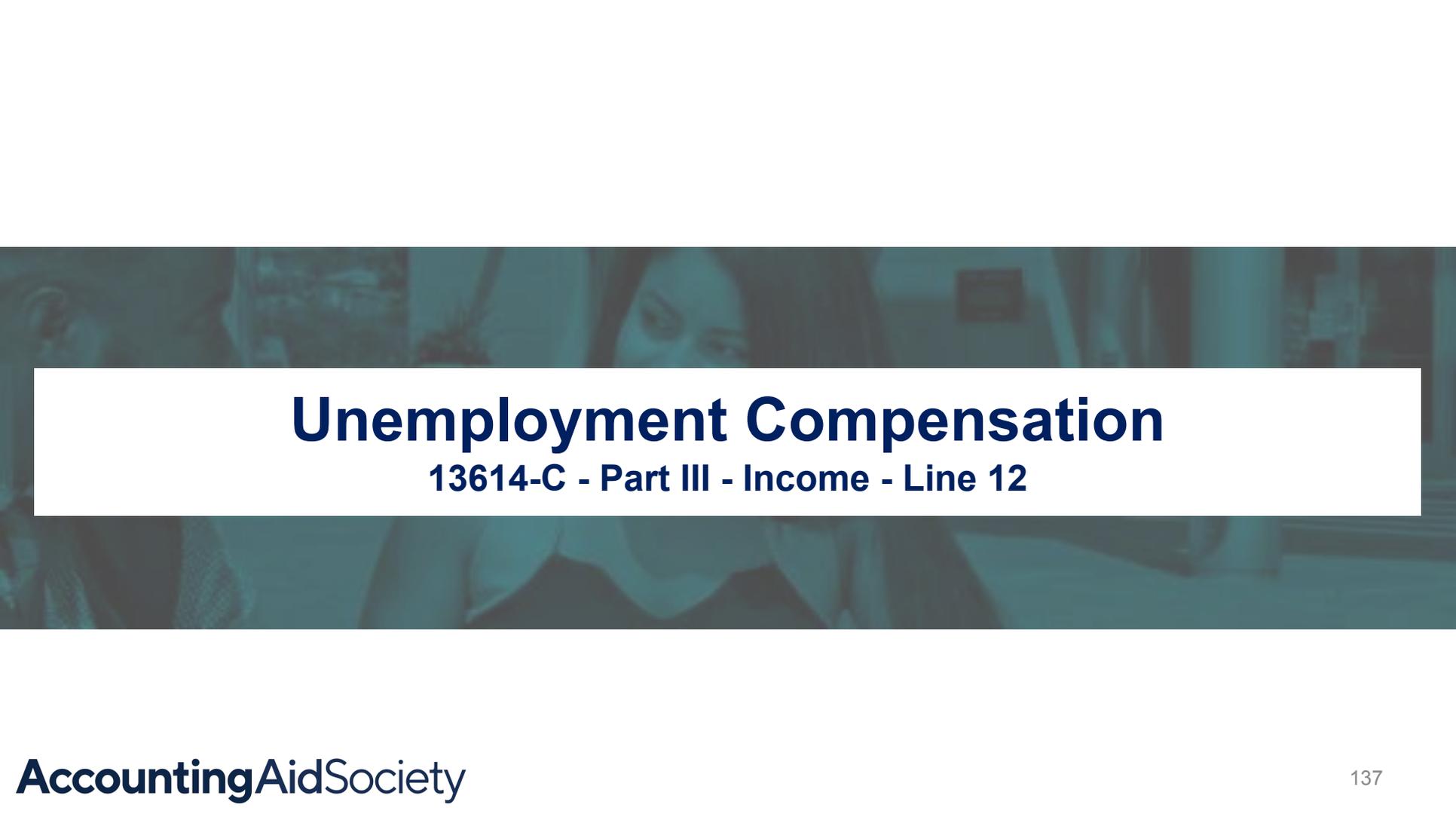
Alimony Income

13614-C - Part III - Income - Line 6

Line 2a – Alimony received

Alimony (court-ordered provision for a spouse after separation or divorce) is no longer reportable/deductible for divorce decrees that are initiated or revised after December 31, 2018

- If the divorce decree was initiated **before December 31, 2018**, the receiving spouse reports the amount received on line 2a of Schedule 1 and the paying spouse is allowed to deduct the amount paid on line 18a of Schedule 1
- **Note: you'll need to input the date of the divorce decree on the 1040.**



Unemployment Compensation

13614-C - Part III - Income - Line 12

Basic Scenario 6: Bobbie Daniels

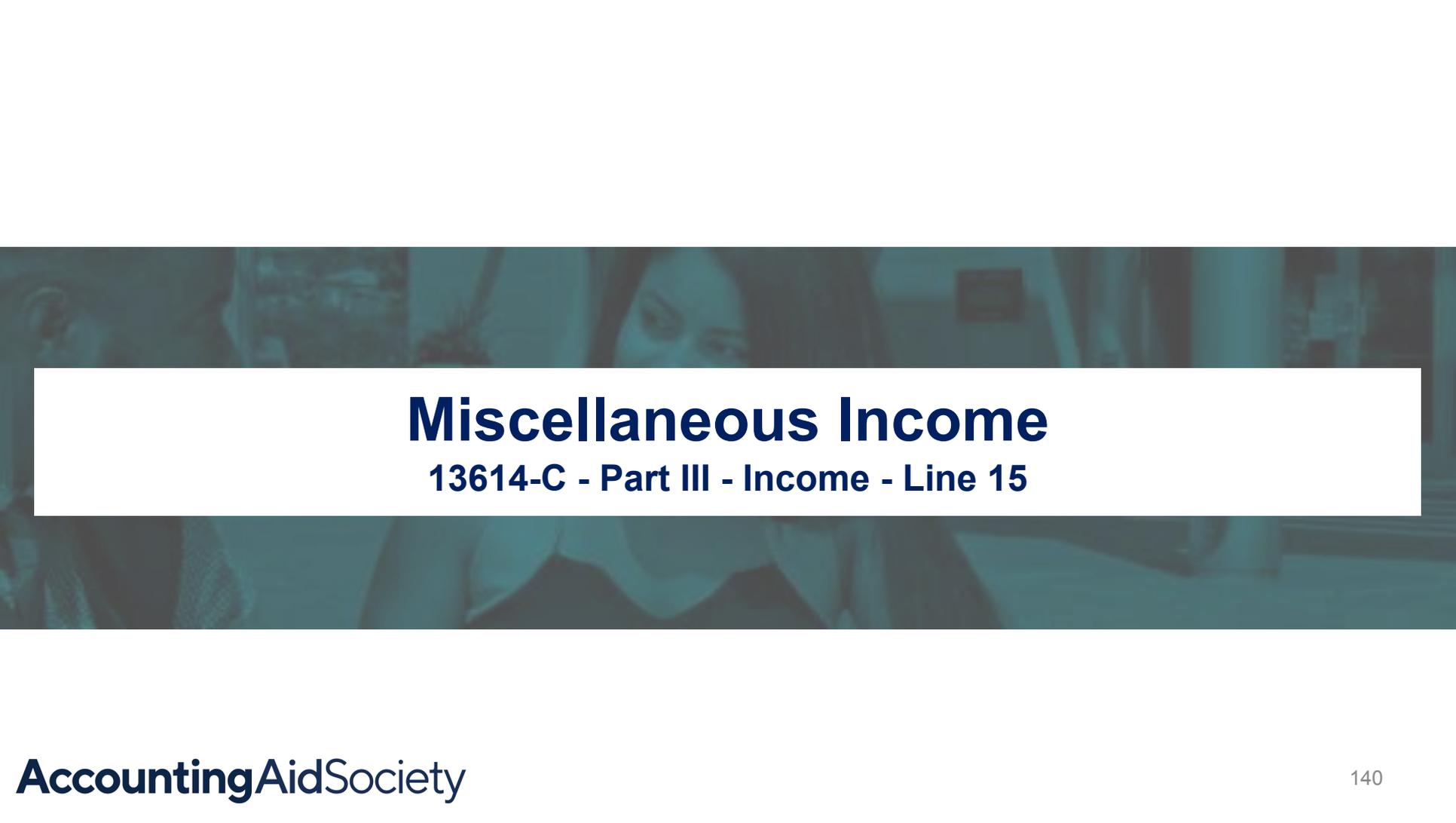
Interview Notes:

- Bobbie Daniels was separated from his spouse for 10 months in 2021. Bobbie and his spouse have decided to file their tax returns as Married Filing Separately.
- Bobbie earned wages of \$11,000 during the first half of the year. Bobbie lost his job in July and received a total of \$7,500 in unemployment compensation.
- Bobbie is a chef and took a gourmet cooking class at the community college to improve his cooking skills. He paid the cost of tuition and a course-related book. His total education expenses were \$1,500.
- Bobbie also paid student loan interest for the courses he previously took to earn his Bachelor's degree. For 2021, he paid student loan interest of \$350.
- Bobbie does not have any dependents.
- Bobbie is a U.S. citizen with a valid Social Security number.

Question 11 (page 39)

Bobbie can exclude his unemployment compensation on his 2021 tax return.

- a. True
- b. False



Miscellaneous Income

13614-C - Part III - Income - Line 15

Miscellaneous Income: Form 1099-MISC

Box 1: Includes any rental income the taxpayer may have received

▪ **Rental income is out of scope of Accounting Aid Society.**

Box 2: Includes any royalty income the taxpayer may have received

▪ **Advanced Certification**

Box 3: All other income, which includes income not listed elsewhere on a 1099-MISC

▪ Example: Amber received a \$3,000 cash prize from her local grocery store from a contest she entered. This will be reported as other income.

<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0115		
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents	2020	
		\$ _____		
PAYER'S TIN		2 Royalties	Form 1099-MISC	
		\$ _____		
RECIPIENT'S TIN		3 Other income	4 Federal income tax withheld	
		\$ _____	\$ _____	
RECIPIENT'S name		5 Fishing boat proceeds	6 Medical and health care payments	
		\$ _____	\$ _____	
Street address (including apt. no.)		7 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	8 Substitute payments in lieu of dividends or interest	
		\$ _____	\$ _____	
City or town, state or province, country, and ZIP or foreign postal code		9 Crop insurance proceeds	10 Gross proceeds paid to an attorney	
		\$ _____	\$ _____	
Account number (see instructions)		11	12 Section 409A deferrals	
		\$ _____	\$ _____	
FATCA filing requirement <input type="checkbox"/>		13 Excess golden parachute payments	14 Nonqualified deferred compensation	
		\$ _____	\$ _____	
		15 State tax withheld	16 State/Payer's state no.	17 State income
		\$ _____	\$ _____	\$ _____

Miscellaneous Income
Copy 1 For State Tax Department

Form **1099-MISC** www.irs.gov/Form1099MISC Department of the Treasury - Internal Revenue Service

Boxes 8 through 15b (various unusual kinds of income): Out of scope for VITA

Gambling Winnings: Form W-2G

- If a client has gambling winnings, they *may* be issued a W-2G. Even if they do not receive a W-2G, their winnings are still taxable.
- Gambling losses up to the amount of winnings reported may be deducted as an other itemized deduction on Schedule A

PAYER'S name, street address, city or town, province or state, country, and ZIP or foreign postal code		1 Reportable winnings	2 Date won
		\$	
		3 Type of wager	4 Federal income tax withheld
			\$
PAYER'S federal identification number		5 Transaction	6 Race
PAYER'S telephone number		7 Winnings from identical wagers	8 Cashier
		\$	
WINNER'S name		9 Winner's taxpayer identification no.	10 Window
Street address (including apt. no.)		11 First I.D.	12 Second I.D.
City or town, province or state, country, and ZIP or foreign postal code		13 State/Payer's state identification no.	14 State winnings
			\$
		15 State income tax withheld	16 Local winnings
		\$	\$
		17 Local income tax withheld	18 Name of locality
		\$	

OMB No. 1545-0238

2020

Form W-2G

Certain Gambling Winnings

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

File with Form 1096

Copy A
For Internal Revenue Service Center

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

Form MISC: UAW Legal Services Plan Trust

If a client comes in with a 1099-MISC that is received from the *UAW-FCA-FORD-GENERAL MOTORS LEGAL SERVICES PLAN TRUST*, this income would be reported as OTHER INCOME and not reported as miscellaneous income.

CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. UAW-FCA-FORD-GENERAL MOTORS LEGAL SERVICES PLAN TRUST 1400 WOODBRIDGE ST., 4TH FLOOR DETROIT, MI 48207 (800) 462-7700		1 Rents \$	2 Royalties \$	OMB No. 1545-0115 2020 Form 1099-MISC Miscellaneous Income
PAYER'S TIN 81-4920943		3 Other income \$ 23.58	4 Federal income tax withheld \$	
RECIPIENT'S TIN		5 Fishing boat proceeds \$	6 Medical and health care payments \$	Copy 2 To be filed with recipient's state income tax return, when required.
RECIPIENT'S name		7 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	8 Substitute payments in lieu of dividends or interest \$	
RECIPIENT'S name		9 Crop insurance proceeds \$	10 Gross proceeds paid to an attorney \$	
RECIPIENT'S name		11	12 Section 409A deferrals \$	
RECIPIENT'S name		13 Excess golden parachute payments \$	14 Nonqualified deferred compensation \$	
RECIPIENT'S name		15 State tax withheld \$	16 State/Payer's state no	
Account number (see instructions)	FATCA filing requirement <input type="checkbox"/>		17 State income \$	

Form 1099-MISC

www.irs.gov/Form1099MISC

Department of the Treasury - Internal Revenue Service

Other Income

Form belongs to
Taxpayer

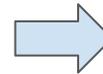
Description of other income *

UAW LEGAL SERVICES

Amount of other income *

\$ 23

Earned Income



Basic Scenario 9: Mary Rodgers

Question 25 (page 63)

Mary's gambling winnings do **not** have to be reported on her return.

- a. True
- b. False

Canceled Debt: Form 1099-C

If a client comes in with canceled debt, it will be reported as other income. If the client is in bankruptcy, insolvent, or the canceled debt is business related it is not in scope. Requires Advanced certification.

CORRECTED (if checked)

CREDITOR'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Date of identifiable event 09/24/2020	OMB No. 1545-1424 2020 Form 1099-C	Cancellation of Debt
		2 Amount of debt discharged \$11,327.72		
		3 Interest, if included in box 2 \$		
CREDITOR'S TIN 1	DEBTOR'S TIN	4 Debt description CREDIT CARD LOAN		Copy B For Debtor This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if taxable income results from this transaction and the IRS determines that it has not been reported.
DEBTOR'S name				
Street address (including apt. no.)				
City or town, state or province, country, and ZIP or foreign postal code				
5 If checked, the debtor was personally liable for repayment of the debt <input checked="" type="checkbox"/>		6 Identifiable event code G	7 Fair market value of property \$	
Account number (see instructions) 5424181150040702				

Form **1099-C**

(keep for your records)

www.irs.gov/Form1099C

Department of the Treasury - Internal Revenue Service

Election Worker Income

A client may come in with election worker income, this may be reported on

- form W2
- form 1099-MISC
- form 1099-NEC

This income should not be reported as self employment income, instead it should be reported as Other (earned) Income.



Adjusted Gross Income (AGI)

Adjusted Gross Income (AGI)

Adjustments are deductions that **decrease** a taxpayer's gross income.

Total Income – Adjustments = **Adjusted Gross Income (AGI)**

Any increases to adjustments will ultimately lower taxable income and **reduce income tax**.

Note that adjustments **do not lower other taxes**, such as self-employment tax.

9	Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	▶	9	
10	Adjustments to income from Schedule 1, line 28		10	
11	Subtract line 10 from line 9. This is your adjusted gross income	▶	11	

Adjusted Gross Income (AGI)

Line 10 on Form 1040 “Adjustments to income from Schedule 1, line 26.” The items in blue is in scope for Basic Certification. Anything in red is in scope with an Advanced Certification. **Any other adjustment is out of scope.**

Schedule 1 (Form 1040) 2021

Page 2

Part II Adjustments to Income

11	Educator expenses	11
12	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	12
13	Health savings account deduction. Attach Form 8889	13
14	Moving expenses for members of the Armed Forces. Attach Form 3903	14
15	Deductible part of self-employment tax. Attach Schedule SE	15
16	Self-employed SEP, SIMPLE, and qualified plans	16
17	Self-employed health insurance deduction	17
18	Penalty on early withdrawal of savings	18
19a	Alimony paid	19a
	b Recipient's SSN	
	c Date of original divorce or separation agreement (see instructions)	
20	IRA deduction	20
21	Student loan interest deduction	21
22	Reserved for future use	22
23	Archer MSA deduction	23
24	Other adjustments:	
	a Jury duty pay (see instructions)	24a
	b Deductible expenses related to income reported on line 8k from the rental of personal property engaged in for profit	24b

c	Nontaxable amount of the value of Olympic and Paralympic medals and USOC prize money reported on line 8l	24c
d	Reforestation amortization and expenses	24d
e	Repayment of supplemental unemployment benefits under the Trade Act of 1974	24e
f	Contributions to section 501(c)(18)(D) pension plans	24f
g	Contributions by certain chaplains to section 403(b) plans	24g
h	Attorney fees and court costs for actions involving certain unlawful discrimination claims (see instructions)	24h
i	Attorney fees and court costs you paid in connection with an award from the IRS for information you provided that helped the IRS detect tax law violations	24i
j	Housing deduction from Form 2555	24j
k	Excess deductions of section 67(e) expenses from Schedule K-1 (Form 1041)	24k
z	Other adjustments. List type and amount	24z
25	Total other adjustments. Add lines 24a through 24z	25
26	Add lines 11 through 23 and 25. These are your adjustments to income. Enter here and on Form 1040 or 1040-SR, line 10, or Form 1040-NR, line 10a	26

Adjusted Gross Income (AGI)

- Adjusted Gross Income adjusts your gross income dollar for dollar.
- Example: The taxpayer has \$20,000 in Gross Income, \$250 in educator expense deductions, \$50 in penalty on early withdrawal of savings deductions, \$2,000 in alimony paid deductions, and \$1,000 in student loan interest deductions. What is the taxpayers AGI?
- Answer:
 - Gross Income = \$20,000.
 - Total Adjustments to Income = \$3,300 (\$250 + \$50 + \$2,000 + \$1,000)
 - **AGI** = \$16,700 (\$20,000 - \$3,300)



Adjustments to Income



Supplies Used as an Eligible Educator

13614-C - Part IV - Expenses - Line 6

Educator Expense Deductions

- An eligible educator is allowed to deduct up to \$250 (Single) or \$500 (Married Filing Joint if both spouses are eligible educators) .
 - An eligible educator is a kindergarten through 12th grade teacher, instructor, counselor, principal, or aide in school for at least **900** hours during the school year
- Expenses must be qualified. Additionally, professional development expenses are allowed unless reimbursement is offered by the school but not accepted.
- ***Qualified Expenses include:***
 - *Ordinary and necessary* expenses purchased, such as books, equipment, supplies, and other materials. Expenses **do not have to be required** *in order to be considered necessary*.
 - Qualified expenses also include amounts paid or incurred for personal protective equipment, disinfectant, and other supplies used for the prevention of the spread of coronavirus.
 - Homeschooling expenses **are not** considered qualified expenses
 - Any reimbursements you receive for expenses that aren't reported to you as wages on a W – 2 cannot be included in the deduction.

Basic Scenario 9: Mary Rodgers

Interview Notes:

- Mary is 30 years old and married to Mark, age 36. Mark passed away on January 30, 2021.
- Mark was unemployed and had no income in 2021 due to his illness.
- Mary's seven-year-old daughter, Jenny, lived with her the entire year.
- Mary paid more than half the cost of keeping up a home and support for Mark and Jenny.
- Mary received a distribution from her traditional IRA in January to pay for living expenses.
- Mary was a full-time high school teacher and earned \$35,000 in wages. Mary purchased supplies for her class out of her own pocket totaling \$320.
- Mary received a W-2G in the amount of \$8,200 from the local casino.
- Mary paid child and dependent care expenses for Jenny while she worked.
- Mary elected to not receive advance child tax credit payments.
- Mary and Mark received a \$4,200 Economic Impact Payment (EIP3) in 2021.
- Mary, Mark, and Jenny are U.S. citizens and have valid Social Security numbers. They all lived in the United States for the entire year.
- If Mary is entitled to a refund, she would like to deposit half into her checking account and half into her savings account. Documents from Adelphi Bank and Trust show that the routing number for both accounts is 111000025. Her checking account number is 113355779 and her savings account number is 224466880.

Using the documents from pages 56-62, complete the Rodgers's tax return and use it to answer questions 25-30.

Basic Scenario 9: Mary Rodgers

Question 30 (page 63)

What amount can Mary claim as an adjustment for the supplies she purchased out of pocket?

- a. \$0
- b. \$250
- c. \$300
- d. \$320

Relevant Intake Notes:

- Mary was a full-time high school teacher and earned \$35,000 in wages.
- Mary purchased supplies for her class out of her own pocket totaling \$320.



Penalty on Early Withdrawal of Saving Deductions

13614-C - Part IV - Expenses - Line 6

Penalty on Early Withdrawal of Savings

- The taxpayer may have paid a penalty for an early withdrawal from their savings account (usually a certificate of deposit)
 - This penalty can be identified on **Form 1099-INT Box 2** or **Form 1099 – OID Box 2**
 - The taxpayer will receive these forms from their bank
- Make sure to only deduct the amount on **Box 2** of either **Form 1099 – INT** or **Form 1099 – OID** issued by the taxpayer’s bank

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		Payer's RTN (optional)	OMB No. 1545-0112		Interest Income
			2021 Form 1099-INT		
		1 Interest income			Copy 1 For State Tax Department
		\$			
		2 Early withdrawal penalty			
		\$			
		3 Interest on U.S. Savings Bonds and Treas. obligations			
		\$			
PAYER'S TIN		4 Federal income tax withheld	5 Investment expenses		
RECIPIENT'S TIN		\$	\$		
RECIPIENT'S name		6 Foreign tax paid	7 Foreign country or U.S. possession		
Street address (including apt. no.)		\$	\$		
City or town, state or province, country, and ZIP or foreign postal code		8 Tax-exempt interest	9 Specified private activity bond interest		
		\$	\$		
		10 Market discount	11 Bond premium		
		\$	\$		
		12 Bond premium on Treasury obligations	13 Bond premium on tax-exempt bond		
		\$	\$		
Account number (see instructions)		14 Tax-exempt and tax credit bond CUSIP no.	15 State	16 State identification no.	17 State tax withheld
					\$
					\$

Form **1099-INT** www.irs.gov/Form1099INT Department of the Treasury - Internal Revenue Service



Alimony Payments

13614-C - Part IV - Expenses - Line 1

Alimony Paid Deduction

- Alimony paid to a divorced spouse is deductible as an Adjustment to Income that reduces AGI.
- Note: Alimony **will not** be deductible for any divorce decree executed or modified **after 2018**.

Requirements for payments to be considered alimony paid:

The payment is not treated as child support or a property settlement

The payment was in cash (includes checks and money orders)

The divorce does not designate the payment as “not alimony”

The ex-spouses were not members of the same household when the payment was made

The alimony payment was designated in a divorce/separation document and ordered by a judge

There is no liability to continue alimony payments after the death of the spouse that receives the payment

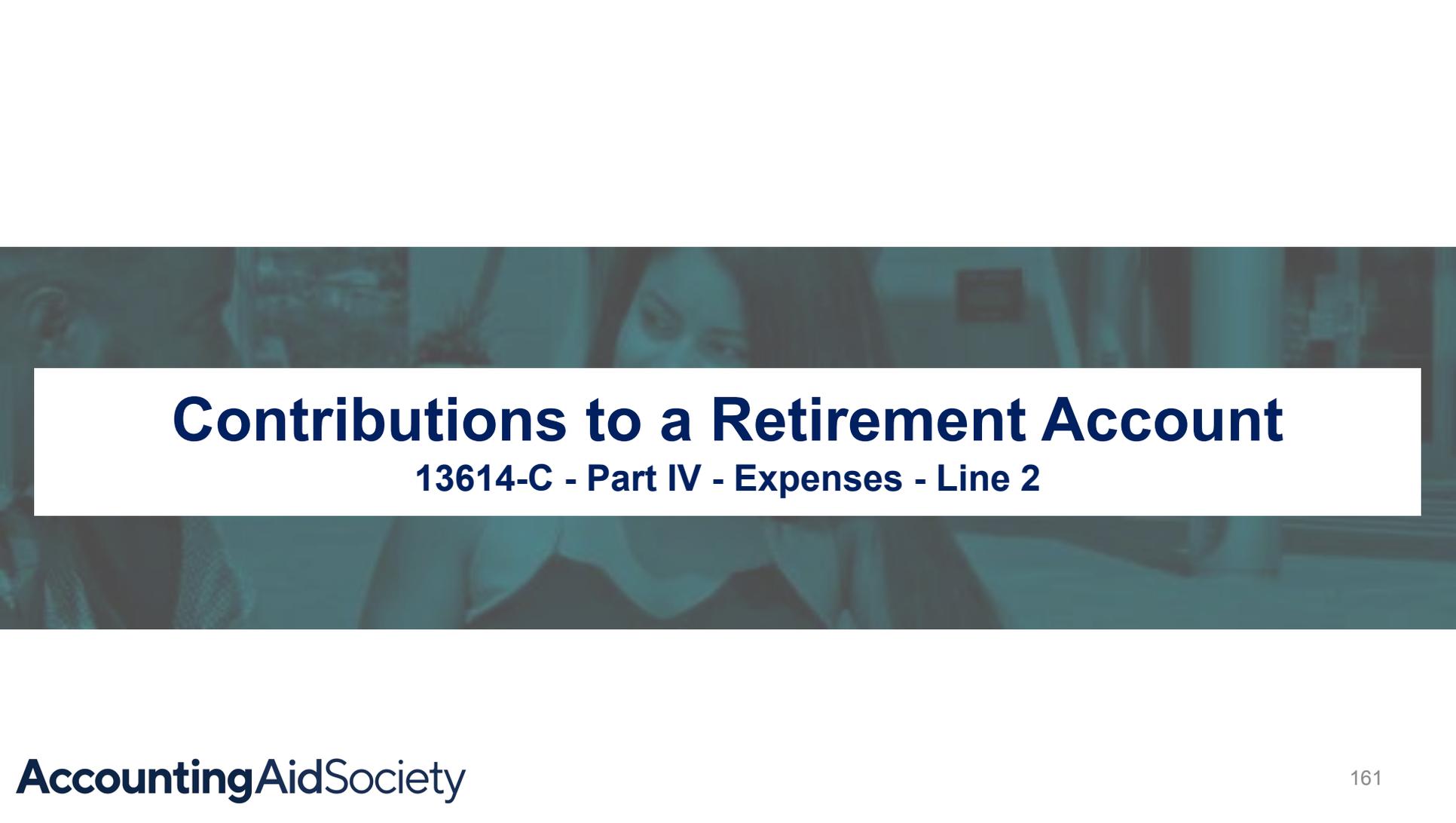
The ex-spouses do not file married filing jointly

Alimony Paid Deduction

The taxpayer must also have the Social Security Number of ex-spouse they are making payments to and date of the original dicorce agreement must also be reported.

Part II Adjustments to Income

11	Educator expenses	11	
12	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	12	
13	Health savings account deduction. Attach Form 8889	13	
14	Moving expenses for members of the Armed Forces. Attach Form 3903	14	
15	Deductible part of self-employment tax. Attach Schedule SE	15	
16	Self-employed SEP, SIMPLE, and qualified plans	16	
17	Self-employed health insurance deduction	17	
18	Penalty on early withdrawal of savings	18	
19a	Alimony paid	19a	
	b Recipient's SSN		
	c Date of original divorce or separation agreement (see instructions) ▶		

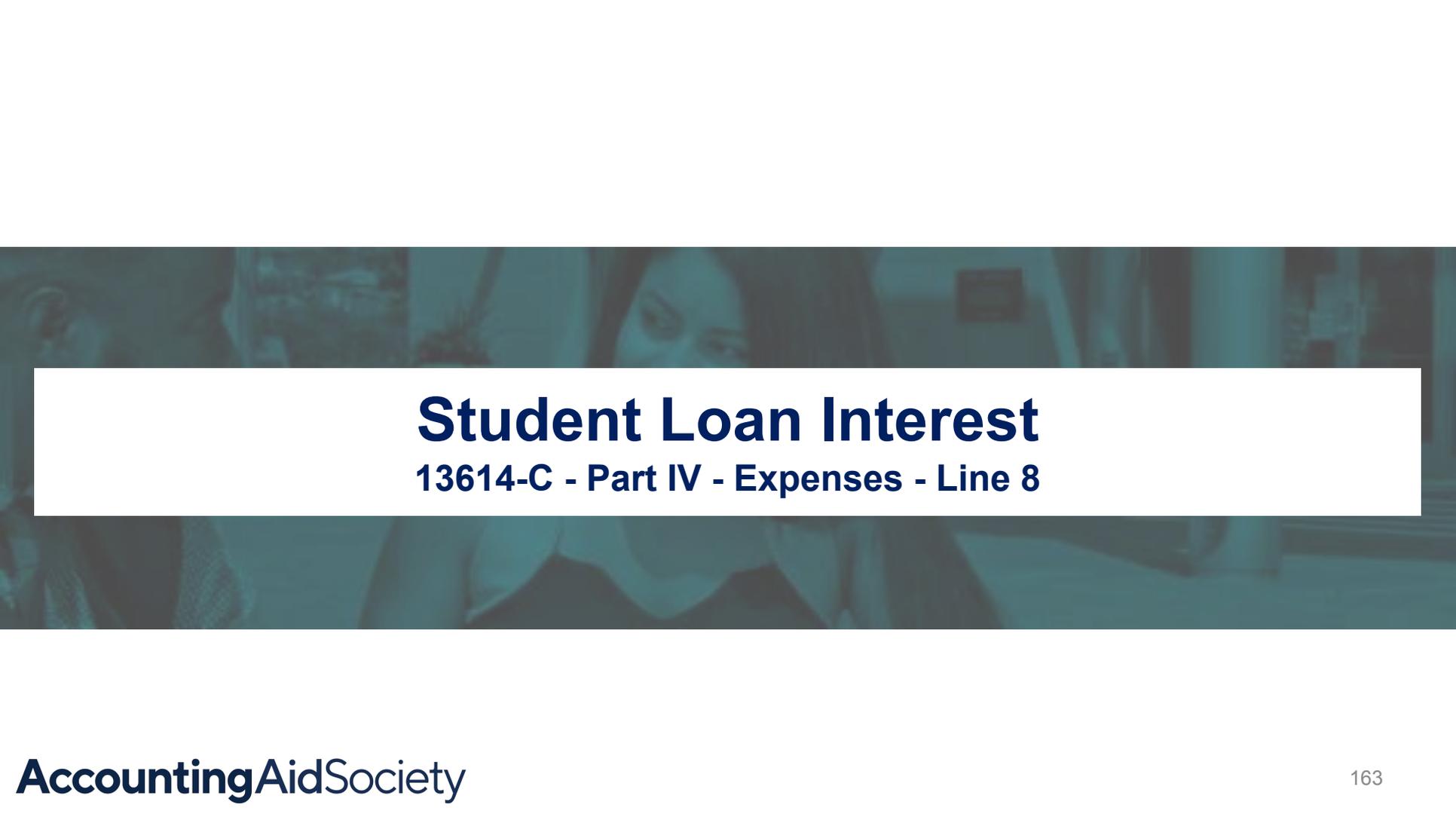


Contributions to a Retirement Account

13614-C - Part IV - Expenses - Line 2

IRA Calculations

- Only contributions to **Traditional** IRAs are deductible
- The maximum IRA deduction is \$6,000 (\$7,000 if age 50 or older).
 - Contributions cannot be more than taxpayer's yearly compensation
- Starting in 2020, the long-standing 70½ age limit for making contributions to traditional IRAs is eliminated.
- Contributions for the current tax year can be made until the filing deadline, generally April 15 of the year following the tax year. Your filing status has no effect on the amount of allowable contributions to your traditional IRA



Student Loan Interest

13614-C - Part IV - Expenses - Line 8

Student Loan Interest Deduction

- Interest on qualified student loans can be deducted up to \$2,500 for the year in which the taxpayer paid interest.
- A qualified student loan is one taken out to cover qualified expenses for either the taxpayer, the taxpayer's spouse, or the taxpayers' dependent

Qualified Expenses Include:	Non-Qualified Expenses Include:
<ul style="list-style-type: none">● Tuition and fees that the eligible educational institution requires for enrollment● Course-related expenses:<ul style="list-style-type: none">○ Fees○ Textbooks○ School Supplies (pencils, calculators, notebooks, etc.)○ Equipment (laptops are included if used for school)	<ul style="list-style-type: none">▪ Room and board▪ Research▪ Travel▪ Insurance (including student health fees)▪ Medical Expenses▪ Personal, living, or family expenses

Claiming the Deduction

- According to the [IRS Topic No. 456](#), the taxpayer can only claim the deduction if the following apply:
 - The taxpayer paid interest on a qualified student loan in the current tax year
 - The taxpayer is legally obligated to pay interest on a qualified student loan
 - The taxpayers' filing status **isn't married filing separately**
 - The taxpayer or the taxpayer's spouse, if filing jointly, can't be claimed as dependents on someone else's return.
 - The student must have qualified as the taxpayer's dependent at the time the taxpayer borrowed the money.

8484		<input type="checkbox"/> VOID	<input type="checkbox"/> CORRECTED	OMB No. 1545-1576	2021 Form 1098-E	Student Loan Interest Statement
RECIPIENT'S/LENDER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number						
RECIPIENT'S TIN	BORROWER'S TIN	1 Student loan interest received by lender				Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the 2021 General Instructions for Certain Information Returns.
BORROWER'S name		\$				
Street address (including apt. no.)						
City or town, state or province, country, and ZIP or foreign postal code						
Account number (see instructions)		2 Check if box 1 does not include loan origination fees and/or capitalized interest, and the loan was made before September 1, 2004 <input type="checkbox"/>				

Basic Scenario 6: Bobbie Daniels

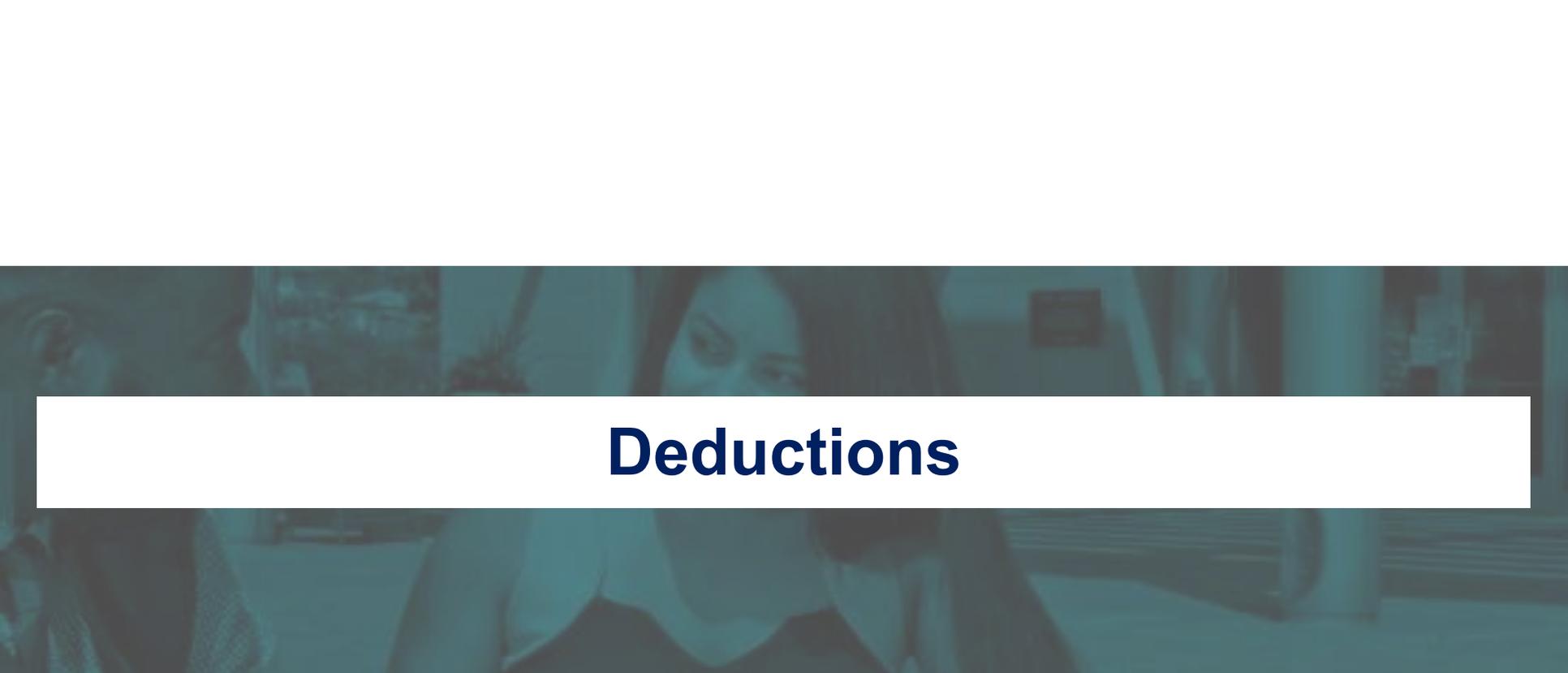
Interview Notes:

- Bobbie Daniels was separated from his spouse for 10 months in 2021. Bobbie and his spouse have decided to file their tax returns as Married Filing Separately.
- Bobbie earned wages of \$11,000 during the first half of the year. Bobbie lost his job in July and received a total of \$7,500 in unemployment compensation.
- Bobbie is a chef and took a gourmet cooking class at the community college to improve his cooking skills. He paid the cost of tuition and a course-related book. His total education expenses were \$1,500.
- Bobbie also paid student loan interest for the courses he previously took to earn his Bachelor's degree. For 2021, he paid student loan interest of \$350.
- Bobbie does not have any dependents.
- Bobbie is a U.S. citizen with a valid Social Security number.

Question 13 (page 39)

Bobbie can claim the student loan interest deduction on his tax return.

- a. True
- b. False



Deductions

Deductions Overview

- **Deductions** are subtracted from the Adjusted Gross Income (AGI) to result in the **Taxable Income**

There are 2 types of Deductions

- Itemized
- Standard

Use the one with the higher value. It is EXTREMELY rare that our clients itemize.

- **Charitable Contributions**
married couples filing a joint return may deduct up to \$600 (all other filers are limited to \$300).
Additionally, the deduction does not reduce adjusted gross income.

Standard Deduction for—

- Single or Married filing separately, \$12,550
- Married filing jointly or Qualifying widower, \$25,100
- Head of household, \$18,800
- If you checked any box under Standard Deduction, see instructions.

12a	Standard deduction or itemized deductions (from Schedule A)	12a	
b	Charitable contributions if you take the standard deduction (see instructions)	12b	
c	Add lines 12a and 12b		12c
13	Qualified business income deduction from Form 8995 or Form 8995-A		13
14	Add lines 12c and 13		14
15	Taxable income. Subtract line 14 from line 11. If zero or less, enter -0-		15

Note: If a client is married filing separately, they must use the same deduction as their spouse, even if it may not be the most beneficial for them.

Basic Scenario 3: Archie and Tina Reynolds

Interview Notes:

- Archie and Tina Reynolds are married and always file Married Filing Jointly.
- Archie earned \$32,000 in wages and Tina earned \$24,000 in wages.
- The Reynolds paid all the cost of keeping up a home and provided all the support for their two children, Laura and Timothy, who lived with them all year.
- Laura is 13 years old and Timothy turned 17 in November 2021.
- Archie and Tina elected not to receive the advance child tax credit payments.
- Archie and Tina did not have enough deductions to itemize, but contributed \$1,700 in 2021, to their church, a qualified charitable organization.
- Archie, Tina, Laura, and Timothy are all U.S. citizens with valid Social Security numbers and lived in the U.S. the entire year.

Question 6 (page 36)

Archie and Tina will **not** itemize deductions but can deduct the full amount of their charitable contributions.

- a. True
- b. False



Standard Deduction

Standard Deduction

- **Standard Deduction** - A dollar amount that reduces the amount of taxable income
 - Varies according to filing status
 - Additional standard deduction for individuals who are blind or age 65 or over
 - You CANNOT take the standard deduction if you itemize deductions
 - Individuals that qualify as someone's dependent generally cannot take the full standard deduction
- **NOTE:** *Not all clients are eligible to take the Standard deduction*
 - *If a married couple is filing Separate and one spouse uses Itemized deductions then the other spouse must also use Itemized deductions*

Standard Deduction

Filing Status	Single	Head of Household (HOH)	Married Filing Jointly (MFJ)	Married Filing Separately (MFS)	Qualified Widow(er)
Standard deduction	\$12,550	\$18,800	\$25,100	\$12,550	\$25,100

Additional standard deduction for 65+ and blind

- Filing Status: MFJ, Qualifying Widow(er) or MFS → \$1,350 for each taxpayer
- Filing Status: Single or Head of Household → \$1,700

An individual who qualifies as a dependent: Standard Deduction is the greater of

- \$1,100 (if all income is unearned income) *OR*
- Sum of \$350 and individual's earned income (up to the standard deduction for their filing status)
- *OR* the Standard Deduction for their Filing Status **if** earned income is greater than the Standard Deduction

Standard Deduction for Taxpayers born before 1967 or Blind

Standard Deduction Chart for People Who Were Born Before January 2, 1957, or Were Blind

Don't use this chart if someone can claim you, or your spouse if filing jointly, as a dependent. Instead, use the worksheet above.

You were born before January 2, 1957
 You are blind
 Spouse was born before January 2, 1957
 Spouse is blind

Blind is defined in Tab R, Glossary and Index

Enter the total number of boxes checked 

IF your filing status is . . .	AND the number in the box above is . . .	THEN your standard deduction is . . .
Single	1	\$14,250
	2	15,950
Married filing jointly	1	\$26,450
	2	27,800
	3	29,150
	4	30,500
Qualifying widow(er)	1	\$26,450
	2	27,800
Married filing separately	1	\$13,900
	2	15,250
	3	16,600
	4	17,950
Head of household	1	\$20,500
	2	22,200

Basic Scenario 1: Joe Wilson

Interview Notes:

- Joe is 35 years old and has never been married.
- Suzanna, age 12, is Joe's niece who lived with him all year. Joe provided all of her support and provided over half the cost of keeping up the home.
- Joe elected not to receive advance child tax credit payments.
- Joe earned \$42,000 in wages.
- Joe is blind and cannot be claimed as a dependent by another taxpayer.
- Joe and Suzanna are U.S. citizens, have valid Social Security numbers and lived in the U.S. the entire year.

Question 2 (page 34)

Joe can claim a higher standard deduction because he is blind.

- a. True
- b. False

Basic Scenario 7: Fred and Wilma Jones

Interview Notes:

- Fred, age 67 and Wilma, age 58, are married. They elect to file Married Filing Jointly.
- Fred is retired. He received Social Security benefits and a pension.
- Fred and Wilma have one son, Stephen, age 18. Stephen is a full-time college student in his second year of study. He is pursuing a degree in Music and does not have a felony drug conviction. He received a Form 1098-T for 2021. Box 2 was not filled in and Box 7 was not checked on his Form 1098-T for the previous tax year.
- Stephen spent the summer at home with his parents but lived in an apartment near campus during the school year.
- Stephen received a scholarship and the terms require that it be used to pay tuition. Fred and Wilma paid the cost of Stephen's tuition and course-related books in 2021 not covered by scholarship. They paid \$90 for a parking sticker, \$4,500 for a meal plan, \$500 for textbooks purchased at the college bookstore, and \$100 for access to an online textbook.
- Fred and Wilma paid more than half the cost of maintaining a home and support for Stephen.
- Fred and Wilma do not have enough deductions to itemize on their federal tax return.
- The Joneses made timely estimated tax payments of \$150 each quarter for tax year 2021.
- The Joneses received a \$4,200 Economic Impact Payment (EIP3) in 2021.
- Fred, Wilma and Stephen are U.S. citizens and have valid Social Security numbers. They all lived in the United States for the entire year.
- If Fred and Wilma receive a refund, they would like to deposit it into their checking account. Documents from County Bank show that the routing number is 111000025. Their checking account number is 11337890.

Using the documents from pages 41-48, complete the Jones' tax return and use it to answer questions 14-19.

Basic Scenario 7: Fred and Wilma Jones

Question 14 (page 49)

What is the amount of Fred and Wilma's standard deduction?

\$ _____

Relevant Intake Notes:

- The Joneses are filing MFJ
- Fred is 67, Wilma is 58

Standard Deduction Chart for People Who Were Born Before January 2, 1957, or Were Blind

Don't use this chart if someone can claim you, or your spouse if filing jointly, as a dependent. Instead, use the worksheet above.

You were born before January 2, 1957

You are blind

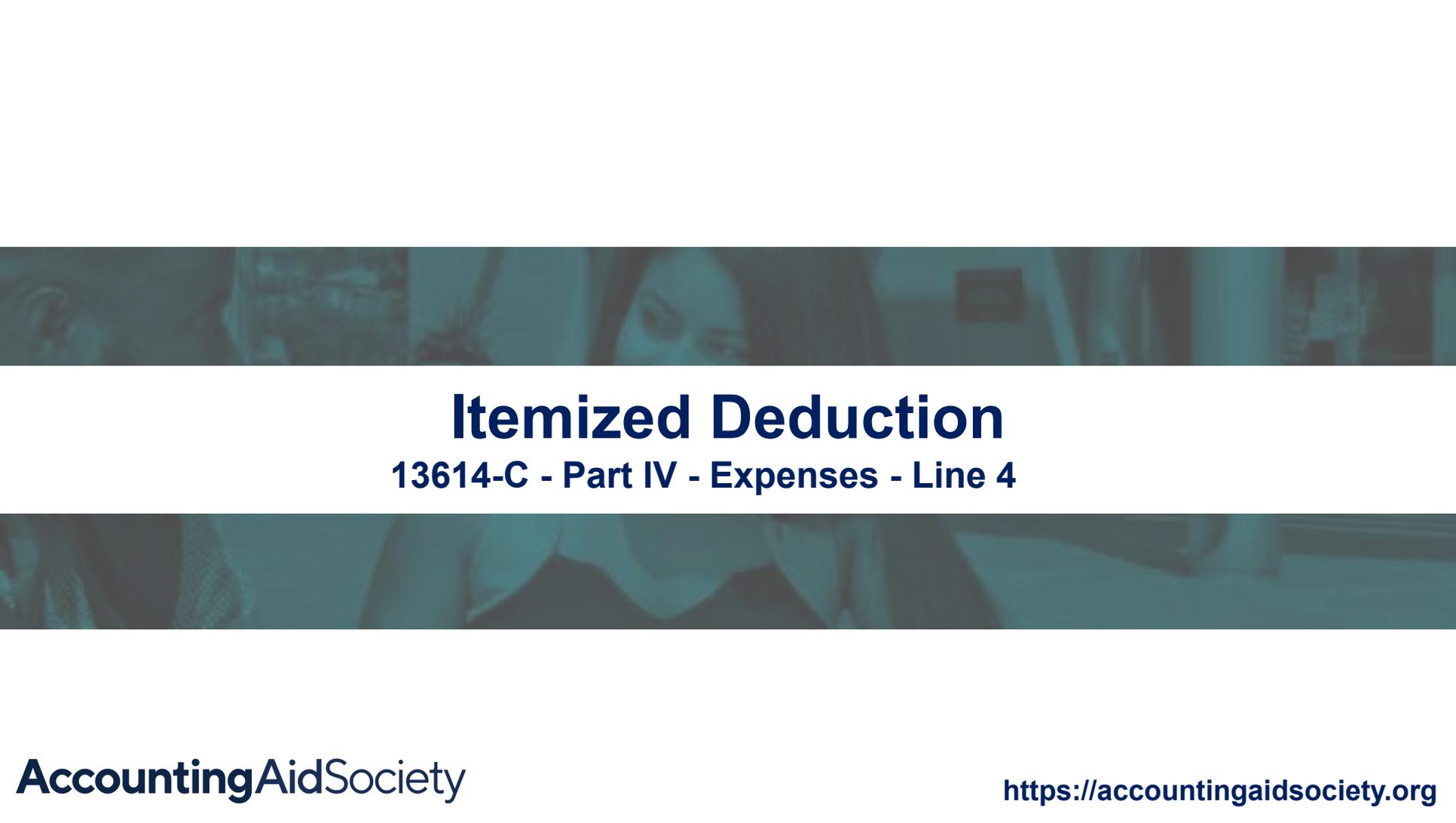
Spouse was born before January 2, 1957

Spouse is blind

Blind is defined in Tab R, Glossary and Index

Enter the total number of boxes checked

IF your filing status is . . .	AND the number in the box above is . . .	THEN your standard deduction is . . .
Single	1	\$14,250
	2	15,950
Married filing jointly	1	\$26,450
	2	27,800
	3	29,150
	4	30,500
Qualifying widow(er)	1	\$26,450
	2	27,800
Married filing separately	1	\$13,900
	2	15,250
	3	16,600
	4	17,950
Head of household	1	\$20,500
	2	22,200



Itemized Deduction

13614-C - Part IV - Expenses - Line 4

Itemized Deductions – Schedule A

Individual expenses for itemized deductions include:

- Medical and dental expenses
- Taxes one paid (state & local income taxes & property taxes)
- Home mortgage interest & points one paid
- Gifts to charity
- Certain miscellaneous deductions.
- Can include gambling losses and casualty and theft losses

Check to make sure these are in scope!

Does the sum of the individual expenses paid by the client result in an amount that is *greater than* the Standard deduction amount?

Since standard deduction is so high, it is rare that our clients are able to itemize!



Determining Taxable Income

Determining Taxable Income

Step 1: Determine “Total Income” (this is not the same as “Taxable Income”)

Total Income = the sum of the following

Wages	Interest	Dividends
Business Income	Capital Gains	Social Security
Pension	Unemployment	Others

Step 2: Reduce **Total Income** to determine **Adjusted Gross Income**. Determine Total *Adjustments*:

- IRA deductions
- Alimony paid
 - Student Loan Interest
 - Self-Employment tax, etc.

Total Income – Adjustments
= Adjusted Gross Income (AGI)

Step 3: Reduce **AGI** by deductions to determine the **Taxable Income**

Deductions on Form 1040:

- Itemized Deduction
- Standard Deduction

AGI – Deductions
= Taxable Income



Credits

Types of Credits

- Non-refundable credits

- Used to reduce federal tax liability--if credits exceeds the tax, taxpayer does not receive difference
- Credits include foreign tax, child & dependent care, education, retirement savings, credit for other dependents, and elderly & disabled

● Refundable credits can be returned to the taxpayer, even if there is no tax liability. Primary Refundable credits are:

- Earned Income Tax (EITC)
- Child tax
- Additional Child Tax Credit
- Child and Dependent Care Credit
- American Opportunity Act (partially refundable)
- Premium Tax Credit from ACA



Nonrefundable Credits



Credit for the Elderly or Disabled

What is the Credit for the Elderly or the Disabled?

- The Credit for the Elderly or the Disabled is a nonrefundable tax credit designed to reduce the tax burden for taxpayers who are:
 - 65 years of age or older
 - Unable to work due to a disability

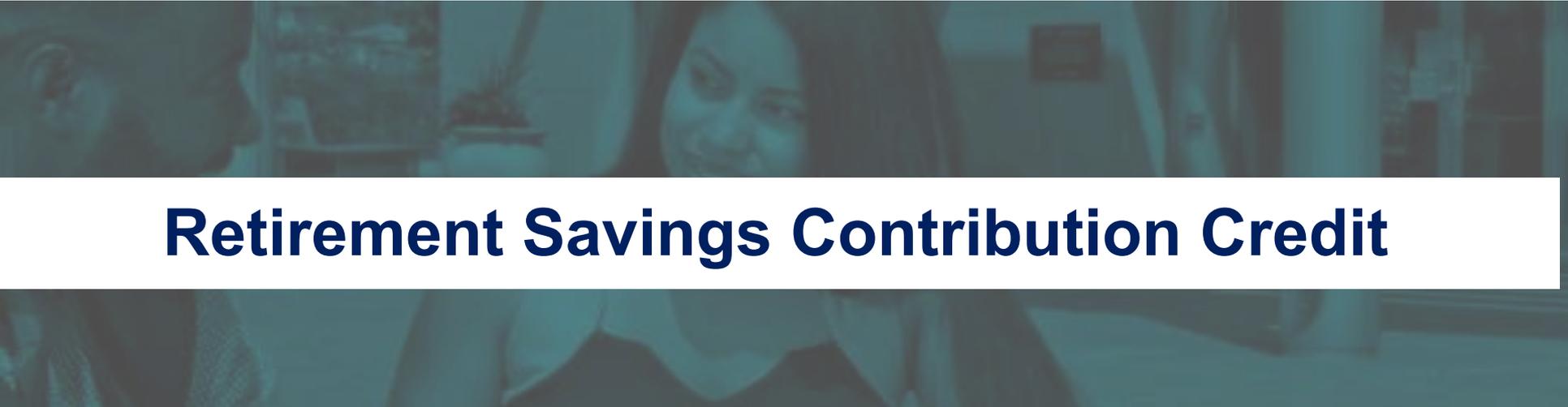
The amount of the credit is determined by the taxpayer's filing status, adjusted gross income (AGI), and the amount of their non-taxable income.

Who qualifies for the Credit for the Elderly or the Disabled?

- Even if the taxpayer meets other requirements for this credit, **their income must be below certain levels** in order to qualify
- If the taxpayer's AGI and nontaxable benefits (including social security) are greater than the amount given for their filing status, they cannot take the credit.

If your filing status is...	Then, even if you qualify, you can't take the credit if...	
	Your adjusted gross income (AGI)* is equal to or more than...	OR the total of your nontaxable social security and nontaxable pension(s), annuities, or disability income is equal to or more than...
Single, head of household, or qualifying widow(er)	\$17,500	\$5,000
Married filing jointly and only one spouse qualifies in Figure A	\$20,000	\$5,000
Married filing jointly and both spouses qualify in Figure A	\$25,000	\$7,500
Married filing separately and you lived apart from your spouse for all of 2019	\$12,500	\$3,750
*AGI is the amount on Form 1040 or Form 1040-SR, line 8b		

Since this credit is non-refundable and the income limitations are close to the standard deduction, our clients rarely qualify for this credit.



Retirement Savings Contribution Credit

Benefits and Eligibility

Benefits

- The Retirement savings Contributions Credit can increase the refund or reduce the taxes owed
- The tax credit worth up to \$ 1,000 (\$2,000 if married filing jointly)
- Helps offset part of the amount workers voluntarily contribute to their retirement accounts.
- Taxpayers have up until the due date of their tax return to contribute to the plan and still have it qualify for that tax return year.

Note: When filing a 2021 tax return, taxpayers have until April 15, 2022 to make a 2021 contribution.

Retirement Savers Credit: Eligibility

1. Taxpayers over 18 (born before January 2, 2004).
2. Not a full-time student
3. Not claimed as a dependent on another person's tax return

Adjusted gross income (AGI) less than \$33,000 (\$49,500 if head of household; \$66,000 if married filing jointly)

Eligible Taxpayers

Be sure to look at the taxpayer's Form(s) W-2. An entry in box 12 or an "X" in the Retirement box is an indicator that the taxpayer may be eligible for this credit.

An entry in box 14 on the Form W-2 may also indicate a contribution to a state retirement system. In TaxSlayer, if the contribution qualifies, from the drop down menu in Box 14 of Form W-2, select Retirement (Not in Box 12) Carry to Form 8880. If these are treated as employer contributions they aren't eligible for the credit.

For example
DPS Community District
enters retirement contributions
in Box 14 under "MSPER."

b Employer identification number (EIN)		1 Wages, tips, other compensation 29085.49	2 Federal income tax withheld 1468.26
c Employer's name, address, and ZIP code DPS COMMUNITY DISTRICT 1011 WEST GRAND BOULEVARD FISHER BUILDING 11TH FLOOR DETROIT MI 48202		3 Social security wages 30091.99	4 Social security tax withheld 1865.70
		5 Medicare wages and tips 30091.99	6 Medicare tax withheld 436.33
		7 Social security tips	8 Allocated tips
d Control number		9	10 Dependent care benefits
e Employee's first name and initial Last name Suffix		11 Nonqualified plans	12a See instructions for box 12 DD 10304.36
f Employee's address and ZIP code		13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>	12b
		14 Other PRMSU 802.30 MPSER 1006.50	12c 12d

AGI to Qualify for Retirement Saving Contribution Credit

Credit Rate	Married Filing Jointly	Head of Household	All Other Filers*
50% of your contribution	AGI not more than \$39,500	AGI not more than \$29,625	AGI not more than \$19,750
20% of your contribution	\$39,501 - \$43,000	\$29,626 - \$32,250	\$19,751 - \$21,500
10% of your contribution	\$43,001 - \$66,000	\$32,251 - \$49,500	\$21,501 - \$33,000
0% of your contribution	more than \$66,000	more than \$49,500	more than \$33,000

*Single, married filing separately, or qualifying widow(er)

AGI to Qualify for Retirement Saving Contribution Credit

If AGI is—		And your filing status is—		
Over—	But not over—	Married filing jointly	Head of household	Single, Married filing separately, or Qualifying widow(er)
---	\$19,750	.5	.5	.5
\$19,750	\$21,500	.5	.5	.2
\$21,500	\$29,625	.5	.5	.1
\$29,625	\$32,250	.5	.2	.1
\$32,250	\$33,000	.5	.1	.1
\$33,000	\$39,500	.5	.1	.0
\$39,500	\$43,000	.2	.1	.0
\$43,000	\$49,500	.1	.1	.0
\$49,500	\$66,000	.1	.0	.0
\$66,000	---	.0	.0	.0



Refundable Credits



Child and Dependent Care Credit

Child and Dependent Care Credit

In 2021, for the **first time**, the credit is **fully refundable** if the taxpayer, or the taxpayer's spouse if married filing jointly, had a principal place of abode in the United States for more than one-half of 2021

Eligible family can get the credit even if they owe no federal income tax

The child and dependent care tax credit is temporarily expanded for 2021.

If a client **does not have earned income**, they may still qualify if they are **full-time students** or **disabled** who are unable to work (reference 4012, pg. G-13 for more information.)

Child and Dependent Care Credit

The expenses are:

- increased from \$3000 in the prior year up to \$8,000 in the case of one qualifying individual
- and increased from \$6000 in the prior year up to \$16,000 if there are two or more qualifying individuals.

Up to 50% of the expenses are refundable for a taxpayer who has a principal place of abode in the United States for more than one half of the taxable year

Taxpayer's eligibility to claim the Child & Dependent Care Credit

1. **Qualifying Person Test**
(Must have a qualifying person)
2. **Earned Income Test (exceptions may apply)**
(Must have earned income)
3. **Work-Related Expense Test**
(Care must be to enable the taxpayer to work)
4. **Joint Return Test**
(Married taxpayers must file a joint return)
5. **Provider Identification Test**
(The taxpayer must provide the name, address, and tax identification number of the care provider.)

Child and Dependent Care Credit Expenses

Who is a qualifying person?	Qualified work-related expenses
<ul style="list-style-type: none">• A qualifying child who was under the age of 13• Any person who was incapable of self-care whom the taxpayer can claim as a dependent <p>That person had gross income of less than \$4,300</p> <p>Not filed a joint return.</p> <p>Can not be claimed as a dependent on someone else's return.</p> <ul style="list-style-type: none">• A spouse who was physically or mentally incapable of self-care : must live with the taxpayer more than 1/2 the year.	<ul style="list-style-type: none">• Expenses must be paid for the care of the qualifying person to allow the taxpayer and spouse, if married, to work or look for work.• Expenses to attend kindergarten or a higher grade aren't an expense for care.• Expenses for summer day-camp are qualifying, but those for overnight camp aren't.

Form 2441- Child and Dependent Care Expenses

Form **2441** **Child and Dependent Care Expenses**

▶ Attach to Form 1040, 1040-SR, or 1040-NR.
▶ Go to www.irs.gov/Form2441 for instructions and the latest information.

1040
1040-SR
1040-NR
2441

OMB No. 1545-0074
2021
Attachment Sequence No. 21

Department of the Treasury
Internal Revenue Service (99)

Name(s) shown on return _____ Your social security number _____

A You can't claim a credit for child and dependent care expenses if your filing status is married filing separately unless you meet the requirements listed in the instructions under "Married Persons Filing Separately." If you meet these requirements, check this box

B For 2021, your credit for child and dependent care expenses is refundable if you, or your spouse if married filing jointly, had a principal place of abode in the United States for more than half of 2021. If you meet these requirements, check this box

Part I **Persons or Organizations Who Provided the Care**— You must complete this part. If you have more than three care providers, see the instructions and check this box

1	(a) Care provider's name	(b) Address (number, street, apt. no., city, state, and ZIP code)	(c) Identifying number (SSN or EIN)	(d) Amount paid (see instructions)

Did you receive dependent care benefits? No Yes

Complete only Part II below. Complete Part III on page 2 next.

Caution: If the care was provided in your home, you may owe employment taxes. For details, see the instructions for Schedule 2 (Form 1040), line 9. If you incurred care expenses in 2021 but didn't pay them until 2022, or if you prepaid in 2021 for care to be provided in 2022, don't include these expenses in column (c) of line 2 for 2021. See the instructions.

Part II **Credit for Child and Dependent Care Expenses**

2 Information about your **qualifying person(s)**. If you have more than three qualifying persons, see the instructions and check this box

(a) Qualifying person's name		(b) Qualifying person's social security number	(c) Qualified expenses you incurred and paid in 2021 for the person listed in column (a)
First	Last		

- You lived apart from your spouse during the last 6 months of 2021.
- Your home was the qualifying person's main home for more than half of 2021.
- You paid more than half of the cost of keeping up that home for 2021.



Child Tax Credit

Refundable Child Tax Credits

The American Rescue Plan Act (ARPA) of 2021 expands the Child Tax Credit (CTC) for tax year 2021 only. If the taxpayer (or the spouse if filing jointly) lived in the United States for more than half of 2021, the CTC remaining after applying the limitation based on modified adjusted gross income is fully refundable. The expanded credit means:

- The amounts of the credit for qualifying children will increase for many taxpayers.
- For eligible taxpayers, the credit is fully refundable,
- Taxpayers can receive the credit for qualifying children who turn age 17 (rather than 16) in 2021.
 - Eligible taxpayers may receive part of their estimated credit in 2021 before filing their 2021 tax return. For tax year 2021, families claiming the CTC will receive up to **\$3,000 per qualifying child between the ages of 6 and 17** at the end of 2021. They will receive **\$3,600 per qualifying child under age 6** at the end of 2021.

Qualifying Child for Child Tax Credit

- 1. Under age 18 at the end of the tax year.**
- 2. A U.S. citizen or U.S. national or resident alien of the United States.**
- 3. Child must be claimed as your dependent.**
- 4. Related to you as one of the following:**
 - a. son or daughter, adopted child, stepchild, eligible foster child, or a descendant of any of them
 - b. brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them (for example, your niece or nephew)
- 5. Didn't provide over half of his or her own support.**
- 6. Lived with the taxpayer for more than half of the tax year.**

(See Exception to Time Lived with You section on the Child Tax Credit chart on the following page.)
- 7. Must have a Social Security Number that is valid for employment issued before the due date of the return, including extensions.**

Basic Scenario 3: Archie and Tina Reynolds

Interview Notes:

- Archie and Tina Reynolds are married and always file Married Filing Jointly.
- Archie earned \$32,000 in wages and Tina earned \$24,000 in wages.
- The Reynolds paid all the cost of keeping up a home and provided all the support for their two children, Laura and Timothy, who lived with them all year.
- Laura is 13 years old and Timothy turned 17 in November 2021.
- Archie and Tina elected not to receive the advance child tax credit payments.
- Archie and Tina did not have enough deductions to itemize, but contributed \$1,700 in 2021, to their church, a qualified charitable organization.
- Archie, Tina, Laura, and Timothy are all U.S. citizens with valid Social Security numbers and lived in the U.S. the entire year.

Question 5 (page 36)

Which of the Reynolds children qualifies for the child tax credit (CTC)?

- a. Laura
- b. Timothy
- c. Laura and Timothy
- d. Not eligible for CTC



Advanced Child Tax Credit

Reconciling CTC

When filing the 2021 tax return, compare:

- The total amount of the advance Child Tax Credit payments received during 2021 (refer to Letter 6419 that taxpayers will receive with this information); with the amount of Child Tax Credit that can properly be claimed on their 2021 tax return.

If the amount of Child Tax Credit exceeds the total amount of advance Child Tax Credit payments, claim the remaining amount of Child Tax Credit on the 2021 tax return. If the total amount of advance Child Tax Credit payments exceeds the amount of Child Tax Credit that can properly be claimed for the 2021 tax year, some or all of that excess payment may need to be repaid.

How to Reconcile

Eligible taxpayers may receive part of their estimated credit in 2021 before filing their 2021 tax return. For tax year 2021, families claiming the CTC will receive up to **\$3,000 per qualifying child ages 6 through 17** at the end of 2021. They will receive **\$3,600 per qualifying child under age 6** at the end of 2021.

1.	Number of Dependents ages 6 through 17	_____ X \$3,000 = _____
2.	Number of dependents under age 6	_____ X \$3,600 = _____
3.	Total of line 1 and 2	_____
4.	ACTC that should have been received in 2021 (line 3 divided by two)	_____ / 2 = _____ (amount in line 3)
4.	Amount of Advanced Child Tax Credit actually received in 2021	_____

If there is a difference between line 3 and line 4, then more information is needed. Most clients received the full amount of ACTC. If there is a discrepancy between the amount they should have received, and actually did receive, the IRS is likely to do a manual review of the return. ***This will delay the refund.***

Repayment Protection

Taxpayers qualify for full repayment protection and won't need to repay any excess amount if their main home was in the United States for more than half of 2021 and their modified adjusted gross income (AGI) for 2021 is at or below the following amount based on filing status for 2021:

- \$60,000 MFJ or Qualifying Widow(er);
- \$50,000 HOH; and
- \$40,000 Single or MFS

Repayment protection may be limited if modified AGI exceeds these amounts or the main home was not in the United States for more than half of 2021.

Additional Child Tax Credit (ACTC)

Taxpayers who cannot claim the Refundable CTC because they (or their spouse if married filing jointly) did not have a principal place of abode in the United States for more than one-half of 2021 or that they (or their spouse if married filing jointly) are a bona fide resident of Puerto Rico for 2021 may be eligible to claim the ACTC

Eligibility:

- Taxpayers with more than \$2,500 of taxable earned income may be eligible for the additional child tax credit if they have at least one qualifying child.
- Taxpayers with three or more children may also be eligible for additional child tax credit regardless of their income.
- Limited to \$1,400 per qualifying child
- Nonrefundable



Credit for Other Dependents

Credit for Other Dependents

\$500 credit for other dependents who do not qualify for the child tax credit.

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).

Available for dependents who don't qualify for the child tax credit, such as:

- children who are age 18 and above,
- dependents with other relationships (such as elderly parents),
- children who do not have a valid SSN.

Taxpayers cannot claim the credit for themselves (or a spouse if Married Filing Jointly).

Credit for Other Dependents

Francine, age 43, is divorced and earned \$43,000 in 2021. She supports her widowed mother-in-law, Connie, whose only income is social security. Francine's sons, Henry (age 16) and Neal (age 12), and Connie all lived with her in Chicago all year. Her sons do not provide any of their own support.

Everyone in the family has a social security number except Francine and Henry, who have ITINs.

Who can Francine claim for the credit for other dependents?

- ✓ **Connie - Yes.** She is Francine's dependent under the rules for qualifying relative. She is not a qualifying child for the child tax credit because she doesn't pass the relationship or age test.
- ✓ **Henry – Yes.** He qualifies as her dependent under the rules for a qualifying child but she cannot claim him for the child tax credit because he doesn't have an SSN.
- ✗ **Neal – No.** Since he is only 12 and has an SSN, he is Francine's qualifying child for the child tax credit.

Basic Scenario 4: Charles and Heather Brooks

Interview Notes:

- Charles and Heather are married and will file a joint return.
- Heather is a U.S. citizen with a valid Social Security number. Charles is a resident alien with an Individual Taxpayer Identification Number (ITIN).
- Heather worked in 2021 and earned wages of \$31,000. Charles worked part-time and earned wages of \$12,000.
- The Brooks have three children: Emma, age 11, Liam, age 13, and Grace, age 18.
- Charles and Heather elected not to receive the advance child tax credit payments.
- The Brooks provided the total support for their three children, who lived with them in the U.S. all year. Emma, Liam and Grace are U.S. citizens and have valid Social Security numbers.

Question 7 (page 37)

The Brooks qualify for the Credit for Other Dependents.

- a. True
- b. False

Basic Scenario 7: Fred and Wilma Jones

Interview Notes:

- Fred, age 67 and Wilma, age 58, are married. They elect to file Married Filing Jointly.
- Fred is retired. He received Social Security benefits and a pension.
- Fred and Wilma have one son, Stephen, age 18. Stephen is a full-time college student in his second year of study. He is pursuing a degree in Music and does not have a felony drug conviction. He received a Form 1098-T for 2021. Box 2 was not filled in and Box 7 was not checked on his Form 1098-T for the previous tax year.
- Stephen spent the summer at home with his parents but lived in an apartment near campus during the school year.
- Stephen received a scholarship and the terms require that it be used to pay tuition. Fred and Wilma paid the cost of Stephen's tuition and course-related books in 2021 not covered by scholarship. They paid \$90 for a parking sticker, \$4,500 for a meal plan, \$500 for textbooks purchased at the college bookstore, and \$100 for access to an online textbook.
- Fred and Wilma paid more than half the cost of maintaining a home and support for Stephen.
- Fred and Wilma do not have enough deductions to itemize on their federal tax return.
- The Joneses made timely estimated tax payments of \$150 each quarter for tax year 2021.
- The Joneses received a \$4,200 Economic Impact Payment (EIP3) in 2021.
- Fred, Wilma and Stephen are U.S. citizens and have valid Social Security numbers. They all lived in the United States for the entire year.
- If Fred and Wilma receive a refund, they would like to deposit it into their checking account. Documents from County Bank show that the routing number is 111000025. Their checking account number is 11337890.

Using the documents from pages 41-48, complete the Jones' tax return and use it to answer questions 14-19.

Basic Scenario 7: Fred and Wilma Jones

Question 16 (page 49)

Fred and Wilma Jones can claim the Credit for Other Dependents.

- a. True
- b. False



Earned Income Credit

What is the Earned Income Tax Credit (EITC)

- The Earned Income Tax Credit is a tax benefit that can serve as a financial supplement for taxpayers with low to moderate working incomes, particularly those individuals with children. Millions of workers qualify for the EITC.
- The EITC is a completely **refundable tax credit**, which would indicate that the taxpayer may get money back, even if no taxes are owed to the Internal Revenue Service (IRS).
- The two main factors when calculating the amount of the EITC depend on the recipient's **income** and **number of qualifying children**.

Earned Income Credit Requirements

General Rules for Everyone	
Taxpayers & qualifying children must all have SSN that is valid for employment	Filing status can't be married filing separately*
Must be a U.S. citizen or resident alien all year	Can't be a qualifying child of another person
Rules for Taxpayers with a Qualifying Child	Rules If You Don't Have a Qualifying Child
Child must meet the relationship, age, residency test and joint return tests but not the support test. The child doesn't have to be your dependent.	Must have lived in the United States more than half the year
	Can't be the dependent of another person
Qualifying child can't be used by more than one person to claim the EIC.	Must be at least age 19**
The taxpayer can't be a qualifying child of another person.	Can't be a qualifying child of another person.

Earned Income Credit Requirement Exceptions

- * Married Filing Separately with dependents:
 - MFS taxpayers who are not qualified for head of household status because they did not pay over half the cost of maintaining the home for the dependents, can get the EIC in 2021 regardless of their filing status.
- ** Minimum Age:
 - Minimum age is 19, unless a specified student or qualified former foster youth or qualified homeless youth.
 - Specified student: minimum age is 24.
 - “Specified student” means, with respect to any taxable year, an individual who is an eligible student (within the meaning of the American opportunity tax credit (AOTC) rules) for at least 5 months during the year. For purposes of this requirement, both full months and partial months count towards meeting this 5-month requirement.
 - Qualified former foster youth or qualified homeless youth: minimum age is 18.
 - “Qualified former foster youth” means an individual who was in foster care on or after the date that he or she turned 14 years old.
 - “Qualified homeless youth” refers to an individual who certifies that he or she is either an unaccompanied youth who is a homeless child or youth, or is unaccompanied, at risk of homelessness, and self-supporting

Qualifying Child Rules

Relationship Test

- Is the child your son, daughter, stepchild, adopted child, or eligible foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them?

Age Test

- Must be at least age 19
- Any age and permanently and totally disabled

Residency Test

- Child must have lived with taxpayer for more than half of the year.

Joint Return

- Child did not file a joint return.

Earned Income Credit Income Limits

Earned Income and AGI Limitations

You must have earned income to qualify for this credit. Your earned income and AGI must be less than:

Number of Dependents	AGI for any filing status other than MFJ	AGI for MFJ	maximum amount of credit you can claim
three or more qualifying children	\$51,464	\$57,414	\$6,728
two qualifying children	\$47,915	\$53,865	\$5,980
one qualifying child	\$42,158	\$48,108	\$3,618
No qualifying child	\$21,430	\$27,380	\$1,502

What Qualifies as Earned Income

Earned Income can be classified as income that you have had to work for such as:

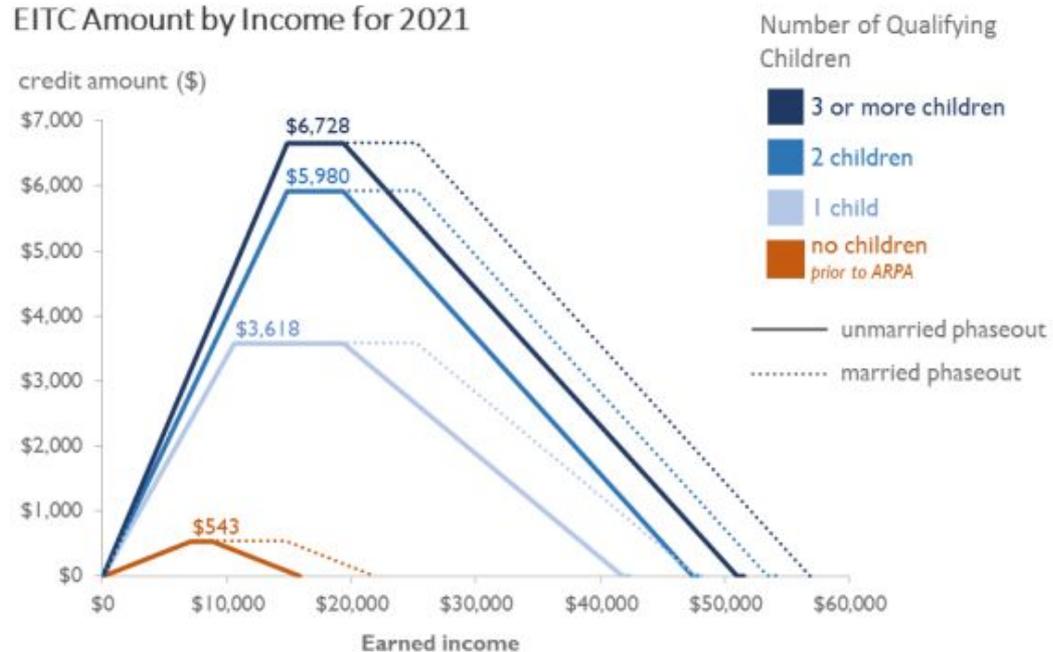
- Income earned as an employee (Form W-2)
- Net Earnings from operating a business (Form 1099-NEC, 1099-K, and cash)
- Some Union strike benefits qualify
- Taxable long-term disability benefits received prior to minimum retirement age
- Net earnings from self-employment

The following is not considered earned income:

Alimony or Child Support	Rental Income	Inheritances
Investment Income, Dividends, Interests	Unemployment or Worker's Compensation	Gifts, gambling winnings, and awards
Pension or annuity from deferred compensation plans	Any income that has been received while incarcerated	

New Numbers— EITC

Here's a graphic representation of the 2021 parameters. Graph taken from Congressional Research Service Report "The Earned Income Tax Credit (EITC): How It Works and Who Receives It" (October 2021)



Basic Scenario 2: Chris and Marcie Davis

Interview Notes:

- Chris, age 22, and Marcie, age 24, are married and will file a joint return.
- They cannot be claimed as dependents by another taxpayer.
- Chris and Marcie have no children or other dependents.
- Both work and neither are full-time students. Chris earned wages of \$18,600 and Marcie earned wages of \$6,500.
- Chris and Marcie are U.S. citizens and have valid Social Security numbers.
- Chris and Marcie received an Economic Impact Payment (EIP3) of \$2,800 in March 2021.

Question 3 (page 35)

Chris and Marcie **cannot** claim the Earned Income Tax Credit (EITC) because they are too young and have no qualifying children.

- a. True
- b. False

Basic Scenario 4: Charles and Heather Brooks

Interview Notes:

- Charles and Heather are married and will file a joint return.
- Heather is a U.S. citizen with a valid Social Security number. Charles is a resident alien with an Individual Taxpayer Identification Number (ITIN).
- Heather worked in 2021 and earned wages of \$31,000. Charles worked part-time and earned wages of \$12,000.
- The Brooks have three children: Emma, age 11, Liam, age 13, and Grace, age 18.
- Charles and Heather elected not to receive the advance child tax credit payments.
- The Brooks provided the total support for their three children, who lived with them in the U.S. all year. Emma, Liam and Grace are U.S. citizens and have valid Social Security numbers.

Question 8 (page 37)

The Brooks qualify for the Earned Income Tax Credit.

- a. True
- b. False

Basic Scenario 5: Alan Carmichael

Interview Notes:

- Alan is single and 71 years old.
- Alan worked as a greeter at the local department store and earned wages of \$6,000. Alan also received Social Security benefits of \$14,500. He received a taxable pension of \$11,700.
- He retired from his previous job on October 30, 2019. During his career he contributed pretax dollars to a qualified 401(k) retirement plan through his employer.
- Alan cannot be claimed as a dependent by another taxpayer.
- Alan is a U.S. citizen with a valid Social Security number.

Question 9 (page 38)

Alan **cannot** claim the Earned Income Tax Credit because his age is more than the age limit.

- a. True
- b. False

Basic Scenario 8: Sheila Parsons

Interview Notes:

- Sheila is single and 45 years old.
- Sheila has two children. Rebecca, age 18, has a job and earned wages of \$4,900. John, age 25, also worked and earned wages of \$4,500. Both children lived with her all year.
- Sheila paid all the cost of keeping up the home and more than half the support for her children.
- Sheila received disability pension benefits, but she has not reached the minimum retirement age of her employer's plan.
- She does not have enough expenses to itemize for the 2021 tax year.
- Sheila received a \$2,800 Economic Impact Payment (EIP3) in 2021.
- Sheila, Rebecca, and John are U.S. citizens and have valid Social Security numbers. They all lived in the United States for the entire year.
- If she has any balance due or refund, she would like to use Branch Bank: Bank Routing number is 128760000, Checking Account number is 123456

Using the documents from pages 50-54, complete Sheila's tax return and use it to answer questions 20-24.

Basic Scenario 8: Sheila Parsons

Question 22 (page 55)

Which child qualifies Sheila for EITC?

- a. Rebecca
- b. John
- c. Both Rebecca and John
- d. Neither Rebecca nor John

Basic Scenario 9: Mary Rodgers

Interview Notes:

- Mary is 30 years old and married to Mark, age 36. Mark passed away on January 30, 2021.
- Mark was unemployed and had no income in 2021 due to his illness.
- **Mary's seven-year-old daughter, Jenny, lived with her the entire year.**
- Mary paid more than half the cost of keeping up a home and support for Mark and Jenny.
- Mary received a distribution from her traditional IRA in January to pay for living expenses.
- Mary was a full-time high school teacher and earned \$35,000 in wages. Mary purchased supplies for her class out of her own pocket totaling \$320.
- Mary received a W-2G in the amount of \$8,200 from the local casino.
- **Mary paid child and dependent care expenses for Jenny while she worked.**
- Mary elected to not receive advance child tax credit payments.
- Mary and Mark received a \$4,200 Economic Impact Payment (EIP3) in 2021.
- Mary, Mark, and Jenny are U.S. citizens and have valid Social Security numbers. They all lived in the United States for the entire year.
- If Mary is entitled to a refund, she would like to deposit half into her checking account and half into her savings account. Documents from Adelphi Bank and Trust show that the routing number for both accounts is 111000025. Her checking account number is 113355779 and her savings account number is 224466880.

Using the documents from pages 56-62, complete the Rodgers's tax return and use it to answer questions 25-30.

Basic Scenario 9: Mary Rodgers

Question 28 (page 63)

Mary qualifies for which of the following credits?

- a. Child Tax Credit and Earned Income Tax Credit
- b. Child and Dependent Care Credit
- c. Retirement Savings Contribution Credit
- d. Both a and b



Education Credits

Introduction to Tax Benefits for Education

There are 2 ways education expenses can affect a tax return:

1. Taxable scholarship/grant income

Reported as income on line 1 in 1040

1	Wages, salaries, tips, etc. Attach Form(s) W-2 . SCH=400 .	
2a	Tax-exempt interest	2a

Scholarship/grant income is reported on the **student's return**, regardless of who claims the credit. It can only be reported as income if it is not used in the calculation of Qualified Education Expenses **or** the student is not a degree candidate

2. Tax credit

- American Opportunity Credit
- Lifetime Learning Credit

These credits are calculated on the return of the taxpayer who is qualified to claim the student as a dependent. If no taxpayer can claim the student as a dependent, the student claims the credit.

Education Credit Terminology

Eligible Institution	Eligible student	Qualified Education Expenses
<p>An eligible institution is generally any accredited public, nonprofit, or private college, university, vocational school, or other postsecondary institution</p> <p>A searchable database of all accredited schools is available at: http://ope.ed.gov/accreditation/</p>	<p>Taxpayer, spouse or dependent who is enrolled in one or more courses as an undergraduate or graduate student.</p> <p>*varies by the Education Credit being sought</p>	<ul style="list-style-type: none">● Tuition and fees● Course-related expenses● Non-academic fees

Grants and scholarships

A scholarship, grant or fellowship is tax free (excludable from gross income) only if:

- The student is a candidate for a degree at an eligible educational institution.

A student is considered a candidate for a degree if the student is pursuing a degree at a college or university or attends an educational institution that offers a program of training to prepare students for gainful employment in a recognized occupation and is authorized under federal or state law to provide such a program and is accredited by a nationally recognized accreditation agency.

A scholarship, grant or fellowship is tax free **only to the extent that:**

- It doesn't exceed qualified education expenses;
- It isn't designated or earmarked for other purposes (such as room and board), and
- It doesn't represent payment for teaching, research, or other services required as a condition for receiving the scholarship. These payments are typically reported as W-2 or Form 1099 earnings.
- Any Qualified Education Expense can only be used for a single tax purpose – A taxpayer can only use education expenses for one education credit.

Form 1098-T, Tuition Statement

Eligible colleges or other post-secondary institutions **generally send Form 1098-T, Tuition Statement** to any student who paid qualified educational expenses in the preceding tax year.

CORRECTED

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number 		1 Payments received for qualified tuition and related expenses \$ _____ 2	OMB No. 1545-1574 <div style="font-size: 2em; font-weight: bold; text-align: center;">2020</div> Form 1098-T	Tuition Statement
FILER'S employer identification no. 	STUDENT'S TIN 	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.
STUDENT'S name 		4 Adjustments made for a prior year \$ _____	5 Scholarships or grants \$ _____	
Street address (including apt. no.) 		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 2021 <input type="checkbox"/>	
City or town, state or province, country, and ZIP or foreign postal code 		9 Checked if a graduate student <input type="checkbox"/>	10 Ins. contract reimb./refund \$ _____	
Service Provider/Acct. No. (see instr.) 	8 Check if at least half-time student <input type="checkbox"/>			

Form **1098-T** (keep for your records) www.irs.gov/Form1098T Department of the Treasury - Internal Revenue Service

Student Account Statement

- Reflects any payments made regardless of the payment's origin.

Shows tuition, fees and other expense payments received by the school for that student.

- Available from the eligible institution.
- Used to determine which fees paid to the institution qualify as eligible.

Not included
in qualified
education
expenses

Account Activity			
View transaction by term: <input type="text" value="Spring 2018: 0.00"/> <input type="button" value="Select"/>			
Spring 2018 Account Activity			
To sort, click on the desired column header			
Description	Code	Date	Amount(\$)
Tuition, College Credit	TUI1C	12/15/2017	12624.00
Fee, General Use	FGNFC	12/15/2017	576.00
Fee, Student Accident Ins	FSIFC	12/15/2017	60.00
Fee, Parking Permit	PKPT	12/15/2017	50.00
Tuition, College Credit	TUI1C	01/06/2018	-3156.00
Fee, General Use	FGNFC	01/06/2018	-144.00
Fee, Student Accident Ins	FSIFC	01/06/2018	-15.00
Direct Subsidized Loan	DRSLY	01/12/2018	-1635.00
Federal Pell Grant	FPELL	01/12/2018	-5360.00
Payment	TN	01/12/2018	-3000.00
Term Balance:			0.00

Who can claim the credit?

- Taxpayers who paid qualified educational expenses of higher education for an eligible student unless filing MFS.
- Taxpayers who paid the education expenses for a student enrolled at or attending an eligible educational institution.
- The eligible student is either the taxpayer, taxpayer's spouse or their dependent.



American Opportunity Credit

American Opportunity Credit (AOC)

40% of the credit is refundable.

- Maximum credit of \$2,500 per eligible student based on \$4,000 of qualifying expenses (multiple students may qualify on the same return, but qualifying expenses are calculated individually).

Qualifications for AOC	
1. Available only if the student had not completed the first 4 years of postsecondary education before the tax year. Note: A student cannot claim this credit for more than 4 years	2. Taxpayer cannot file as MFS
	3. Must be enrolled at least half-time
	4. Must never have been convicted of a drug felony



Lifetime Learning Credit

Lifetime Learning Credit (LLC)

- Non-refundable tax credit. Covers undergraduate, graduate and courses to acquire or improve job skills.
- Maximum credit of \$2,000 per tax return on \$10,000 of qualified expenses.
 - Calculation is 20% of eligible expenses until limit is reached.
- Must attend an eligible institution.
- Qualified expenses include tuition and fees
 - Books only if bought from the educational institution as a condition of enrollment.
 - Rarely do books qualify for LLC.
- Per return – expenses from multiple students can be combined to increase qualified expenses toward the overall \$10,000 maximum.
- Can be less than part-time student.

Decision Process

- Does American Opportunity Credit apply? AOC is typically the best credit
 - Are there \$4000 of (net) qualified education expenses?
 - Yes, continue.
 - No, consider declaring part of scholarship/grant as taxable to student – caution not to invoke a filing requirement or Kiddie Tax on the student. See Module 8C
- If AOC does not apply, consider Lifetime Learning credit.
 - Is there enough Tax Liability to use the credit?
 - Yes, continue
 - No, go to Tuition & Fees Adjustment (available only 2020 and prior years)

Basic Scenario 6: Bobbie Daniels

Interview Notes:

- Bobbie Daniels was separated from his spouse for 10 months in 2021. Bobbie and his spouse have decided to file their tax returns as Married Filing Separately.
- Bobbie earned wages of \$11,000 during the first half of the year. Bobbie lost his job in July and received a total of \$7,500 in unemployment compensation.
- Bobbie is a chef and took a gourmet cooking class at the community college to improve his cooking skills. He paid the cost of tuition and a course-related book. His total education expenses were \$1,500.
- Bobbie also paid student loan interest for the courses he previously took to earn his Bachelor's degree. For 2021, he paid student loan interest of \$350.
- Bobbie does not have any dependents.
- Bobbie is a U.S. citizen with a valid Social Security number.

Question 12 (page 39)

Bobbie is eligible for the following credit:

- a. Earned Income Credit
- b. Lifetime Learning Credit
- c. American Opportunity Credit
- d. None of the above



Determining Eligible Expenses

Determining Total Expenses



Qualified education expenses: books, materials, or equipment required for class

Nonqualified expenses: rent, meals, health insurance, parking, student activity fees, or anything not required for class

The expense must be paid during the calendar year.

Expenses paid in December 2021 for Spring 2022 semester, qualify for 2021.

Education Expense Example

<input type="checkbox"/> CORRECTED					
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	OMB No. 1545-1574 2021 Form 1098-T	Tuition Statement	
FILER'S employer identification no. 98-000XXXX	STUDENT'S TIN 800-00-XXXX	3		Copy B For Student	
STUDENT'S name Sarah Pine		4 Adjustments made for a prior year \$ OOS	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.	
Street address (including apt. no.) 123 Main Street		6 Adjustments to scholarships or grants for a prior year \$ OOS	7 Checked if the amount in box 1 includes amounts for an academic period beginning January-March 2022 <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code Memphis, TN 38101		8 Checked if at least half-time student <input checked="" type="checkbox"/>	9 Checked if a graduate student <input type="checkbox"/>		
Service Provider/Acct. No. (see instr.)	10 Ins. contract reimb./refund \$				
Form 1098-T (keep for your records)		www.irs.gov/Form1098T		Department of the Treasury - Internal Revenue Service	

Books: \$500

Adjusted Qualified Education Expenses Worksheet (Form 8863 instructions)	
1. Total qualified education expenses paid for on behalf of the student in 2021 for the academic period	7,500
2. Less adjustments:	
a. Tax-free educational assistance received in 2021 allocable to the academic period.	3,000
b. Tax-free educational assistance received in 2022 (and before you file your 2021 tax return) allocable to the academic period	0
c. Refunds of qualified education expenses paid in 2021 if the refund is received in 2021 or in 2022 before you file your 2021 tax return	0
3. Total adjustments (add lines 2a, 2b, and 2c)	3,000
4. Adjusted qualified education expenses. Subtract line 3 from line 1. If zero or less, enter -0-	4,500

Basic Scenario 7: Fred and Wilma Jones

Interview Notes:

- Fred, age 67 and Wilma, age 58, are married. They elect to file Married Filing Jointly.
- Fred is retired. He received Social Security benefits and a pension.
- Fred and Wilma have one son, Stephen, age 18. Stephen is a full-time college student in his second year of study. He is pursuing a degree in Music and does not have a felony drug conviction. He received a Form 1098-T for 2021. Box 2 was not filled in and Box 7 was not checked on his Form 1098-T for the previous tax year.
- Stephen spent the summer at home with his parents but lived in an apartment near campus during the school year.
- Stephen received a scholarship and the terms require that it be used to pay tuition. Fred and Wilma paid the cost of Stephen's tuition and course-related books in 2021 not covered by scholarship. They paid \$90 for a parking sticker, \$4,500 for a meal plan, \$500 for textbooks purchased at the college bookstore, and \$100 for access to an online textbook.
- Fred and Wilma paid more than half the cost of maintaining a home and support for Stephen.
- Fred and Wilma do not have enough deductions to itemize on their federal tax return.
- The Joneses made timely estimated tax payments of \$150 each quarter for tax year 2021.
- The Joneses received a \$4,200 Economic Impact Payment (EIP3) in 2021.
- Fred, Wilma and Stephen are U.S. citizens and have valid Social Security numbers. They all lived in the United States for the entire year.
- If Fred and Wilma receive a refund, they would like to deposit it into their checking account. Documents from County Bank show that the routing number is 111000025. Their checking account number is 11337890.

Using the documents from pages 41-48, complete the Jones' tax return and use it to answer questions 14-19.

Basic Scenario 7: Fred and Wilma Jones

Question 15 (page 49)

What is Fred and Wilma's total qualified education expenses used to calculate the American Opportunity Credit? \$ _____

<input type="checkbox"/> CORRECTED		1 Payments received for qualified tuition and related expenses \$ 8,700.00		OMB No. 1545-1574 2021 Form 1098-T	Tuition Statement 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.
FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number RUBBLE UNIVERSITY 900 COLLEGE BLVD YOUR CITY, YOUR STATE, ZIP		2		3	
FILER'S employer identification no. 89-700XXXX	STUDENT'S TIN 129-00-XXXX	4 Adjustments made for a prior year \$		5 Scholarships or grants \$ 6,800.00	
STUDENT'S name STEPHEN JONES		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 2022 <input type="checkbox"/>	
Street address (including apt. no.) 100 STONE STREET		8 Checked if at least half-time student <input checked="" type="checkbox"/>		9 Checked if a graduate student <input type="checkbox"/>	
City or town, state or province, country, and ZIP or foreign postal code YOUR CITY, YOUR STATE, ZIP		10 Ins. contract reimb./refund \$			
Service Provider/Acct. No. (see instr.)	Form 1098-T (keep for your records)		www.irs.gov/Form1098T Department of the Treasury - Internal Revenue Service		



Buckeye College Meal Plan

Buckeye College Student Housing
575 College Blvd.
Your City, State ZIP

Received from:
Stephen Jones
\$4,500



College Books
380 College Blvd
Your City, State ZIP

Receipt:
3 Textbooks: \$500
Parking Sticker: \$90

Payment for books is also on the college website.

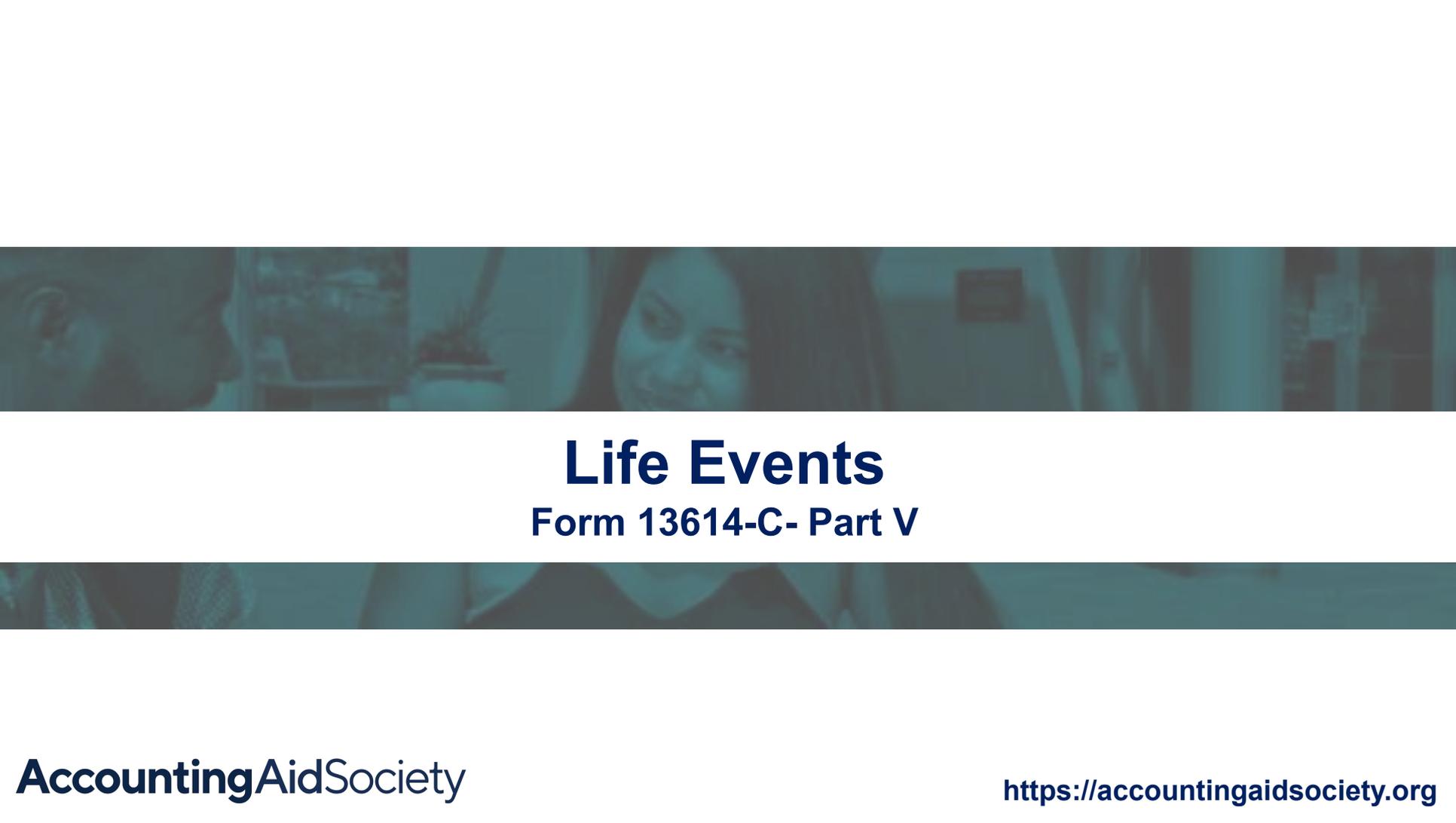
Invoice #05684

Rubble University
900 College Blvd

Date: August 18, 2021 To: Stephen Jones 100 Stone Street Ship To: Same as recipient

Quantity	Description	Unit Price	Total
	Online Textbook Fee	\$100	\$100
Subtotal			\$100
Sales Tax			
Shipping & Handling			
Total			\$100

Thank you for your business!



Life Events

Form 13614-C- Part V

Disallowance of Certain Credits

The following credits could be disallowed:

Earned Income Credit	Credit for other Dependents	Child Tax Credit
Refundable Child Tax Credit	Additional Child Tax Credit	American Opportunity Tax Credit

Form 8862, *Information to Claim Certain Credits After Disallowance*, must be completed if any of these credits were previously reduced or disallowed and the taxpayer received a letter saying they had to complete and attach Form 8862 to claim the credit(s) the next time.

If the IRS determined a taxpayer claimed the credit(s):

1. due to reckless or intentional disregard of the rules (not due to math or clerical errors) the taxpayer can't claim the credit(s) for 2 tax years.
2. due to fraud, then the taxpayer can't claim the credit(s) for 10 tax years.

Estimated Tax Payments

Estimated tax is the method used to pay tax on income that isn't subject to withholding (for example, earnings from self-employment, interest, dividends, rents, alimony, etc.).

After the completion of the return, if the taxpayer owes \$1,000 or more on the tax return, you should discuss their withholding and estimated tax options with them.

Taxpayers who are wage earners should use the IRS Tax Withholding Estimator to determine whether they need to update their withholding

Tear off here

Form 1040-ES Department of the Treasury Internal Revenue Service		2021 Estimated Tax		Payment Voucher 4 OMB No. 1545-0074			
File only if you are making a payment of estimated tax by check or money order. Mail this voucher with your check or money order payable to "United States Treasury." Write your social security number and "2021 Form 1040-ES" on your check or money order. Do not send cash. Enclose, but do not staple or attach, your payment with this voucher.				Calendar year—Due Jan. 18, 2022			
				Amount of estimated tax you are paying by check or money order.			
				Dollars	Cents		
Pay online at www.irs.gov/etpay	Print or type Simple. Fast. Secure.	Your first name and middle initial		Your last name	Your social security number		
		If joint payment, complete for spouse					
		Spouse's first name and middle initial		Spouse's last name		Spouse's social security number	
		Address (number, street, and 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/county		Foreign postal code		

For Privacy Act and Paperwork Reduction Act Notice, see instructions. Form 1040-ES (2021)

Basic Scenario 8: Sheila Parsons

Question 24 (page 55)

Sheila can prevent having a balance due next year by using the Tax Withholding Estimator at IRS.gov and then adjust her withholding.

- a. True
- b. False

Refunds

- Client must provide their account and routing number to receive their refund.
 - Refunds should only be deposited directly into accounts that are in their own name, a spouse's name, or both if it's a joint account.
- Taxpayers may choose to have their refund deposited in up to three accounts. If a taxpayer chooses to direct deposit his or her refund into two or three accounts, you will need to complete Form 8888.
- Form 8888 can also be used to purchase US Savings Bonds

Form **8888** Allocation of Refund (Including Savings Bond Purchases) OMB No. 1545-0074
 (Rev. November 2021) Department of the Treasury Internal Revenue Service
 ▶ Go to www.irs.gov/Form8888 for the latest information. ▶ Attach to your income tax return. Attachment Sequence No. **56**

Name(s) shown on return _____ Your social security number _____

Part I Direct Deposit
 Complete this part if you want us to directly deposit a portion of your refund to one or more accounts.

1a Amount to be deposited in first account (see instructions)	1a
b Routing number <input type="text"/> ▶ <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
d Account number <input type="text"/>	
2a Amount to be deposited in second account	2a
b Routing number <input type="text"/> ▶ <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
d Account number <input type="text"/>	
3a Amount to be deposited in third account	3a
b Routing number <input type="text"/> ▶ <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
d Account number <input type="text"/>	

Part II U.S. Series I Savings Bond Purchases
 Complete this part if you want to buy paper bonds with a portion of your refund.

CAUTION If a name is entered on line 5c or 6c below, co-ownership will be assumed unless the beneficiary box is checked. See instructions for more details.

4 Amount to be used for bond purchases for yourself (and your spouse, if filing jointly)	4
5a Amount to be used to buy bonds for yourself, your spouse, or someone else	5a
b Enter the owner's name (First then Last) for the bond registration	<input type="text"/>

Basic Scenario 9: Mary Rodgers

Interview Notes:

- Mary is 30 years old and married to Mark, age 36. Mark passed away on January 30, 2021.
- Mark was unemployed and had no income in 2021 due to his illness.
- Mary's seven-year-old daughter, Jenny, lived with her the entire year.
- Mary paid more than half the cost of keeping up a home and support for Mark and Jenny.
- Mary received a distribution from her traditional IRA in January to pay for living expenses.
- Mary was a full-time high school teacher and earned \$35,000 in wages. Mary purchased supplies for her class out of her own pocket totaling \$320.
- Mary received a W-2G in the amount of \$8,200 from the local casino.
- Mary paid child and dependent care expenses for Jenny while she worked.
- Mary elected to not receive advance child tax credit payments.
- Mary and Mark received a \$4,200 Economic Impact Payment (EIP3) in 2021.
- Mary, Mark, and Jenny are U.S. citizens and have valid Social Security numbers. They all lived in the United States for the entire year.
- If Mary is entitled to a refund, she would like to deposit half into her checking account and half into her savings account. Documents from Adelphi Bank and Trust show that the routing number for both accounts is 111000025. Her checking account number is 113355779 and her savings account number is 224466880.

Using the documents from pages 56-62, complete the Rodgers's tax return and use it to answer questions 25-30.

Basic Scenario 9: Mary Rodgers

Question 29 (page 63)

Mary wants to split the refund between her savings and checking accounts. How is this accomplished, if possible?

- a. Splitting a refund is not possible.
- b. Mary does not have an overpayment on her return.
- c. This can only be accomplished if filing a paper return.
- d. Complete Form 8888, Allocation of Refund (Including Savings Bond Purchases).



Third Economic Impact Payment

Third Economic Impact Payment

Third Economic Impact Payment (EIP) – An advance payment of the 2021 Recovery Rebate Credit

- Payment is based on the latest processed return for either 2020 or 2019
- Up to \$1,400 per eligible individual
- Plus up to \$1,400 for each qualifying dependent
- Payments and plus-up payments will continue through the end of 2021

Notice 1444-C, Your third Economic Impact Payment – Mailed to those who received a third EIP at the address the IRS has on file for the taxpayer

Third Economic Impact Payment

Who is Eligible? Generally, taxpayers who are:

- U.S. citizens or U.S. resident aliens, if
- The taxpayer (and spouse if filing a joint return) aren't a dependent of another taxpayer,
- Have Social Security numbers (SSNs) valid for employment and issued by the due date of the tax return (including an extension to October 15 if taxpayer requested it), and
- Adjusted gross income (AGI) amounts under the threshold amounts

An individual who may be claimed as a dependent on another taxpayer's tax return is not eligible for a payment

Third Economic Impact Payment

Married Filing Jointly Filers:

- If only one individual has a valid SSN, they will receive payment for the spouse with a valid SSN and payment for each qualifying dependent claimed on the return
- If neither spouse has a valid SSN, taxpayers will only receive payment for each qualifying dependent claimed on the return
- If either spouse is an active member of the U.S. Armed Forces at any time during the taxable year, only one spouse needs to have a valid SSN for the couple to receive up to \$2,800 for themselves

Third Economic Impact Payment

Qualifying Dependents are:

- Qualifying Children and Qualifying Relatives claimed on the tax return
 - Unlike the first two EIP payments, the third EIP is not limited to children under 17
- Must have an SSN valid for employment or an adoption taxpayer identification number (ATIN)
- **A child who has an ITIN is not a qualifying child for this payment**

Basic Scenario 2: Chris and Marcie Davis

Interview Notes:

- Chris, age 22, and Marcie, age 24, are married and will file a joint return.
- They cannot be claimed as dependents by another taxpayer.
- Chris and Marcie have no children or other dependents.
- Both work and neither are full-time students. Chris earned wages of \$18,600 and Marcie earned wages of \$6,500.
- Chris and Marcie are U.S. citizens and have valid Social Security numbers.
- Chris and Marcie received an Economic Impact Payment (EIP3) of \$2,800 in March 2021.

Question 4 (page 35)

Chris and Marcie must claim the EIP3 of \$2,800 as taxable income on their 2021 tax return.

- a. True
- b. False

Accounting Aid Society SINCE 1972

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

End of Basic Training

Accounting AidSociety SINCE **1972**

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

State of Michigan

Michigan Individual Income Tax Return

2020 MICHIGAN Individual Income Tax Return MI-1040

Return is due April 15, 2021. Type or print in blue or black ink.

Amended Return
(Include Schedule AMD)

1. Filer's First Name M.I. Last Name		2. Filer's Full Social Security No. (Example: 123-45-6789)	
If a Joint Return, Spouse's First Name M.I. Last Name		3. Spouse's Full Social Security No. (Example: 123-45-6789)	
Home Address (Number, Street, or P.O. Box)			
City or Town		State	ZIP Code
4. School District Code (5 digits - see page 60)			
5. STATE CAMPAIGN FUND Check if you (and/or your spouse, if filing a joint return) want \$3 of your taxes to go to this fund. This will not increase your tax or reduce your refund. a. <input type="checkbox"/> Filer b. <input type="checkbox"/> Spouse		6. FARMERS, FISHERMEN, OR SEAFARERS <input type="checkbox"/> Check this box if 2/3 of your income is from farming, fishing, or seafaring.	
7. 2020 FILING STATUS. Check one. a. <input type="checkbox"/> Single b. <input type="checkbox"/> Married filing jointly c. <input type="checkbox"/> Married filing separately		8. 2020 RESIDENCY STATUS. Check all that apply. a. <input type="checkbox"/> Resident b. <input type="checkbox"/> Nonresident * c. <input type="checkbox"/> Part-Year Resident *	
9. EXEMPTIONS. NOTE: If someone else can claim you as a dependent, check box 9e, enter 0 on line 9a and enter \$1,500 on line 9e (see instr.).			
a. Number of exemptions (see instructions)	9a.	<input type="text"/>	<input type="text"/>
b. Number of individuals who qualify for one of the following special exemptions: deaf, blind, hemiplegic, paraplegic, or totally and permanently disabled	9b.	<input type="text"/>	<input type="text"/>
c. Number of qualified disabled veterans	9c.	<input type="text"/>	<input type="text"/>
d. Number of Certificates of Stillbirth from MDHHS (see instructions)	9d.	<input type="text"/>	<input type="text"/>
e. Claimed as dependent, see line 9 NOTE above	9e.	<input type="checkbox"/>	<input type="text"/>
f. Add lines 9a, 9b, 9c, 9d and 9e. Enter here and on line 15	9f.	<input type="text"/>	<input type="text"/>
10. Adjusted Gross Income from your U.S. Forms 1040 or 1040NR (see instructions)	10.	<input type="text"/>	<input type="text"/>
11. Additions from Schedule 1, line 9. Include Schedule 1	11.	<input type="text"/>	<input type="text"/>
12. Total. Add lines 10 and 11	12.	<input type="text"/>	<input type="text"/>
13. Subtractions from Schedule 1, line 29. Include Schedule 1	13.	<input type="text"/>	<input type="text"/>
14. Income subject to tax. Subtract line 13 from line 12. If line 13 is greater than line 12, enter "0"	14.	<input type="text"/>	<input type="text"/>
15. Exemption allowance. Enter amount from line 9f or Schedule NR, line 19	15.	<input type="text"/>	<input type="text"/>
16. Taxable income. Subtract line 15 from line 14. If line 15 is greater than line 14, enter "0"	16.	<input type="text"/>	<input type="text"/>
17. Tax. Multiply line 16 by 4.25% (0.0425)	17.	<input type="text"/>	<input type="text"/>
NON-REFUNDABLE CREDITS			
18. Income Tax Imposed by government units outside Michigan. Include a copy of the return (see instructions)	18a.	<input type="text"/>	<input type="text"/>
19. Michigan Historic Preservation Tax Credit carryforward (see instructions)	19a.	<input type="text"/>	<input type="text"/>
20. Income Tax. Subtract the sum of lines 18b and 19b from line 17. If the sum of lines 18b and 19b is greater than line 17, enter "0"	20.	<input type="text"/>	<input type="text"/>

2020 MI-1040, Page 2 of 2

Filer's Full Social Security Number

21. Enter amount of income tax from line 20	21.	<input type="text"/>	<input type="text"/>
22. Voluntary Contributions from Form 4842, line 6. Include Form 4842	22.	<input type="text"/>	<input type="text"/>
23. USE TAX. Use tax due on Internet, mail order or other out-of-state purchases from Worksheet T (see instructions)	23.	<input type="text"/>	<input type="text"/>
24. Total Tax Liability. Add lines 21, 22 and 23	24.	<input type="text"/>	<input type="text"/>
REFUNDABLE CREDITS AND PAYMENTS			
25. Property Tax Credit. Include MI-1040CR or MI-1040CR-2	25.	<input type="text"/>	<input type="text"/>
26. Farmland Preservation Tax Credit. Include MI-1040CR-5	26.	<input type="text"/>	<input type="text"/>
27. Earned Income Tax Credit. Multiply line 27a by 6% (0.06) and enter result on line 27b.	27a.	<input type="text"/>	<input type="text"/>
28. Michigan Historic Preservation Tax Credit (refundable). Include Form 3581	28.	<input type="text"/>	<input type="text"/>
29. Michigan tax withheld from Schedule W, line 6. Include Schedule W (do not submit W-2s)	29.	<input type="text"/>	<input type="text"/>
30. Estimated tax, extension payments and 2019 credit forward	30.	<input type="text"/>	<input type="text"/>
31. 2020 AMENDED RETURNS ONLY. Taxpayers completing an original 2020 return should skip to line 32. Amended returns must include Schedule AMD (see instructions).			
31a. <input type="checkbox"/> If you had a refund and/or credit forward on the original return, check box 31a and enter this amount as a negative number on line 31c.			
31b. <input type="checkbox"/> If you paid with the original return, check box 31b and enter the amount paid with the original return, plus any additional tax paid after filing, as a positive number on line 31c. Do not include interest or penalty.			
31c. <input type="text"/>	31c.	<input type="text"/>	<input type="text"/>
32. Total refundable credits and payments. Add lines 25, 26, 27b, 28, 29, 30 and 31c.	32.	<input type="text"/>	<input type="text"/>
REFUND OR TAX DUE			
33. If line 32 is less than line 24, subtract line 32 from line 24. If applicable, see instructions.			
Include interest <input type="text"/>	<input type="text"/>	and penalty <input type="text"/>	<input type="text"/>
33.		YOU OWE	<input type="text"/>
34. Overpayment. If line 32 is greater than line 24, subtract line 24 from line 32	34.	<input type="text"/>	<input type="text"/>
35. Credit Forward. Amount of line 34 to be credited to your 2021 estimated tax for your 2021 tax return	35.	<input type="text"/>	<input type="text"/>
36. Subtract line 35 from line 34	36.	<input type="text"/>	<input type="text"/>
DIRECT DEPOSIT			
Deposit your refund directly to your financial institution! See instructions and complete a, b and c.			
a. Routing Transit Number	b. Account Number	c. Type of Account <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
Deceased Taxpayer. If Filer and/or Spouse died after December 31, 2019, enter dates below. ENTER DATE OF DEATH ONLY. (Example: 04-15-2020 (MM-DD-YYYY))		Preparer Certification. I declare under penalty of perjury that this return is based on all information of which I have any knowledge.	
Filer	Spouse	Preparer's PTIN, FEIN or SSN	
Taxpayer Certification. I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge.		Preparer's Name (print or type)	
Filer's Signature	Date	Preparer's Signature	
Spouse's Signature	Date	Preparer's Business Name, Address and Telephone Number	
<input type="checkbox"/> By checking this box, I authorize Treasury to discuss my return with my preparer.			

Michigan Filing Requirements

- **Clients SHOULD file a Michigan return if they:**
 - Had any Michigan or city income taxes withheld on any paycheck
 - Paid property taxes on a primary home, paid rent for an apartment or mobile home
 - Paid any heating costs and are low-income (110% of Federal Poverty Line or below)
- **Clients MUST file a Michigan return if they owe Michigan tax or had taxable income above any of the following:**
 - Federal Standard Deduction of \$12,550 Single, \$25,100 Married Filing Jointly, or \$18,800 Head of Household
 - Michigan personal exemption
 - (Single = \$4,900; Married Filing Jointly = $\$4,900 \times 2 = \$9,800$; Single parent with two dependents = $\$4,900 \times 3 = \$14,700$)
 - Self-employment income of more than \$400 (Schedule C filers)
- **NOTE: Any client that filed a federal return SHOULD file a Michigan return!**



Michigan Exemptions

Michigan Exemptions

The first questions on the Michigan Intake/Interview sheet are based on on special exemptions taxpayers may qualify for.

AAS Supplement to IRS Form 13614-C	AccountingAidSociety MICHIGAN INTAKE/INTERVIEW SHEET	Page 0 AAS (Rev. 09/22/2020)
AAS Part I. Michigan Special Exemptions <input type="checkbox"/> Yes <input type="checkbox"/> No 1. Is the taxpayer, spouse (if MFJ), and/or any dependent <input type="checkbox"/> deaf, <input type="checkbox"/> blind, <input type="checkbox"/> hemiplegic, paraplegic, or quadriplegic, or <input type="checkbox"/> totally and permanently disabled (under 68yrs old)? <input type="checkbox"/> Yes <input type="checkbox"/> No 2. Is the taxpayer, spouse (if MFJ), and/or any dependent a qualified disabled veteran? (With a service-connected disability, see the MI-1040 instructions.) <input type="checkbox"/> Yes <input type="checkbox"/> No 3. Stillbirth exemption — Is taxpayer the parent of a stillborn delivered during the tax year? (If yes, consult the Site Coordinator and see the MI-1040 instructions.)		

- These exemptions will appear on MI-1040.
- Exemptions lower taxable income.
- Certain exemptions also affect Michigan credits that most clients are eligible for.

Exemptions

9. **EXEMPTIONS. NOTE:** If someone else can claim you as a dependent, check box 9e, enter 0 on line 9a and enter \$1,500 on line 9e (see instr.).

a. Number of exemptions (see instructions).....	9a.	<input type="text"/>	x	\$4,750	9a.	<input type="text"/>	00
b. Number of individuals who qualify for one of the following special exemptions: deaf, blind, hemiplegic, paraplegic, quadriplegic, or totally and permanently disabled	9b.	<input type="text"/>	x	\$2,800	9b.	<input type="text"/>	00
c. Number of qualified disabled veterans	9c.	<input type="text"/>	x	\$400	9c.	<input type="text"/>	00
d. Number of Certificates of Stillbirth from MDHHS (see instructions)	9d.	<input type="text"/>	x	\$4,750	9d.	<input type="text"/>	00
e. Claimed as dependent, see line 9 NOTE above	9e.	<input type="checkbox"/>			9e.	<input type="text"/>	00
f. Add lines 9a, 9b, 9c, 9d and 9e. Enter here and on line 15	9f.	<input type="text"/>			9f.	<input type="text"/>	00
15. Exemption allowance. Enter amount from line 9f or Schedule NR, line 19.....	15.	<input type="text"/>			15.	<input type="text"/>	00

The number of exemptions (line 9a), is the summation of the taxpayer, spouse (if MFJ), and their dependents. Dependents include both qualifying children and qualifying relatives.

Lines 9b through 9e are based on certain criteria.

Line 15 is the total of line 9a through 9f. This amount will reduce the taxpayer's taxable income.

Special Exemptions

Deaf	An individual whose primary way of receiving messages is through a sense other than hearing (e.g., lip reading, sign language, finger spelling, or reading)
Blind	An individual who has a permanent impairment of both eyes of the following status: The better eye permanently has 20/200 vision or less with corrective lenses, or the peripheral field of vision is 20 degrees or less.
Hemiplegic	An individual who has paralysis of one side of the body
Paraplegic	An individual who has paralysis of the lower half of the body
Quadriplegic	An individual who has paralysis of both arms and both legs

Michigan Exemptions

Qualified Disabled Veteran, Stillbirth, and Dependent Taxpayer Exemptions

Qualified Disabled Veteran

An individual must be a veteran of the active military, naval, marine, coast guard, or air service who received an honorable or general discharge and has a disability incurred or aggravated in the line of duty as described in 38 USC 101(16)

- May be claimed in addition to the taxpayer's other exemptions
- May not be claimed on more than one tax return

Stillbirth Exemption

For a parent of a stillborn delivered during the tax year who has been issued a Certificate of Stillbirth from the Michigan Department of Health and Human Services (MDHHS)

- Taxpayer must include a copy of the certificate with the tax return

Claimed as a Dependent

\$1,500 exemption for a taxpayer who **can** be claimed as a dependent on someone else's return (taxpayer does not get personal exemption)

Michigan Disability Exemption

Totally and Permanently Disabled

An individual who is disabled as defined under Social Security Guidelines 42 U.S.Code § 416

- Unable to engage in any substantial gainful activity because of a medically determined physical or mental impairment which can be expected to result in death, or which has lasted or can be expected to last continuously for 12 months or more
- Generally receives Social Security Disability benefits (SSDI), Supplemental Security Income (SSI), or Veterans' Administration (VA) disability retirement payments

Michigan Disability Exemption

Totally and Permanently Disabled

- The change is due to changes in the Social Security act and retirement ages set by the act (See 42 U.S.Code § 416)
- The age that someone is considered “retired” and no longer totally and permanently disabled is now age 66 **as of October 31, 2021.**
- The age and date will evolve for the next few years until it builds to the new retirement age of 67 (For 2022, the age and date should be 66 at August 31 for the retirement age.)
 - This is good for taxpayers that are totally and permanently disabled

Note: For tax years prior to 2021, and within the four-year filing statute, totally and permanently disabled may not be claimed if taxpayer was age 66 by December 31 of the tax year

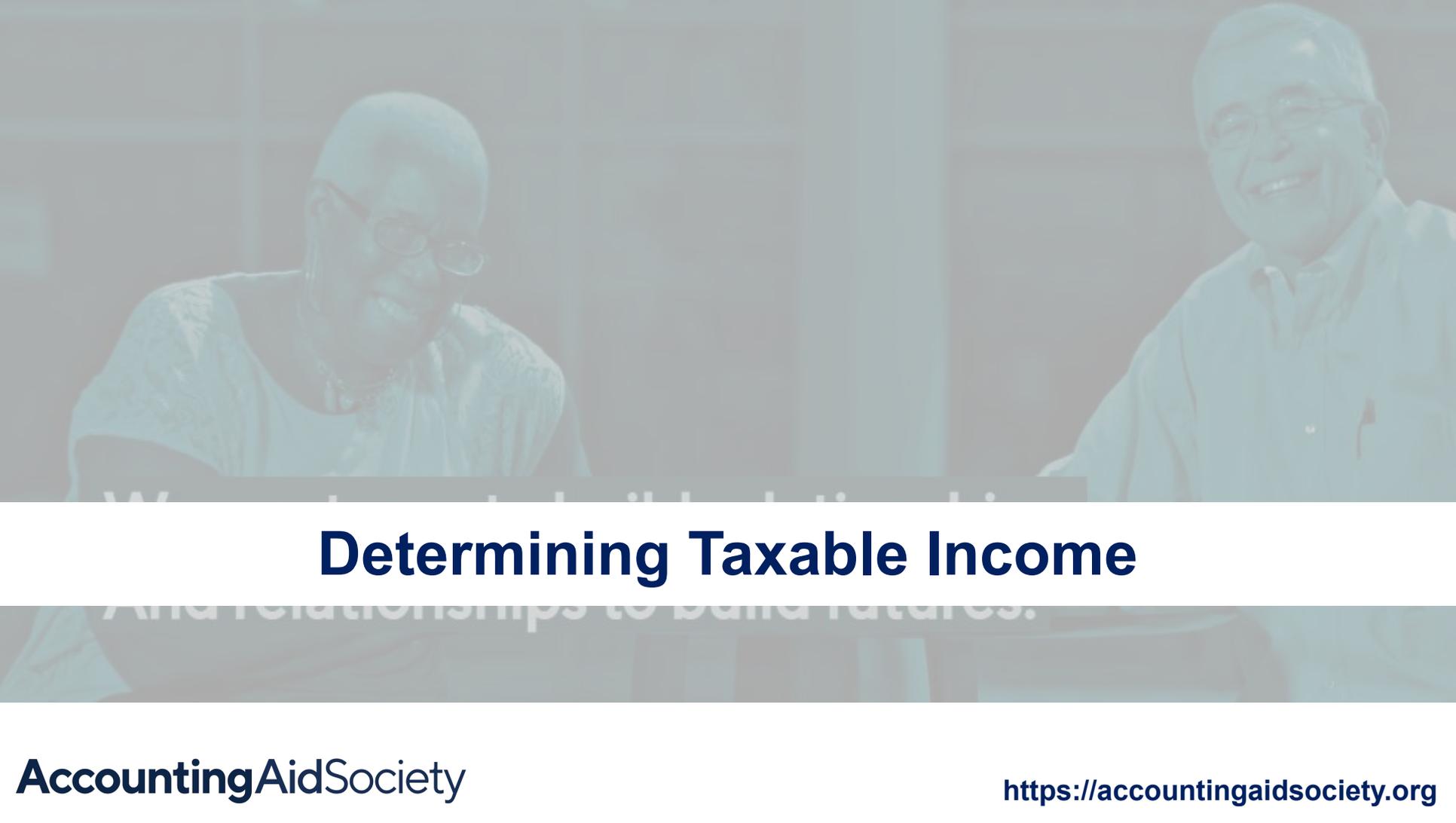
Michigan Disability Exemption

Summary:

- Individuals ***born in January through October of 1955, cannot claim exemption*** for totally and permanently disabled
- Individuals ***born in November and December of 1955, can claim the exemption*** for totally and permanently disabled

Michigan Exemptions – Final Notes

- It's **important** to claim each exemption to which the taxpayer is entitled
 - Claiming an exemption(s) may increase any tax refund and decrease any tax due, and
 - May increase the amount of the homestead property tax credit and home heating credit
- If a dependent files a return, the taxpayer or the dependent, but not both, may claim the dependent's special exemption or qualified disabled veteran exemption
- If a taxpayer qualifies for a special exemption and qualified disabled veteran exemption, they can have both.



Determining Taxable Income

Taxable Income

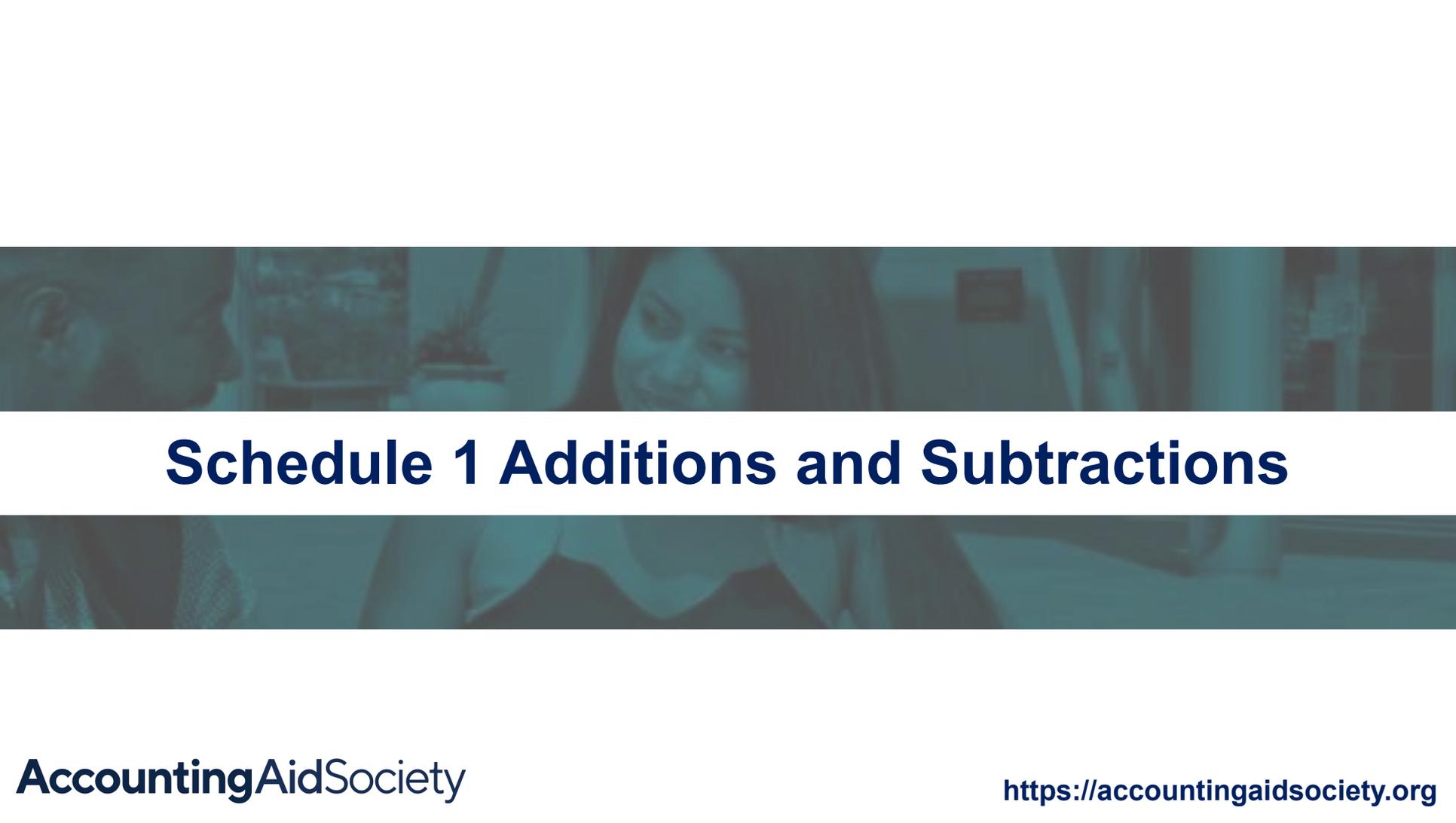
- In order to calculate the tax amount, we need to first determine the taxable income.
 - Michigan has a standard rate of 4.25%. The taxable income multiplied by this rate will determine the Tax. Just like Federal, tax is lowered by withholdings and credits.

10.	Adjusted Gross Income from your U.S. Forms 1040 or 1040NR (see instructions).....	10.		00
11.	Additions from Schedule 1, line 9. Include Schedule 1	11.		00
12.	Total. Add lines 10 and 11.....	12.		00
13.	Subtractions from Schedule 1, line 29. Include Schedule 1	13.		00
14.	Income subject to tax. Subtract line 13 from line 12. If line 13 is greater than line 12, enter "0"	14.		00
15.	Exemption allowance. Enter amount from line 9f or Schedule NR, line 19.....	15.		00
16.	Taxable income. Subtract line 15 from line 14. If line 15 is greater than line 14, enter "0"	16.		00
17.	Tax. Multiply line 16 by 4.25% (0.0425)	17.		00

AGI from Federal 1040
 + Additions from Schedule 1
- Subtractions from Schedule 1
 = Income Subject to Tax

Income Subject to Tax
- Exemption allowance
 = Taxable Income

Taxable Income
x 4.25%
 = Tax

A teal-tinted background image showing a group of people in a meeting or classroom setting, looking at documents or a screen.

Schedule 1 Additions and Subtractions

Schedule 1- Additions

Line 1 through 7 shows additions to income.

The only addition we typically see is the deduction for Self-Employment Tax (line 2)

2020 MICHIGAN Schedule 1 Additions and Subtractions

Issued under authority of Public Act 281 of 1967, as amended.

Attachment 01

Include with Form MI-1040. Type or print in blue or black ink.

Filer's First Name	M.I.	Last Name	Filer's Full Social Security No. (Example: 123-45-6789)
			— —

Additions to Income (all entries must be positive numbers)

1. Gross interest and dividends from obligations issued by states (other than Michigan) or their political subdivisions.....
2. Deduction for taxes on, or measured by, income including self-employment tax taken on your federal return (see instructions).....
3. Gains from Michigan column of MI-1040D and MI-4797
4. Losses attributable to other states (see instructions)
5. Net loss from federal column of your Michigan MI-1040D or MI-4797
6. Oil, gas, and nonferrous metallic mineral expenses (Michigan sourced) deducted to arrive at Adjusted Gross Income (AGI).....
7. Federal Net Operating Loss deduction included in AGI.....
8. Other (see instructions). Describe: _____
9. **Total additions. Add lines 1 through 8. Enter here and on MI-1040, line 11**.....

Schedule 1

Schedule 1, pages 1 and 2, shows subtractions from AGI.

We typically see line 14, *Taxable Social Security benefits*, and line 23-26, *Deduction Based on Year of Birth*.

TaxSlayer will automatically subtract line 14, but sometimes more information is needed before lines 23 through 26 are deducted.

Subtractions from Income (all entries must be positive numbers)

- 10. Income from U.S. government bonds and other U.S. obligations included in MI-1040, line 10. Include U.S. *Schedule B* if over \$5,000..... 10
- 11. Amount included in MI-1040, line 10, from military retirement benefits due to service in the U.S. Armed Forces or Michigan National Guard, or taxable railroad retirement benefits 11
- 12. Gains from federal column of Michigan MI-1040D and MI-4797 12
- 13. Income attributable to another state. **Explain type and source:** 13
- 14. Taxable Social Security benefits or military pay (not retirement) included on MI-1040, line 10 .. 14
- 15. Income earned while a resident of a Renaissance Zone (see instructions) 15
- 16. Michigan state and local income tax refunds received in 2020 and included on MI-1040, line 10..... 16
- 17. Michigan Education Savings Program, MI 529 Advisor Plan, and Michigan Achieving a Better Life Experience Program 17
- 18. Michigan Education Trust 18
- 19. Oil, gas, and nonferrous metallic minerals income (Michigan sourced) included in AGI 19
- 20. Resident Tribal Member income exempted under a State/Tribal tax agreement or pursuant to *Revenue Administrative Bulletin 1988-47*..... 20
- 21. Miscellaneous subtractions (see instructions). **Describe:** 21

Deduction Based on Year of Birth

Complete 22A through 22H if claiming the Michigan Standard Deduction, the retirement benefits deduction or the senior investment income deduction on lines 23, 24, 25, or 26. Check box(es) 22C and/or 22G **only** if you or your spouse received retirement benefits from employment with a governmental agency not covered by the federal Social Security Act (SSA exempt employment). **See instructions before continuing.**

22.	FILER				SPOUSE			
	A. Year of Birth (19xx)	B. Age as of 12-31-2020	C. Check if filer received benefits from SSA exempt employment	D. Check if retired as of 01-01-2013 and born after 1952	E. Year of Birth (19xx)	F. Age as of 12-31-2020	G. Check if spouse received benefits from SSA exempt employment	H. Check if retired as of 01-01-2013 and born after 1952
			<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	<input type="checkbox"/>
23.	Tier 2 Michigan Standard Deduction. Complete this line ONLY if the older of you or your spouse (if married) was born during the period January 1, 1946 through December 31, 1952, and reached age 67 before December 31, 2020. Do not complete lines 24, 25 or 26.				23.			00
24.	Tier 3 Michigan Standard Deduction. Complete this line ONLY if the older of you or your spouse (if married) was born during the period January 1, 1953 through January 1, 1954, and reached age 67 on or before December 31, 2020. Do not complete lines 23, 25 or 26. Enter amount from line 6 of Worksheet 2.				24.			00
25.	Retirement benefits. Enter amount from line 16, 27, 28 or 29 of Form 4884, <i>Michigan Pension Schedule</i> . Include Form 4884 .				25.			00
26.	Dividend/interest/capital gains deduction for taxpayers 75 years and older. Deduction is limited to \$11,983 for single or married filing separately filers and \$23,966 for joint filers, less any deduction for retirement benefits (see instructions).				26.			00

Check this box if you are the unmarried surviving spouse claiming a dividend, interest or capital gains deduction for someone born before 1946 who was at least age 65 at the time of death.

A teal-tinted background image showing a group of people in a meeting or office setting, looking at documents and talking.

Michigan Pension Subtraction

Michigan Retirement Pension Subtraction

- A subtraction is allowed on the Michigan return for qualifying distributions from retirement plans.
- Retirement plans include private and public employer plans and individuals plans such as IRA's.
- If the Taxpayer or spouse received qualified pension or retirements benefits, they may be eligible for the subtraction on the Michigan Return.

The Analysis section on the 2nd page of the Michigan Intake asks about Pension Subtraction

ANALYSIS		Answer Yes if taxpayer(s) is filing/claiming, or is, a:	
<u>Filing Status:</u>		City Return _____ :	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Single	<input type="checkbox"/> MFS	Credit-Only Return :	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> HH	<input type="checkbox"/> QW	Disability Exemption(s) :	<input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> MFJ		Pension Subtraction :	<input type="checkbox"/> Yes <input type="checkbox"/> No
		Detroit Homeowner :	<input type="checkbox"/> Yes <input type="checkbox"/> No

Michigan Retirement Pension Subtraction

A qualifying retirement distribution depends on 2 factors:

1. The client's date of birth, which determines the client's tier level. The tier level determines the amount of the retirement subtraction.
2. The distribution code in box 7 of the 1099 R.

VOID		CORRECTED		OMB No. 1545-0119		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and phone no.		1 Gross distribution		2020		Form 1099-R	
		\$					
		2a Taxable amount		Total distribution <input type="checkbox"/>		Copy 1 For State, City, or Local Tax Department	
		\$					
PAYER'S TIN		RECIPIENT'S TIN		3 Capital gain (included in box 2a)		4 Federal income tax withheld	
				\$		\$	
RECIPIENT'S name		5 Employee contributions/ Designated Roth contributions or insurance premiums		6 Net unrealized appreciation in employer's securities		8 Other	
Street address (including apt. no.)		IRA/ SEP/ SIMPLE <input type="checkbox"/>		\$		\$ %	
City or town, state or province, country, and ZIP or foreign postal code		9a Your percentage of total distribution %		9b Total employee contributions \$			
10 Amount allocable to IRR within 5 years		11 1st year of desig. Roth contrib.		14 State tax withheld		15 State/Payer's state no.	
\$				\$		\$	
Account number (see instructions)		13 Date of payment		17 Local tax withheld		18 Name of locality	
				\$		\$	
						19 Local distribution	
						\$	

Form 1099-R www.irs.gov/Form1099R Department of the Treasury - Internal Revenue Service

Form 1099-R Distribution Codes

Distribution code	Do the retirement and/or pension benefits qualify as a subtraction?
1	Early distribution, no known exception - NOT ELIGIBLE FOR THE SUBTRACTION, even if there is no Federal 10% penalty.
2	Early distribution, exception applies - No, unless: Part of a series of mainly equal periodic payments made for the life of the employee or the joint lives of the employee and their beneficiary; Early retirement under the terms of the plan
3	Disability - YES
4	Death - Yes, for surviving spouse only and only if the decedent would have also qualified for a normal distribution under Distribution Code 7 at the time of death. Client must provide deceased spouse's name, SSN, & year of birth. No, for all other beneficiaries.
7	Normal distribution - YES
5,6,8,9	Out of Scope

Tiers based on Date of Birth

Tier 1	Tier 2	Tier 3
<p>Recipients born before 1946 may subtract all qualifying retirement and pension benefits received from federal or Michigan public sources</p> <p>They may subtract qualifying private retirement and pension and benefits up to \$53,759 if single or married filing separate, or \$107,517 if married filing a joint return.</p>	<p>Recipients born during the period January 1, 1946 through December 31, 1952 do not receive a retirement deduction. Instead, they are eligible for <i>standard deduction</i> of \$20,000 (Single/Separate), \$40,000 (Joint return).</p> <p>This deduction is included regardless of what kind of income the taxpayer may have. For example, a client with only W-2 income, and no pension income.</p>	<p>Recipients born after 1952: If the taxpayer has reached age 67 on or before December 31, 2021, they are eligible for a standard deduction based on Worksheet 2.</p> <p><i>If they have not reached age 67, they are not eligible for a deduction.</i></p> <p>Note: there are some additional exemptions for taxpayers who receive retirement benefits that were exempt from Social Security.</p>

Michigan Schedule 1

2020 Form 3423, Page 2 of 2

2020 MICHIGAN Schedule 1 Additions and Subtractions

Filer's First Name	M.I.	Last Name	Filer's Full Social Security No. (Example: 123-45-6789)
			— —

Deduction Based on Year of Birth

Complete 22A through 22H if claiming the Michigan Standard Deduction, the retirement benefits deduction or the senior investment income deduction on lines 23, 24, 25, or 26. Check box(es) 22C and/or 22G **only** if you or your spouse received retirement benefits from employment with a governmental agency not covered by the federal Social Security Act (SSA exempt employment). **See instructions before continuing.**

22.	FILER				SPOUSE				
	A. Year of Birth (19xx)	B. Age as of 12-31-2020	C. Check if filer received benefits from SSA exempt employment	D. Check if retired as of 01-01-2013 and born after 1952	E. Year of Birth (19xx)	F. Age as of 12-31-2020	G. Check if spouse received benefits from SSA exempt employment	H. Check if retired as of 01-01-2013 and born after 1952	
			<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	<input type="checkbox"/>	
23.	Tier 2 Michigan Standard Deduction. Complete this line ONLY if the older of you or your spouse (if married) was born during the period January 1, 1946 through December 31, 1952, and reached age 67 before December 31, 2020. Do not complete lines 24, 25 or 26.						23.		00
24.	Tier 3 Michigan Standard Deduction. Complete this line ONLY if the older of you or your spouse (if married) was born during the period January 1, 1953 through January 1, 1954, and reached age 67 on or before December 31, 2020. Do not complete lines 23, 25 or 26. Enter amount from line 6 of Worksheet 2						24.		00
25.	Retirement benefits. Enter amount from line 16, 27, 28 or 29 of Form 4884, Michigan Pension Schedule. Include Form 4884.						25.		00
26.	Dividend/interest/capital gains deduction for taxpayers 75 years and older. Deduction is limited to \$11,983 for single or married filing separately filers and \$23,966 for joint filers, less any deduction for retirement benefits (see instructions).						26.		00
	<input type="checkbox"/> Check this box if you are the unremarried surviving spouse claiming a dividend, interest or capital gains deduction for someone born before 1946 who was at least age 65 at the time of death.								
27.	Reserved. Skip to line 28.						27.	X X X X X X X X	00
28.	Michigan Net Operating Loss						28.		00
29.	Total Subtractions. Add lines 10 through 28. Enter here and on MI-1040, line 13.						29.		00

Tier 3 Deduction Worksheet

Unlike Tier 2, Tier 3 reduces the Standard Deduction by any other subtraction and exemption first.

For example:

A single individual with no dependents would like to file their Michigan return. They have no other income aside from their \$35,000 pension.

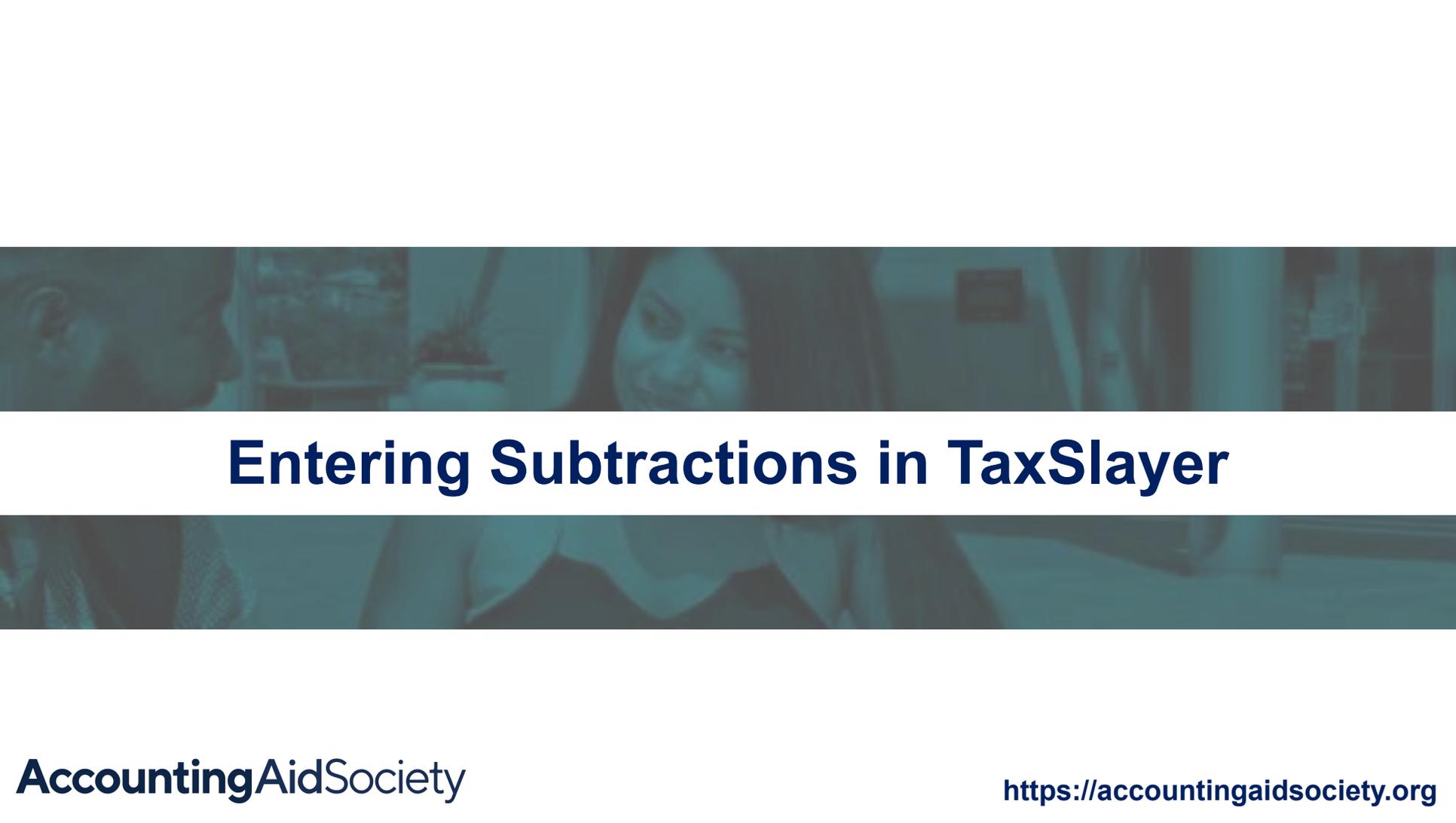
Taxpayer was born in 1950	Taxpayer was born in 1953
Standard Deduction will be <u>\$20,000.</u> No calculation needed.	Standard deduction calculation: _____ Single deduction: \$20,000 Lines 9a and 9d: (\$4,750) _____ Standard Deduction: <u>\$ 15,250</u>

WORKSHEET 2: TIER 3 MICHIGAN STANDARD DEDUCTION

Nonresidents and part-year residents, see instructions.

1. Enter \$20,000 if single or married filing separately or \$40,000 if married filing a joint return _____
2. Military retirement benefits due to service in the U.S. Armed Forces or Michigan National Guard or taxable railroad retirement benefits included in AGI from Schedule 1, line 11 _____
3. Taxable Social Security benefits or military pay included in AGI from Schedule 1, line 14 _____
4. Enter the amounts from MI-1040, lines 9a and 9d _____
5. Add lines 2 through 4 _____
6. Subtract line 5 from line 1. If line 5 is greater than line 1, enter "0." Enter the result here and carry to Schedule 1, line 24 _____

Note: Worksheet 2 has been set up such that a taxpayer claiming the Tier 3 Michigan Standard Deduction will still complete the personal exemption and applicable subtractions normally.



Entering Subtractions in TaxSlayer

Subtractions in TaxSlayer

- TaxSlayer will automatically calculate the subtraction for Tier 2 and Tier 3 (unless the distribution code is 4).
- Taxslayer will not calculate the subtraction for Tier 1 because it needs additional information to create Form 4884 (MI Pension Schedule). Once we enter the information, TaxSlayer will automatically generate Form 4884 and include the subtraction.

How to Apply Michigan Subtraction in Taxslayer

Step 1- Go to the State return and click the edit button.

State Return



If you need to change your state residency status just delete the current return and start again. State forms differ by the type of residency you select.

+ Add Another State Return

State	Return Type			
Michigan	Resident	Localities		

[CONTINUE](#)

Step 2- Under the Michigan Return, select “Subtraction from Income”

Michigan Return

Basic Information

EDIT

Income Subject to Tax

BEGIN

Additions to Income

BEGIN

Subtractions from Income

BEGIN

Credits

EDIT

How to Apply Michigan Subtraction in Taxslayer

Step 3- Select “deductions for Taxpayers Born before 1953.”

Other Miscellaneous Subtractions	BEGIN
Income while a resident of a Renaissance Zone	BEGIN
Income Attributable to Another State	BEGIN
Deductions for Taxpayers Born before 1953	BEGIN

Step 4- Select “Retirement Benefits that are Exempt from Michigan Income Tax”

Michigan Return

Deductions For Taxpayers Born Before 1953

[BACK](#) [CONTINUE](#)

Retirement Benefits that are Exempt from Michigan Income Tax [BEGIN](#)

Dividend/interest/capital gains deduction for taxpayers 67 years or older [BEGIN](#)

Check if SSA Exempt
No

Check if retired as of 01-01-2013 and born after 1952
No

How to Apply Michigan Subtraction in Taxslayer

Step 5- Select “Yes” in the dropdown menu under “Do you Have Retirement Benefits that are Exempt from Michigan Income Tax.” Scroll to the bottom and Select “begin” next to “retirement and Pension Benefits.”

Michigan Return

Retirement Benefits That Are Exempt From Michigan Income Tax

BACK

CONTINUE

Do you have Retirement Benefits that are Exempt from Michigan Income Tax?

Yes

Were benefits from SSA employment received by a filer who was born after 1952, and retired as of January 1, 2013?

--Select--

Deceased Spouse Name

Deceased Spouse SSN

123-45-6789

Deceased Spouse Year of Birth

0

Do you elect to subtract retirement and pension benefits based on the year of birth of your deceased spouse? You MUST be the surviving spouse who (1) has reached age 67, (2) has not remarried, and (3) claimed a subtraction for retirement and pension benefits on a return jointly filed with the decedent in the year they died.

--Select--

Retirement and Pension Benefits

BEGIN

Step 6- Select “Add Retirement and Pension Benefits”

Michigan Return

Retirement And Pension Benefits

BACK

+ Add Retirement And Pension Benefits

BACK

How to Apply Michigan Subtraction in Taxslayer

Step 7- Answer the following questions, then click “Continue.”

Michigan Return

Retirement And Pension Benefits

BACK

CONTINUE

Select Federal 1099R to be pulled to Form 4884

--Select--

Is the a Private or Public retirement or pension benefit?

--Select--

Is the 1099R from a deceased spouse?

No

Step 8- Verify that the **correct 1099-R** appears, then click “Back.” Click “Continue” until you have returned to the Michigan Return Page.

Michigan Return

Retirement And Pension Benefits

BACK

➕ Add Retirement And Pension Benefits

Payer FEIN
401006915

Pension Amount 9350

BACK

Forms for Pension Subtraction- Tier 3

2020 MICHIGAN Pension Schedule (Form 4884)

Generally, if the filer and spouse were born after 1945, STOP; you are not entitled to a retirement and pension benefits subtraction. For exceptions, refer to the instructions and the questionnaire "Which Section of Form 4884 Should I Complete?" for additional assistance.

Failure to complete this form in its entirety will result in your pension subtraction being denied.

Issued under authority of Public Act 281 of 1967, as amended. Type or print in blue or black ink.

Attachment 23

1. Filer's First Name DANIEL	M.I.	Last Name EMORY	2. Filer's Full Social Security No. (Example: 123-45-6789) XXX-XX-2222
If a Joint Return, Spouse's First Name	M.I.	Last Name	3. Spouse's Full Social Security No. (Example: 123-45-6789)

PART 1: FILING INFORMATION

4. Primary Filer Year of Birth (ex. 19xx) 1944	5. If a Joint Return, Spouse Year of Birth (ex. 19xx)	
6. <input type="checkbox"/> Check here if you were born after 1953, were retired as of January 1, 2013, and received retirement benefits from SSA exempt employment.		
7. If you are receiving retirement and pension benefits from a deceased spouse who was born prior to January 1, 1953, complete lines 7a through 7d.		
7a. Deceased Spouse Name	7b. Deceased Spouse Full Social Security No.	7c. Deceased Spouse Year of Birth (ex. 19xx)
7d. <input type="checkbox"/> Surviving spouse. Check here if you elect to subtract retirement and pension benefits based on the year of birth of your deceased spouse. You must be the surviving spouse who (1) has reached age 67, (2) has not remarried, and (3) claimed a subtraction for retirement and pension benefits on a return jointly filed with the decedent in the year they died. See instructions.		

PART 2: RETIREMENT AND PENSION BENEFITS (see instructions)

Do not enter Social Security, military or railroad retirement benefits here (see Schedule 1).

8. Retirement and pension benefits. List all that apply for filer (and spouse if filing jointly) including benefits from a deceased spouse.

A	B	C	D	E	F
Enter "X" for Private or Public	Enter "X" for Deceased Spouse	Payer FEIN (from 1099-R) (Example: 38-1234567) (see instructions)	Distribution Code	Name of Payer	Pension Amount Included in AGI
X		40-1006915	7	PINE CORPORATION	9350 00
					00

Once all the information has been input, Form 4884 will generate. This form shows the pension that is subtracted on **page 1**

The amount of the subtraction is calculated in **page 2** and taken to Schedule 1

2020 Form 4884, Page 2 of 2

Filer's Full Social Security Number (Example: 123-45-6789)

XXX-XX-2222

PART 3: To determine which section below to complete, review the questionnaire: "Which Section of Form 4884 Should I Complete?" in the MI-1040 book. Complete only one of the sections below.

SECTION A:

9. Enter \$53,759 if single or \$107,517 if filing jointly. Reduce this amount by any military or railroad retirement benefits from Schedule 1, line 11	9.	53759	00
10. Enter total public retirement and pension benefits (including public benefits received from a deceased spouse if deceased spouse was born prior to January 1, 1946 and died prior to 2020)	10.		00
11. Subtotal. Subtract line 10 from line 9. If line 10 is more than line 9, enter "0"	11.	53759	00
12. Enter total private retirement and pension benefits (including private benefits received from a deceased spouse if deceased spouse was born prior to January 1, 1946 and died prior to 2020)	12.	9350	00
13. If deceased spouse was born between January 1, 1946 and December 31, 1952 and died prior to 2020, enter deceased spouse retirement and pension benefits (maximum \$20,000 if single or \$40,000 if filing jointly)	13.		00
14. Add lines 12 and 13	14.	9350	00
15. Enter the smaller of lines 11 or 14	15.	9350	00
16. Total Retirement and Pension Benefits Subtraction. Add lines 10 and 15. Carry this amount to Schedule 1, line 25	16.	9350	00

How to Apply Michigan Subtraction in Taxslayer

Schedule 1, page 2 will show the **Retirement benefits** calculated in Form 4884. This amount will be carried to MI-1040 **line 13**.

2020 Form 3423, Page 2 of 2

2020 MICHIGAN Schedule 1 Additions and Subtractions

Filer's First Name DANIEL	M.I.	Last Name EMORY	Filer's Full Social Security No. (Example: 123-45-6789) XXX-XX-2222
------------------------------	------	--------------------	--

Deduction Based on Year of Birth

Complete 22A through 22H if claiming the Michigan Standard Deduction, the retirement benefits deduction or the senior investment income deduction on lines 23, 24, 25, or 26. Check box(es) 22C and/or 22G **only** if you or your spouse received retirement benefits from employment with a governmental agency not covered by the federal Social Security Act (SSA exempt employment). **See instructions before continuing.**

FILER				SPOUSE			
A.	B.	C.	D.	E.	F.	G.	H.
Year of Birth (19xx)	Age as of 12-31-2020	Check if filer received benefits from SSA exempt employment	Check if retired as of 01-01-2013 and born after 1952	Year of Birth (19xx)	Age as of 12-31-2020	Check if spouse received benefits from SSA exempt employment	Check if retired as of 01-01-2013 and born after 1952
1944	76	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>	<input type="checkbox"/>

23. **Tier 2 Michigan Standard Deduction.** Complete this line **ONLY** if the older of you or your spouse (if married) was born during the period January 1, 1946 through December 31, 1952, and reached age 67 before December 31, 2020. **Do not complete lines 24, 25 or 26.**..... 23. 00

24. **Tier 3 Michigan Standard Deduction.** Complete this line **ONLY** if the older of you or your spouse (if married) was born during the period January 1, 1953 through January 1, 1954, and reached age 67 on or before December 31, 2020. **Do not complete lines 23, 25 or 26.** Enter amount from line 6 of Worksheet 2..... 24. 00

25. **Retirement benefits.** Enter amount from line 16, 27, 28 or 29 of Form 4884, *Michigan Pension Schedule*. **Include Form 4884.**..... 25. 9350 00

26. **Dividend/interest/capital gains deduction for taxpayers 75 years and older.** Deduction is limited to \$11,983 for single or married filing separately filers and \$23,966 for joint filers, less any deduction for retirement benefits (see instructions)..... 26. 00

2020 MICHIGAN Individual Income Tax Return MI-1040

Amended Return
(Include Schedule AMD)

Return is due April 15, 2021. Type or print in blue or black ink.

1. Filer's First Name DANIEL	M.I.	Last Name EMORY	2. Filer's Full Social Security No. (Example: 123-45-6789) XXX-XX-
If a Joint Return, Spouse's First Name	M.I.	Last Name	3. Spouse's Full Social Security No. (Example: 123-45-6789)
Home Address (Number, Street, or P.O. Box)			4. School District Code (5 digits - see page 60)
City or Town DETROIT	State MI	ZIP Code	

5. **STATE CAMPAIGN FUND**
Check if you (and/or your spouse, if filing a joint return) want \$3 of your taxes to go to this fund. This will not increase your tax or reduce your refund.

a. Filer
b. Spouse

6. **FARMERS, FISHERMEN, OR SEAFARERS**
 Check this box if 2/3 of your income is from farming, fishing, or seafaring.

7. **2020 FILING STATUS.** Check one:
a. Single
b. Married filing jointly
c. Married filing separately*
* If you check box "c," complete line 3 and enter spouse's full name below:

8. **2020 RESIDENCY STATUS.** Check all that apply:
a. Resident
b. Nonresident*
c. Part-Year Resident*
* If you check box "b" or "c," you must complete and include Schedule NR.

9. **EXEMPTIONS. NOTE:** If someone else can claim you as a dependent, check box 9e, enter 0 on line 9a and enter \$1,500 on line 9e (see instr.).

a. Number of exemptions (see instructions).....	9a.	1	x	\$4,750	9a.	4750	00
b. Number of individuals who qualify for one of the following special exemptions: deaf, blind, hemiplegic, paraplegic, quadriplegic, or totally and permanently disabled.....	9b.		x	\$2,800	9b.		00
c. Number of qualified disabled veterans.....	9c.		x	\$400	9c.		00
d. Number of Certificates of Stillbirth from MDHHS (see instructions).....	9d.		x	\$4,750	9d.		00
e. Claimed as dependent, see line 9 NOTE above.....	9e.	<input type="checkbox"/>			9e.		00
f. Add lines 9a, 9b, 9c, 9d and 9e. Enter here and on line 15.....	9f.				9f.	4750	00

10. **Adjusted Gross Income** from your U.S. Forms 1040 or 1040NR (see instructions)..... 10. 9350 00

11. Additions from Schedule 1, line 9. **Include Schedule 1**..... 11. 00

12. **Total.** Add lines 10 and 11..... 12. 9350 00

13. Subtractions from Schedule 1, line 29. **Include Schedule 1**..... 13. 9350 00



Michigan Credits

Credits

Typically, our clients' taxes are lowered through credits and withholdings.

Additional information must be entered in TaxSlayer	<u>Home Heating Credit</u> This credit is based on heat expenses the taxpayer has incurred over the year. This will not lower their tax. Instead, they will receive a refund from their heat provider, which can only be used towards their heating bill.
TaxSlayer will automatically pull this information from the federal return	<u>Homestead Property Tax Credit</u> This is a refundable credit based on rent/property taxes paid. <u>Earned Income Tax Credit</u> Refundable credit based on 6% of EITC from Federal. <u>Michigan Withholdings</u> Taxes the taxpayer paid to Michigan.
Entered under Miscellaneous Forms on the state return.	<u>Estimated Tax Payments</u> Prepaid payments sent to the state.

Total Household Resources

Eligibility for the Home Heating Credit and Homestead Property Tax Credit is based on Total Household Resources, **not** Adjusted Gross Income.

- Some income that is included in Total Household Resources is not entered anywhere else.
- Michigan Intake, Part V - *Nontaxable Income*, lists the income a taxpayer may receive that is only necessary for HPTC and HHC.

AAS Part V. Nontaxable Income – During the tax year did the taxpayer or spouse receive:						<u>Totals</u>	
<input type="checkbox"/> Yes <input type="checkbox"/> No	1. Child Support? -----					\$	_____
<input type="checkbox"/> Yes <input type="checkbox"/> No	2. A) Workers' Compensation? -----	\$	_____	}	\$	_____	_____
<input type="checkbox"/> Yes <input type="checkbox"/> No	B) VA (Dept. of Veterans Affairs) benefits? -----	\$	_____				
<input type="checkbox"/> Yes <input type="checkbox"/> No	3. FIP and/or other MDHHS (Michigan Department of Health & Human Services) benefits (excluding food stamps)?--					\$	_____
4. Additional Social Security benefits and/or Supplemental Security Income (SSI): (In 2020, maximum SSI was \$783 per month, \$9,396 for the year if rec'd. all 12 months)							
<input type="checkbox"/> Yes <input type="checkbox"/> No	A) SSI (taxpayer)? -----	\$	_____	}	\$	_____	_____
<input type="checkbox"/> Yes <input type="checkbox"/> No	B) SSI (spouse)? -----	\$	_____				
<input type="checkbox"/> Yes <input type="checkbox"/> No	C) SSI for a dependent? -----	\$	_____				
<input type="checkbox"/> Yes <input type="checkbox"/> No	D) Social Security benefits for a dependent? -----	\$	_____				
<input type="checkbox"/> Yes <input type="checkbox"/> No	5. Gifts or Assistance from family/friends/agencies? Describe: _____					\$	_____
<i>(Include the value over \$300 in gifts of cash or merchandise received, or expenses paid on taxpayer's behalf)</i>							
6. Other Nontaxable Income:							
<input type="checkbox"/> Yes <input type="checkbox"/> No	A) State SSI (taxpayer)? (\$42 every three months from Michigan DHHS. If yes, enter \$168) --	\$	_____	}	\$	_____	_____
<input type="checkbox"/> Yes <input type="checkbox"/> No	B) State SSI (spouse)? -----	\$	_____				
<input type="checkbox"/> Yes <input type="checkbox"/> No	C) State SSI for a dependent? -----	\$	_____				
<input type="checkbox"/> Yes <input type="checkbox"/> No	D) Other? Describe: _____	\$	_____				
<input type="checkbox"/> Yes <input type="checkbox"/> No	E) If MFS or Divorced and shared a home, enter spouse amount from Michigan Form 5049 \$	\$	_____				



Total Household Resources

Total Household Resources: “Income” and “Household”

- “Income” includes both taxable and nontaxable income.
 - ❑ Federal adjusted gross income (AGI) plus all income specifically excluded or exempt from the computation of federal AGI.
- “Household” is statutorily defined as a *claimant* and spouse.
 - ❑ A claimant is a person who files a Homestead Property Tax Credit or Home Heating Credit. It includes a husband and wife if they are required to file a joint Michigan tax return.
 - ❑ It does *not* include all persons living in the home.

Total Household Resources

Income outlined in **green** carries forward from Federal.

Income outlined in **red** will have to be input in the Michigan credit section in TaxSlayer.

TOTAL HOUSEHOLD RESOURCES. If filing a joint return, include income from both spouses.
If married filing separately, you must include Form 5049 available on Treasury's Web site.

13. Wages, salaries, tips, sick, strike and SUB pay, etc.....	13.		00	20. Social Security, SSI, and/or railroad retirement benefits..	20.		00
14. All interest and dividend income (including nontaxable interest).....	14.		00	21. Child support and foster parent payments received ...	21.		00
15. Net business income (including net farm income). If negative enter "0"	15.		00	22. Unemployment compensation.....	22.		00
16. Net royalty or rent income. If negative enter "0".	16.		00	23. Gifts received or expenses paid on your behalf.....	23.		00
17. Retirement pension, annuity, and IRA benefits.....	17.		00	24. Other nontaxable income Describe: _____	24.		00
18. Capital gains less capital losses (see instructions).....	18.		00	25. Workers'/veterans' disability compensation/pension benefits	25.		00
19. Alimony and other taxable income Describe: _____	19.		00	26. FIP and other MDHHS benefits (Do not include food assistance)	26.		00
27. SUBTOTAL. Add lines 13 through 26				SUBTOTAL	27.		00

Note: if the client is does not qualify for the HHC or HPTC, we do NOT need THR.

Income Included in THR

- The following items (nonexclusive list) are not listed as a line item on the claim forms, but they must be included in Total Household Resources:
 - Capital gains on the sale of main residence regardless if the gains are exempt from federal income tax (enter the excluded gain in the field for *Other nontaxable income*)
 - Compensation for damages to character or for personal injury or sickness
 - An inheritance (except an inheritance from a spouse)
 - Proceeds of a life insurance policy paid on death of the insured (except from the death of a spouse)
 - Death benefits paid by or on behalf of an employer
 - Housing allowance for ministers or clergy (out of scope for VITA)
 - Forgiveness of debt, even if excluded from AGI
 - Reimbursement from dependent care and/or medical care spending accounts

Income NOT Included in THR

Total Household Resources do NOT include:

- Payments received by participants in the foster grandparent or senior companion program
- Energy Assistance grants or tax credits
- Government payments to a third party (e.g., Medicaid payments to a doctor; tuition grants, including GI bill, paid directly to an educational institution by a federal or state agency; and most payments from The Step Forward Michigan program)
- Money received from a government unit such as the Federal Emergency Management Agency (FEMA) to repair or improve the homestead
- Surplus food or food assistance program benefits
- State and city income tax refunds and Homestead Property Tax Credits
- Chore service payments (these payments *are* income to the provider of the service)



Social Security vs. SSI

Michigan Intake Sheet - Part V - Nontaxable Income - Line 4

Social Security Benefits

- There are three types of Social Security benefits:
 - Retirement benefits
 - Survivor benefits
 - Disability benefits (SSDI)
- Social Security benefits are paid either on the 3rd of the month or on the 2nd, 3rd, or 4th Wednesday of the month.
- Recipients will receive Form SSA-1099 reporting total benefits paid in the tax year and any Medicare premiums deducted from their benefit.

TaxSlayer: There are no additional entries needed in the State section for Social Security benefits *received by the taxpayer and spouse*, only those received for dependents. Information entered for Social Security benefits in the federal section will carryforward to the Michigan return.

Social Security Benefits (SSA-1099)

FORM SSA-1099 – SOCIAL SECURITY BENEFIT STATEMENT

2020 • PART OF YOUR SOCIAL SECURITY BENEFITS SHOWN IN BOX 5 MAY BE TAXABLE INCOME. • SEE THE REVERSE FOR MORE INFORMATION.		
Box 1. Name		Box 2. Beneficiary's Social Security Number
Box 3. Benefits Paid in 2020 \$9,324.00	Box 4. Benefits Repaid to SSA in 2020 NONE	Box 5. Net Benefits for 2020 (Box 3 minus Box 4) \$9,324.00
DESCRIPTION OF AMOUNT IN BOX 3		DESCRIPTION OF AMOUNT IN BOX 4
Paid by check or direct deposit Benefits for 2020 \$9,324.00		NONE
		Box 6. Voluntary Federal Income Tax Withheld NONE
		Box 7. Address
		Box 8. Claim Number (Use this number if you need to contact SSA.)

Form SSA-1099-SM (1-2021)

DO NOT RETURN THIS FORM TO SSA OR IRS

Your New Benefit Amount

BENEFICIARY'S NAME:

Your Social Security benefit will increase by **1.3%** in 2021 because of a rise in the cost of living. You can use this letter as proof of your benefit amount if you need to apply for food, rent, or energy assistance. You can also use it to apply for bank loans or for other business. Keep this letter with your important financial records.

How Much You Will Get	
Your monthly benefit before deductions	\$892.00
Deductions:	
Medicare Medical Insurance (If you did not have Medicare as of November 19, 2020 or if someone else pays your premium, we show \$0.00)	\$0.00
Medicare Prescription Drug Plan (We will notify you if the amount changes in 2021. If you did not elect withholding as of November 1, 2020, we show \$0.00)	\$0.00
U.S. Federal tax withholding	\$0.00
Voluntary Federal tax withholding (If you did not elect voluntary tax withholding as of November 19, 2020, we show \$0.00)	\$0.00
After we take any other deductions, you will receive the payment you are due for December 2020 on or about December 31, 2020.	\$892.00

The information above shows your monthly benefit amount before and after deductions. Please remember, we will pay you in the month following the month for which it is due.

The Treasury Department requires Federal benefit payments to be made electronically. If you still receive a paper check, please visit the Department of the Treasury's Go Direct website at www.godirect.org or call their Electronic Payment Solution Center at **1-800-333-1795**. If outside the United States, please call **1-214-254-3113**.

Supplemental Security Income

Supplemental Security Income (SSI) is administered by the Social Security Administration (SSA) and is cash assistance for people with limited income and resources who are:

- Age 65 or older, or
 - Blind, or
 - Disabled
- Maximum SSI in 2021 for an individual is \$794 per month (\$9,528 if received all 12 months of 2021).
 - Those who receive the full amount of SSI should not have any other income. If they receive less than the full amount, typically they also receive Social Security Benefits.
 - In this case, the total amount they should receive is \$20 more than maximum SSI (\$814 per month, \$9,768 per year).

Supplemental Security Income

Often clients do not bring all their documents. There are some circumstances where we are able to calculate the missing income amounts.

Example: A client brings in their 2021 Form SSA-1099, Social Security Benefits Statement, but isn't sure of their amount of SSI for the year. Box 5 of the SSA-1099 shows \$7,656.

To determine their SSI:

1. $\$814 \times 12 \text{ months} = \$9,768$ (Maximum of SSI+Social Security Benefits)
2. $\$9,768 - 7,656 = \$2,112$, potential SSI for the year, or \$176 per month.

A discussion with the client is warranted to verify that this was the amount they received on the 1st of each and every month in 2021.

If uncertain, ask the client to get a letter from the Social Security Administration stating the total SSI paid to them in the tax year.

Benefit Amount Vs. Net Amount Received

If the amount of SSI received each month is less than the benefit amount due to withholding for a prior year overpayment, include the net amount received in Total Household Resources.

Example: A person's SSI benefit is \$794 per month, but the amount actually received each month in 2021 was \$754 because the Social Security Administration was withholding \$40 each month for a prior overpayment. The \$754 per month, or \$9,048, is the amount included in THR.

If withholding is due to attorney fees or another reason that cannot be categorized as a recovery of prior year(s) income, the gross amount of the benefit awarded should be included in THR.

How to Read a Statement from Social Security Administration

Social Security Benefits

You asked us for information from your record. The information that you requested is shown below. If you want anyone else to have this information, you may send them this letter.

Information About Current Social Security Benefits

Beginning December 2020, the full monthly Social Security benefit before any deductions is \$489.00.

We deduct \$0.00 for medical insurance premiums each month.

The regular monthly Social Security payment is \$489.00.
(We must round down to the whole dollar.)

Social Security benefits for a given month are paid the following month. (For example, Social Security benefits for March are paid in April.)

Your Social Security benefits are paid on or about the third of each month.

Information About Past Social Security Benefits

From December 2019 to November 2020, the full monthly Social Security benefit before any deductions was \$482.80.

We deducted \$0.00 for medical insurance premiums each month.

The regular monthly Social Security payment was \$482.00.
(We must round down to the whole dollar.)

Type of Social Security Benefit Information

You are entitled to monthly retirement benefits.

Information About Supplemental Security Income Payments

Beginning September 2021, the current Supplemental Security Income payment is \$325.00.

See Next Page

Letters from Social Security Administration can be confusing to read sometimes. Make sure to read the entire letter.

This letter states that the recipient will receive their income beginning December 2020, but a few paragraphs later it states that social security benefits are paid the following month. This means that they began receiving \$489 in January, 2021, not December 2020. Therefore, their income from SSA is \$5868 ($\489×12).

At first the letter states that their income will be \$482.80, but later states that they must round to the whole dollar, so they actually received \$482 per month in 2020.

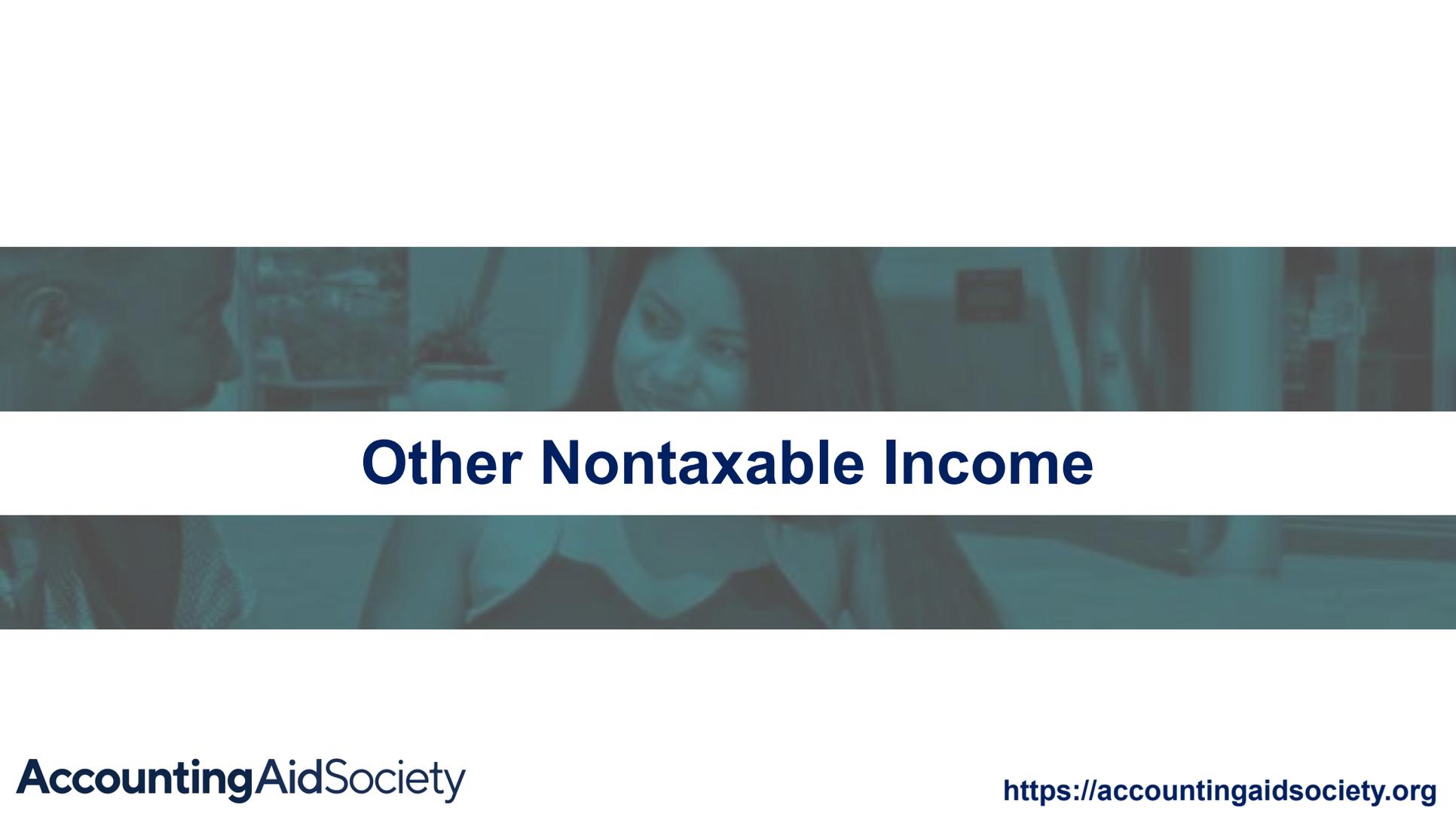
This may indicate that their SSI has changed or they began receiving SSI.

State SSI

- Individuals receiving Supplemental Security Income (SSI) usually also receive State SSI. State SSI is administered by the Michigan Department of Health and Human Services (MDHHS).
- Individuals typically get \$14 per month, which is paid quarterly in the amount of \$42 each March, June, September, and December. The total for the year is \$168.
- State SSI is included in Total Household Resources and should be reported on the line for *Other nontaxable income*. Do **not** report it on the line for Social Security/SSI or on the line for FIP and other MDHHS benefits.

Dependent's Social Security Benefits and SSI

- Include in Total Household Resources any Social Security benefits and/or Supplemental Security Income received **for** a minor child or dependent adult who lived with the taxpayer.
 - This is where the taxpayer (or spouse) is the payee.
 - The entire amount is included in THR on the same line for Social Security benefits and SSI.
- State SSI received **for** a dependent is included on the line for *Other nontaxable income*.
- If Social Security benefits and/or SSI are paid directly to the dependent adult, it is not necessarily included in THR.
 - Only include any amount that the dependent contributed to the filer's household and other expenses. Report it on the line for *Gifts or expenses paid on your behalf*.

A teal-tinted background image showing a group of people in a meeting or office setting. The image is slightly blurred and has a monochromatic teal color scheme. The people appear to be engaged in a discussion or looking at something together.

Other Nontaxable Income

Child Support and Gifts

Child support and gifts do not have any documents; they are only based on the client's records.

Child support	Gifts or expenses paid on the client's behalf
<ul style="list-style-type: none">• Clients who no longer have dependents can still receive child support.• There is no deduction if someone <u>pays</u> child support.	<ul style="list-style-type: none">• Any bills covered by someone else are considered gifts.• When living expenses are significantly more than income, gifts could be how the client is covering the remaining expenses.• Reporting gifts will not affect the person giving them. Often clients worry that reporting gifts will impact the person helping them.

VA benefits and Cash Assistance



DEPARTMENT OF VETERANS AFFAIRS
810 Vermont Ave NW
Washington, D.C. 20420

January 27, 2015

In Reply Refer to:
Z//eBenefits

Dear _____:

This letter certifies that _____ is receiving service-connected disability compensation from the Department of Veterans Affairs.

The current benefit paid is as follows:

Gross Benefit Amount	\$133.17
Net Amount Paid	\$133.17
Effective Date	December 1, 2014
Combined Evaluation	10 percent

VA benefits are based on the taxpayer's service-connected disability percentage. Over time this percentage may increase and their benefits will increase. Make sure to check the date on the letter.

Case Name: _____
Case Number: _____
Date: **01/18/2021**
MDHHS Office: **WAYNE CO DHS CONNER SERVICE CENTER**

Specialist:
Phone:
Fax:
Specialist ID:

Page 1 of 1

STATE OF MICHIGAN
Department of Health and Human Services

If you do not understand this, call an MDHHS office in your area. MDHHS employees are prohibited by law from providing legal advice. Si usted no entiende esto, llame a una oficina de MDHHS en su área. La ley prohíbe a los empleados de MDHHS proporcionar asesoría legal. إذا واجهت صعوبة في فهم هذا الطلب، فأتصل بمكتب MDHHS الموجود في منطقتك. يُحرم القانون على موظفي MDHHS إعطاء النصيحة القانونية.

CLIENT ANNUAL STATEMENT

TOTALS FOR TAX YEAR	2020	FIP/SA	\$ 4395.00
CLIENT ID NUMBER		RCA/REP	\$ 0.00
SOCIAL SECURITY NUMBER		TOTAL PAID	\$ 4395.00

Listed above is the cash public assistance paid to you or on your behalf by the Department of Human Services (DHS) for the year shown.

A cash assistance statement looks very similar to the statement for food stamps.

Cash Assistance from the Department of Education for the Payment of Childcare

- Parents who receive cash assistance from the Department of Education for the payment of childcare must include the total for the tax year in Total Household Resources.
- It is included in THR regardless of any payments made to the child's caregiver.

Taxlayer Entry: Payments made to parents from the Department of Education for childcare should be reported on the line for *Other nontaxable income* on the *Homestead Property Tax and Home Heating Credit* page on the parent's return.



Medical Insurance Premiums

Deduction for Medical Insurance/HMO Premiums

Medical insurance/HMO premiums paid can reduce THR.



29. Enter subtotal from line 28.....	
30. Other adjustments (see instructions). Describe: _____	30.
31. Medical insurance/HMO premiums you paid for you and your family (see instructions).....	31.

Deductible Premiums

Medical insurance	Dental insurance	Vision insurance	Prescription drug plan
-------------------	------------------	------------------	------------------------

Cannot Deduct:

Long-term disability insurance	Long-term care insurance	Pre-tax payroll contributions for health insurance
--------------------------------	--------------------------	--

Note: Deducted on the line for *Social Security*, etc., on the credit claims (i.e, Medicare Parts B, C, and/or D; Medicare Advantage plan)

Deduction for Medical Insurance/HMO Premiums

- If insured through the Marketplace:
 - Insurance premium amounts must be reduced by the federal Premium Tax Credit
 - Use federal Form 8962, Premium Tax Credit (PTC), to calculate the net insurance premium:
 - The annual total insurance premium (line 11A or the sum of lines 12A through 23A of U.S. Form 8962) **minus** the total Premium Tax Credit (line 24 of U.S. Form 8962) may be claimed.

<p>AAS Part VI. Health Insurance <input type="checkbox"/> Yes <input type="checkbox"/> No 1. Did the taxpayer or spouse pay any medical insurance or HMO premiums during the tax year (other than Medicare)? If yes, indicate the amount(s) paid: - - - - -</p>	<table><tr><td>Private Medical Insurance Premiums</td><td>(+) \$ _____</td><td rowspan="3">← Form 8962, line 11A or sum of lines 12A thru 23A</td></tr><tr><td>Marketplace Insurance Premiums</td><td>(+) \$ _____</td></tr><tr><td>Premium Tax Credit (Form 8962, line 24)</td><td>(-) \$ _____</td></tr></table>	Private Medical Insurance Premiums	(+) \$ _____	← Form 8962, line 11A or sum of lines 12A thru 23A	Marketplace Insurance Premiums	(+) \$ _____	Premium Tax Credit (Form 8962, line 24)	(-) \$ _____
Private Medical Insurance Premiums	(+) \$ _____	← Form 8962, line 11A or sum of lines 12A thru 23A						
Marketplace Insurance Premiums	(+) \$ _____							
Premium Tax Credit (Form 8962, line 24)	(-) \$ _____							



Income vs. Living Expenses

When Income Does Not Cover Living Expenses

If Total Household Resources is not enough to cover rent or property taxes plus all other living expenses:

- Living expenses include rent, taxes, utilities, food, medical care, transportation, clothing, etc.
- Ask the taxpayer some additional general questions:
 - Did you receive ANY other income during the year from other sources, such as child support, loans, cash advances, and/or inheritance?
 - Did you receive food stamps or other non-cash assistance during the year?
 - Did you share living expenses with anyone else (rent, food etc.)?
 - Did you receive any gifts of cash or merchandise, or were expenses paid on your behalf by parents, relatives, or friends?
- If the client cannot provide an explanation as to how he or she paid their expenses, we recommend you not prepare the return

When Income Does Not Cover Living Expenses

If Total Household Resources is not enough to cover rent or property taxes plus all other living expenses:

- If the client had income or money that is excludable from THR:
 - Prepare a paper return with an explanation and supporting documentation attached to show how living expenses were covered. The Michigan Department of Treasury may still contact the client (usually via mail).
 - Client can then call Treasury and direct them to the return attachments, saving mailing time and eliminating the need for the client to return to the tax site for help with the paperwork.
 - Treasury recommends the taxpayer be proactive by sending in an explanation with a credit claim that shows THR too low to cover living expenses.
 - **TaxSlayer:** Include a Note in the software explaining why a paper return was prepared, how living expenses were paid/covered, and detailing what documentation was sent in with the paper return.



Homestead Property Tax Credit

Homestead Property Tax Credit

- Maximum Total Household Resources is \$60,600
- Cannot claim property tax credit if taxable value exceeds \$136,600.
- The phase out begins when Total Household Resources exceeds \$51,600
- Maximum credit to claim is \$1,500
- Percentage of rent used is 23% (unless service fee housing, then 10%)
- The threshold by which property taxes levied or percentage of rent exceeds THR is 3.2% (for most filers)
 - Property taxes and/or percentage of rent minus 3.2% of THR is the beginning calculation for the credit

Homestead Property Tax Credit Criteria

Who May Claim a Property Tax Credit?

- An individual who was a resident of Michigan for at least six months
- The individual was billed for property taxes or paid rent on a Michigan homestead
- The individual must be the occupant as well as the owner or renter (contracted to pay rent)
- The property must be subject to property tax or a service fee in lieu of property tax
- The property must have a taxable value of \$136,600 or less
- Total Household Resources cannot exceed \$60,600
- Filers claimed as a dependent must show support on line 24 of the claim (gifts or expenses paid on his or her behalf)

Form MI-1040CR

Michigan Homestead Property Tax Credit Claim

- For most filers, the property tax credit is claimed on Form MI-1040CR, Michigan Homestead Property Tax Credit Claim.
- Some claimants may be able to use Form MI-1040CR-2, Michigan Homestead Property Tax Credit Claim if they are:
 - Blind and own their homestead
 - In the active military
 - An eligible veteran
 - An eligible veteran's surviving spouse
- Claimants cannot use Form MI-1040CR-2 if they are blind and rent their homestead.



Property Tax Credit for Homeowners

Homeowners – Taxable Value and Property Taxes Levied

To complete the property tax credit for homeowners, we will need to know the taxes levied on the home, and the taxable value of the property. This requires proper documentation.

8. Homestead Status					
<input type="checkbox"/> Check here if the taxable value of your homestead includes unoccupied farmland classified as agricultural by your local assessor.					
9. Homeowners: Enter the 2020 taxable value of your homestead (see instructions). If you did not check box 8 above and your taxable value is greater than \$135,000, STOP; you are not eligible. Farmers: enter the taxable value of your homestead, including eligible unoccupied farmland	9. <table border="1"><tr><td></td><td>00</td></tr><tr><td></td><td>00</td></tr></table>		00		00
	00				
	00				
10. Property taxes levied on your home for 2020 (see instructions) or amount from line 51, 56 and/or 57	10. <table border="1"><tr><td></td><td>00</td></tr><tr><td></td><td>00</td></tr></table>		00		00
	00				
	00				

Determining Property Taxes Levied

Once you have the taxable value of the property, there are a two ways we can figure the taxes levied

1. Summer and Winter Tax bills

This method is more accurate, but clients rarely bring both bills to their appointment

2. Millage rate based on school district

- This could be less accurate if the client is partially exempt from paying property taxes or lives in a renaissance zone.
- This is a faster method because it only requires the taxable value of the home from the clients.

Do not rely on mortgage statements for taxes levied as the amount for real estate taxes paid shown on a mortgage statement may include penalties and interest, special assessments, and/or prior year taxes paid.

Winter and Summer Tax Bills

- If the client brings in their Summer and Winter property tax bills, make sure to look out for any fees that shouldn't be included:
 - Special Assessments
 - Typically these are the ones that do not have a millage rate.
 - Interest
 - Penalties

Tax Bills Example



**2020 CITY OF DETROIT
SUMMER TAX BILL**

PAYABLE TO:
CITY OF DETROIT - PROPERTY TAX
PO BOX 33193
DETROIT, MICHIGAN 48232-3193

FISCAL YEAR
CITY: JULY 1 - JUNE 30 COUNTY: OCT 1 - SEPT 30
SCHOOL: JULY 1 - JUNE 30 STATE: OCT 1 - SEPT 30

TAXING UNIT	RATE	TAX AMOUNT	IMPORTANT INFORMATION - SEE REVERSE SIDE
STATE EDUCATION	6.00000	80.53	PARCEL #: SCHOOL DISTRICT 82010 SEV 17,200 TAXABLE VALUE 13,422 PRE/MBT % 100 PROP CLASS 401-RESIDENTIAL LENDER 00302 CORELOGIC TAX SERVICE PARTIAL PROPERTY DESCRIPTION FOR COMPLETE PROPERTY DESCRIPTION, SEE ASSESSMENT ROLL AT ASSESSOR'S OFFICE
GENERAL CITY	19.95200	267.79	
DEBT SERVICE	9.00000	120.79	
LIBRARY	4.63070	62.15	
SCHOOL DEBT	13.00000	174.48	
SCHOOL OPERATING	16.00000	EXEMPT	
W COUNTY TAX	6.64830	75.81	
WC RESA ENH	2.00000	26.84	
SOLID WASTE FEE		240.00	
Total Summer Rate:	78.23100		
Total Taxes:		808.39	
Total Special Fees:		240.00	
Admin Fee:		8.08	
TOTAL DUE:		1,056.47	
1st Half Payment Due 8/15/2020		528.24	
2nd Half Payment Due 1/15/2021		528.23	

• SUMMER TAXES PAYABLE IN FULL JULY 1, 2020 - AUGUST 31, 2020 WITHOUT INTEREST AND PENALTY.
 • SUMMER TAXES MAY ALSO BE PAID IN TWO INSTALLMENTS WITHOUT INTEREST AND PENALTY. 1ST PAYMENT DUE AUGUST 15, 2020 AND 2ND PAYMENT DUE JANUARY 15, 2021.

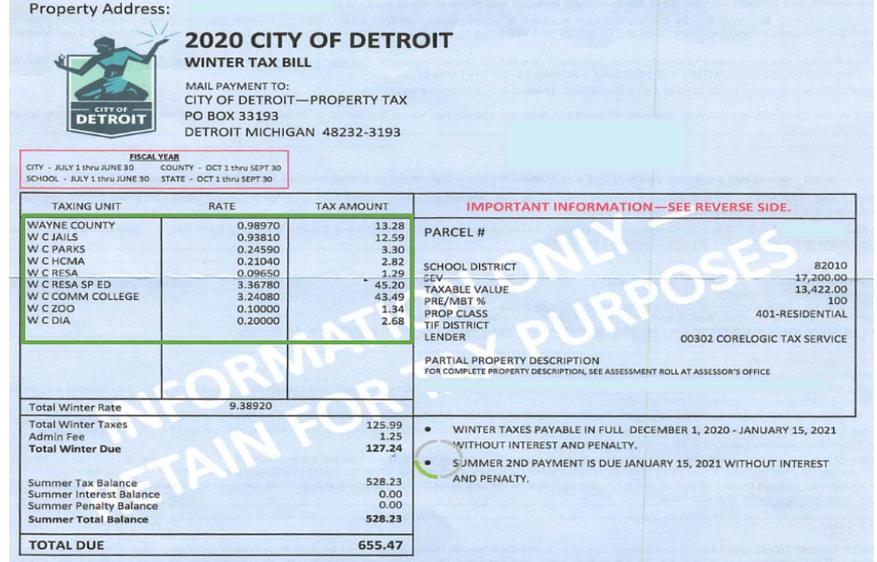
Summer:

Total Taxes: \$1,056.47

Less special assessments: \$240.00

Total Summer Taxes: \$816.47

Taxes Levied: \$1471.94 (816.47+655.4)



Property Address:

**2020 CITY OF DETROIT
WINTER TAX BILL**

MAIL PAYMENT TO:
CITY OF DETROIT—PROPERTY TAX
PO BOX 33193
DETROIT MICHIGAN 48232-3193

FISCAL YEAR
CITY - JULY 1 thru JUNE 30 COUNTY - OCT 1 thru SEPT 30
SCHOOL - JULY 1 thru JUNE 30 STATE - OCT 1 thru SEPT 30

TAXING UNIT	RATE	TAX AMOUNT	IMPORTANT INFORMATION—SEE REVERSE SIDE.
WAYNE COUNTY	0.98970	13.28	PARCEL # SCHOOL DISTRICT 82010 SEV 17,200.00 TAXABLE VALUE 13,422.00 PRE/MBT % 100 PROP CLASS 401-RESIDENTIAL TIF DISTRICT LENDER 00302 CORELOGIC TAX SERVICE PARTIAL PROPERTY DESCRIPTION FOR COMPLETE PROPERTY DESCRIPTION, SEE ASSESSMENT ROLL AT ASSESSOR'S OFFICE
W C JAILS	0.93810	12.59	
W C PARKS	0.24590	3.30	
W C HCMA	0.21040	2.82	
W C RESA	0.09650	1.29	
W C RESA SP ED	3.36780	45.20	
W C COMM COLLEGE	3.24080	43.49	
W C ZOO	0.10000	1.34	
W C DIA	0.20000	2.68	
Total Winter Rate	9.38920		
Total Winter Taxes		125.99	
Admin Fee		1.25	
Total Winter Due		127.24	
Summer Tax Balance		528.23	
Summer Interest Balance		0.00	
Summer Penalty Balance		0.00	
Summer Total Balance		528.23	
TOTAL DUE		655.47	

- WINTER TAXES PAYABLE IN FULL DECEMBER 1, 2020 - JANUARY 15, 2021 WITHOUT INTEREST AND PENALTY.
- SUMMER 2ND PAYMENT IS DUE JANUARY 15, 2021 WITHOUT INTEREST AND PENALTY.

Winter:

Total Taxes: \$655.47

Less special assessments: \$0.00

Total Winter Taxes: \$655.47

Using Millage Rates to Calculate Property Taxes Levied

- Principal Residence Exemption
 - Exempts the property from a portion of local school operating taxes
 - Most homeowners have a PRE of 100%, indicating entire property is used as their personal residence
- If your client doesn't have a PRE of 100% and he or she meets the criteria, advise them to file for the exemption
- If PRE is 0%, and individual owned and occupied his or her principal residence, use the non-homestead rate
 - Filer is able to claim the school operating taxes.
- If PRE is anything other than 100% or 0%, use the homestead rate, but calculation is more complicated.

				<i>w/ AdValorem Special Assessment Millage</i>	
<i>Total Millage for Principal Residence or Ag Exemption</i>	<i>Total Millage NonHomestead</i>	<i>Total Millage Industrial Personal (IPP)</i>	<i>Total Millage Commercial Personal (CPP)</i>	<i>Total Millage for Principle Residence or Ag Exemption</i>	<i>Total Millage NonHomestead</i>

Using Millage Rates to Calculate Property Taxes Levied

Calculate the amount of property taxes the taxpayer will have to pay for the property in 2020 based on the information listed below:

- A Lincoln Park home has a taxable value of \$29,490 in 2020.
- The school district is Lincoln Park Public Schools.
- The PRE is 100%.

Calculation for Taxes Levied:

Taxable Value: \$29,490

Admin Fee: 1.01%

Millage Rate: 54.0041

$\$29,490 \times 1.01\% \times .0540041 = \$1,608.51$

2020 TOTAL PROPERTY TAX RATES IN MICHIGAN

School District	Total Millage for Principal Residence or Ag Exemption	Total Millage NonHomestead	Total Millage Industrial Personal (IPP)	Total Millage Commercial Personal (CPP)	w/ AdValorem Special Assessment Millage		
					Total Millage for Principle Residence or Ag Exemption	Total Millage NonHomestead	
<i>Hamtramck City</i>							
HAMTRAMCK PUBLIC SCH	56.6397	74.5089	50.6397	62.5089	56.6397	74.5089	
<i>Harper Woods City</i>							
GROSSE POINTE PUBLIC	62.0018	74.1972	56.0018	68.0018	62.0018	94.1972	
CITY OF HARPER WOODS	62.9161	80.9161	56.9161	68.9161	62.9161	100.9161	
<i>Highland Park City</i>							
HIGHLAND PARK CITY SC	75.1715	92.9015	69.1715	80.9015	75.1715	92.9015	
<i>Inkster City</i>							
ROMULUS (INKSTER DEBT	75.8736	92.7754	69.8736	80.7754	75.8736	92.7754	
TAYLOR SCHOOL DISTRIC	63.8336	81.8336	57.8336	69.8336	63.8336	81.8336	
TAYLOR (INKSTER DEBT)	75.8736	92.7754	69.8736	80.7754	75.8736	92.7754	
WAYNE-WESTLAND COMM	68.3375	86.2367	62.3375	74.2367	68.3375	86.2367	
WAYNE-WESTLAND (INKS	75.8736	92.7754	69.8736	80.7754	75.8736	92.7754	
WESTWOOD COMMUNITY	65.8595	83.8595	59.8595	71.8595	65.8595	83.8595	
WESTWOOD (INKSTER DE	75.8736	92.7754	69.8736	80.7754	75.8736	92.7754	
<i>Lincoln Park City</i>							
LINCOLN PARK PUBLIC SC	54.0041	72.0041	48.0041	60.0041	54.0041	72.0041	
<i>Livonia City</i>							

Using Millage Rates to Calculate Property Taxes Levied

Intake Sheet Documentation

Indicate on the intake sheet if the millage rate was used to calculate property taxes levied and write down the calculation

- This helps the Quality Reviewer during the review of the return
- Also indicates for the client how the taxes claimed on their MI-1040CR or MI-1040CR-2 were determined

AAS Part III. Michigan Homestead Property Tax Credit Claim – During the tax year, did the taxpayer:

Yes No 1. Live at the same address all year?

Yes No 2. Own the home they lived in? If yes, answer the following questions:

Yes No Did you purchase your home in 2008? (If yes, refer back to 13614-C, Part V, Question 6)

Yes No 2a. Is there anyone else, other than the taxpayer, on title to the house? (If yes, consult the Site Coordinator)

Yes No 2b. Was the taxpayer granted a poverty hardship exemption for the tax year? (If yes, taxpayer is not eligible for the property tax credit. Go to #3.)

2c. What was the PRE (Principal Residence Exemption)? _____% Millage Rate: _____

2d. What was the Taxable Value of the home? \$ _____

2e. What were the annual property taxes levied/billed? \$ _____ Summer: \$ _____ Winter: \$ _____

(The amount of property taxes billed should be taken from the property tax bills and not from Form 1098, Mortgage Interest Statement, issued by the mortgage company.

Do not include any interest, penalty, or special assessments with 0% millage rate, such as a Solid Waste Fee or a delinquent water bill.)



Property Tax Credit for Renters

Renters

- The property tax credit for renters is based on rent paid for the tax year
 - Base the claim on the amount the claimant paid. Do not include any subsidized amount.
 - For single adults sharing a home where each has contracted to pay rent, rent is divided uniformly based on the number of people on the lease.
 - Must have a lease contract to pay rent in order to claim the property tax credit
 - There can be various living situations and housing situations where rent is paid
 - Each client's situation needs to be reviewed to determine if he or she is eligible to claim the property tax credit and if rent paid can be claimed.

Renters

- When gathering rent information from the client make sure to ask for a few things:
 - If they're renting a house/apartment/mobile home.
 - If anyone else is listed on the lease.
 - If it's subsidized housing.
 - Check accountingaidresources.org to make sure the housing isn't service fee or tax exempt.
 - Collect landowner's name and address
 - Collect amount of months rented and how much paid every month.

Yes No 4. Rent the house/apartment/mobile home they lived in (with a lease or rental contract)?
If yes, answer the following questions:

Yes No 4a. Is there anyone else, other than the taxpayer, listed on the lease as a tenant? (If yes, consult the Site Coordinator)

Yes No 4b. Did the taxpayer live in subsidized housing?

Yes No 4c. Did the taxpayer live in service fee housing? (Reference the *Service Fee Housing List* at www.accountingaidresources.org)

Yes No 4d. Did the taxpayer live in a building exempt from paying property taxes? (If yes, residents are not eligible for the property tax credit. Go to AAS Part IV.)

List all addresses rented during the tax year:

Note: If the rent amount changed during the tax year, list each amount separately. Do not "average" the rent.

	<u>Address Rented</u>	<u>Landowner's Name and Address (street address, city, & zip code)</u>	<u>Months rented in the tax year</u>	<u>Mobile home</u>	<u>Rent per month</u>	<u>Total Rent</u>
(1)	_____	_____	_____	<input type="checkbox"/>	\$ _____	\$ _____
(2)	_____	_____	_____	<input type="checkbox"/>	\$ _____	\$ _____
(3)	_____	_____	_____	<input type="checkbox"/>	\$ _____	\$ _____

Subsidized Housing

- What is subsidized housing?
 - Government sponsored economic assistance aimed towards alleviating housing costs and expenses for impoverished people with low to moderate incomes.
 - The filer claims only the total he or she paid. Portion paid by government agency is not included
 - To get subsidized housing, client needs to apply for housing assistance (section 8, HUD, Southwest solutions). They must also recertify each year to keep their housing assistance.

Retain this notification with your Lease/Contract. The amounts are identified below beginning September 01, 2020 and ending November 30, 2020.

Landlord Name and Address:

Contract Rent (total rent received by Landlord)	\$ 650.00
Tenant Rent/Family Contribution (rent paid by Tenant)	\$ 604.00
Utility Allowance Payment (may be paid to Tenant if Tenant Rent is \$0)	\$ 0.00
Housing Assistance Payment (rent paid by MSHDA)	\$ 46.00

MSHDA Use Only	
The rent for _____ has been	(Month)
prorated for _____ days.	
Tenant's prorated amount: \$ _____	
MSHDA's prorated amount: \$ _____	

Service Fee and Tax Exempt Housing

- What is service fee housing?
 - Housing property that is subject to a service fee in lieu of property taxes.
 - Percentage of rent claimed is 10% instead of 23% that is used for housing subject to property taxes.
- What is tax exempt housing?
 - The building is exempt from paying property taxes.
 - Clients living in tax exempt housing are not eligible for the property tax credit.

This is an agreement between the municipality and landlord. Tenants rarely know if their housing is tax exempt or service fee. We must use the Tax Exempt and Service Fee list for **every** renter!

Housing does not have to be subsidized to be service fee or tax exempt.

Subsidized and Service Fee Housing

TaxSlayer entries for two scenarios:

1. If filer's housing was both subsidized and service fee housing
 - Check service fee housing **only** on the *Occupants of Housing Facility* page
2. If filer lived and rented at service fee housing for part of the year and in subsidized housing for another portion of the year
 - Mark service fee housing for the period lived at service fee housing
 - Complete the Renter's section for the period lived in subsidized housing

Mobile Home Park Resident

- **Mobile Home Park Resident**

- May claim \$3 per month specific tax up to a maximum of \$36 and 23% of the yearly rent amount less the specific tax
- If additional taxes paid on attached buildings (garage, tool shed, etc.), then may also claim that amount

List all addresses rented during the tax year:		Note: If the rent amount changed during the tax year, list each amount separately. Do not "average" the rent.	Months rented in the tax year	Mobile home	Rent per month	Total Rent
	<u>Address Rented</u>	<u>Landowner's Name and Address (street address, city, & zip code)</u>				
(1)	_____	_____	_____	<input type="checkbox"/>	\$ _____	\$ _____
(2)	_____	_____	_____	<input type="checkbox"/>	\$ _____	\$ _____
(3)	_____	_____	_____	<input type="checkbox"/>	\$ _____	\$ _____

Cooperative Housing

Cooperative housing corporation resident members:

- Claim their share of property taxes on the building
- DO NOT enter their monthly payment.
- Residents **should receive a letter** from management stating their percentage share of taxes

Example:

Taxpayer's rent is \$700 a month for 2021.

$(700 \times 12) = \$8,400$

$\$8,400 \times 0.0481 = \404.04

Prorated Share of Taxes: \$404.04 (entered in Part 3-Occupant of A Housing Facility)

Taxable Value: \$2,995.00 (entered in Part 1-Homeowners, in Taxable Value)

Dear Member,

This is to advise you to compute the amount deductible as interest and taxes for federal income tax purposes for those members who itemize their deductions on schedule A of form 1040.

DEDUCTIONS	AMOUNT YOU HAVE PAID	TIMES	FACTOR	DEDUCTIBLE AMOUNT
Mortgage interest		X	4.43%	
Real Estates Taxes		X	4.81%	

"Amount you have paid" is the total amount of monthly carrying charges you paid to the cooperative during 2020.

Please note: Carrying charges for purposes of the computation do not include subscription or equity payments, late charges, or any charges other than the basic monthly carrying charges on your unit.

We further wish to advise you that the amount of taxes, which you compute as being deductible for Federal Income Tax, can also be used to compute the Property Tax Credit allowable against your Michigan Income Tax.

The Taxable Value per unit is \$ 2,995.

Sincerely,
ABC Cooperative

Special Housing Credit Computation

- Care facilities such as nursing homes, foster care homes, and homes for the aged (including assisted living facilities), whether licensed or unlicensed
- Claimants in special housing are generally required to use rent to calculate the property tax credit
 - The claimant must have a monthly statement from the landlord that itemized rent, food, services and other items, **or**
 - Must obtain a letter from the landlord that states the portion of the monthly payment that is for rent.
- A single person who is a permanent resident of special housing and also owns the house he or she formerly occupied may claim for credit either:
 - The taxes on the house (if not rented), **OR**
 - His or her itemized rent paid/share of taxes levied on the facility,
 - But not both



Home Heating Credit

Home Heating Credit

The Home Heating Credit is a state benefit available to eligible household with low income to help the heating expenses to a qualified Michigan homeowner or renter.

Eligibility for the Home Heating Credit

Homestead must be in Michigan

Must own or have a lease agreement (even if the bill is under their name)

Cannot live in university housing (such as dormitories)

Note: Dependents may be eligible for this credit. This will have to be a manual return.

Home Heating Credit Criteria

Who May NOT Claim a Home Heating Credit?

Who May NOT Claim a Home Heating Credit?

- A full-time student claimed as a dependent on another person's tax return
- An individual who lived in a licensed care facility for the *entire* year
- Note: An individual may file a Home Heating Credit Claim regardless if he or she received FIP assistance or other MDHHS benefits
 - This is unlike the Homestead Property Tax Credit Claim where your credit is prorated based on MDHHS benefits relative to Total Household Resources.

Home Heating Credit Computation

- The credit is based on the higher of the standard credit or the alternate credit:
 - **Standard Credit** computation uses standard allowances established by law based on the number of exemptions claimed.
 - **Alternate Credit** uses heating costs to compute a credit:
 - For tax year 2021, heating costs is the amount billed for the period 11/01/2020 through 10/31/2021

Note: TaxSlayer will automatically calculate the credit.

Home Heating Credit Computation

MULTIPLE PAYMENT COUPONS ENCLOSED

Contact Information

Gas Leak or Gas Emergency 800.947.5000
 Customer Service or Power Outage 800.477.4747
 Hearing-Impaired TDD Line 800.888.6886 (Mon-Fri 8am-5pm)
 Web Site dteenergy.com

Programs you are enrolled in

Senior Winter Protection

Summary of Charges

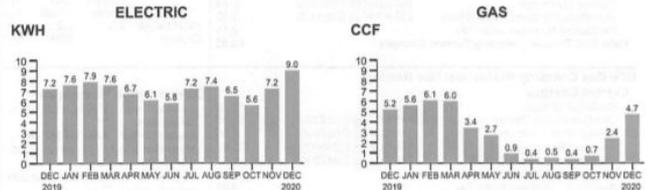
Account Number

Account Balance as of Nov 10, 2020	99.23
Payment Received Dec 07, 2020 Thank You!	- 99.23
Balance Prior to Current Charges	0.00
Total Current Charges	159.16
Account Balance as of December 11, 2020	\$159.16

Your current charges are due on January 04, 2021. A 2% late payment charge will be applied if paid after the due date.

Your Monthly Energy Usage

For ways to save energy and save money, go to dteenergy.com/saveenergy



Your usage is based on an ACTUAL meter reading

Your usage is based on an ACTUAL meter reading

Average Usage per day				Average Usage per day			
	Current Month	Last Month	Year Ago		Current Month	Last Month	Year Ago
KWH Usage	9.0	7.2	7.2	CCF Usage	4.7	2.4	5.2
Change	25%		25%	Change	96%		-10%

Your average daily electric cost for this period was \$1.80

Your average daily gas cost for this period was \$3.33

Important Information

Account Information

Effective in December 2020 bills, the DTE Gas Energy Waste Reduction surcharge has been changed pursuant to the MPSC Order in Case No. U- 20429.

For the average Michigan residential customer, renewable energy is estimated to avoid \$3.08 per month of new coal-fired generation costs.

Average temperatures for this billing period were 14.41 degrees colder than last billing period. As a result your appliances may be working harder to make you feel more comfortable.

Your home heating cost from November 1, 2019 to October 31, 2020 was \$690.27. This information is needed if you apply for the Michigan home heating tax credit.

Other Information

Detail of Current Charges

For Service at

DTE Electric Company Residential Electric Service

Current Charges		Current Billing Information	
Power Supply Charges		Service Period	Nov 10, 2020 - Dec 10, 2020
Power Supply Capacity Charge	280 KWH @ 0.045000 12.60	Days Billed	31
Power Supply Non Capacity Charge	280 KWH @ 0.041760 11.69	Meter Number	8258520 06
Power Supply Cost Recovery	280 KWH @ 0.001660 0.46	Meter Reading	11275 Actual - 11555 Actual
Delivery Charges		KWH Used	280
Service Charge	7.50	Your next scheduled meter read date is on or around JAN 11, 2021	
Distribution	280 KWH @ 0.066110 18.51	Usage History - Average per day	
Energy Waste Reduction	280 KWH @ 0.005017 1.40	Current Month	Last Month
LIEAF Factor	0.91	Current Month	Last Month
Nuclear Surcharge	280 KWH @ 0.000842 0.24	Current Month	Last Month
Transitional Recovery Mechanism	280 KWH @ 0.001430 0.40	Current Month	Last Month
Residential Michigan Sales Tax	2.11	Current Month	Last Month
Total DTE Electric Company Current Charges	55.82	Current Month	Last Month
		Change	25%
		Year Ago	26%

DTE Gas Company Residential Gas Heating

Current Charges		Current Billing Information	
Customer Charge		Service Period	Nov 10, 2020 - Dec 10, 2020
Gas Distribution Charge	145 CCF @ 0.369300 53.55	Days Billed	31
Energy Waste Reduction	145 CCF @ 0.027990 4.06	Meter Number	4458340947 08
Gas Cost Recovery	145 CCF @ 0.246000 35.67	Meter Reading	8185 Actual - 8330 Actual
Reservation Charge	145 CCF @ 0.042000 6.09	CCF Used	145
Ras Income Assistance Credit	-12.25	Your next scheduled meter read date is on or around JAN 11, 2021	
Residential Michigan Sales Tax	3.97	Usage History - Average per day	
Total DTE Gas Company Current Charges	103.34	Current Month	Last Month
		Current Month	Last Month
		Current Month	Last Month
		Current Month	Last Month
		Change	93%
		Year Ago	5.2
		Year Ago	-10%

Total Current Charges 159.16

If You Smell Natural Gas and DTE Gas Company is Your Natural Gas Provider, Call 800.947.5000

If the odor is strong, leave the building immediately. Do not use electric switches or an open flame. Open doors and windows.

If Your Electricity Goes Out

Check your fuses or circuit breakers, then see if your neighbors' lights are on. To report an outage or fallen power line, contact your electric company. DTE Electric Company customers, call 800.477.4747 or visit dteenergy.com from a location that has power. Stay at least 20 feet away from a fallen power line and anything it's touching, including metal fences and puddles.

Energy Theft is illegal & dangerous

Confidentially report suspected tampering by calling our theft hotline at 800.441.6698.

For More Information

For more information on your bill or alternative payment methods, call 800.477.4747, visit dteenergy.com, or write to DTE

Table A and Table B: 2021 Allowances and Income Limits

Table A- Standard Allowance		Table B- Alternative Credit	
Exemptions	Income Ceiling	Exemptions	Maximum Income
0 or 1	\$14,186	0 or 1	\$15,237
2	\$19,186	2	\$20,504
3	\$24,157	3	\$25,775
4	\$29,156	4 or more	\$27,700
5	\$34,157		
6	\$39,157		
6 or more	+\$5,000 each exemption		

Scenarios Where Standard Credit Cannot be Used

Alternative credit must be prorated or a share of the allowance has to be calculated for:

1. Part-year residents

TaxSlayer calculates the prorated standard allowance based on dates of residency entered

2. Claims for a single deceased claimant

Standard allowance is prorated from January 1 to the date of death

3. Occupied homestead less than 12 months

Standard allowance is prorated for number of days owned or rented

4. Shared housing by single adults

TaxSlayer – There is a field near the bottom of the *Home Heating Credit* page in the software where the number of single adults sharing the home is entered

5. Married filing separately and shared homestead

TaxSlayer does not allow direct entry of a standard allowance that must be calculated as described in the instructions; a manual claim has to be prepared for the client to mail in.

Heat is in Someone Else's Name

These claimants will receive an Energy Draft which they can't use. They must return the Energy Draft with a note of explanation and the lease/property tax statements to:

Michigan Department of Treasury
P.O. Box 30757
Lansing, MI 48909

Treasury will review the explanation and, if appropriate, reissue the credit in the form of a check

- It may take 120 days or more to issue the check. If request for a check is denied, filer has the right to a hearing

Treasury does not send an explanation on what to do with the energy draft. We must give the clients these instructions before submitting the return.

Note: Do not check the box "your heating costs are currently included in your rent"



Credits When Married Filing Separately

Form 5049

When taxpayers are filing Michigan Credits as Married Filing Separately, Form 5049 must be filed.

- If they lived together during the year, we must enter the spouse's income. Only one spouse can claim the credits.
 - The return is OOS if the income cannot be provided.
- If they lived together for a portion of the year, the spouse's income must be prorated based on the time they shared the household.
- If they did not live together during the tax year, add an explanation in "Reason for not including spouses income."

Reason for not including spouses income
DID NOT LIVE WITH SPOUSE DURING TAX YEAR

MICHIGAN Married Filing Separately and Divorced or Separated Claimants Schedule, Form 5049			Tax Year (YYYY) 2020
Filer's First Name GEORGE	M.I. D	Last Name GREGG	Filer's Full Social Security No. (Example: 123-45-6789) XXX-XX-0123

PART 1: MARRIED FILING SEPARATELY AND SHARED A HOMESTEAD DURING THE YEAR
Skip to PART 3 if you are not including income from your spouse. Enter dates as MM-DD-YYYY (Example: 04-15-2020)

FROM	TO

PART 2: INCOME BREAKDOWN
Include only the portion of your income in column A and your spouse's income in column B for the period of time the homestead was shared.

	A. Filer	B. Spouse
2. Wages, salaries, tips, sick, strike and SUB pay, etc.	00	00
3. All interest and dividend income (including nontaxable interest)	00	00
4. Net business income (including net farm income). If negative, enter "0"	00	00
5. Net royalty or rent income. If negative, enter "0"	00	00
6. Retirement, pension, annuity, and IRA benefits	00	00
7. Capital gains less capital losses	00	00
8. Alimony and other taxable income. Describe:	00	00
9. Social Security, SSI, and/or railroad retirement benefits	00	00
10. Child support and foster parent payments	00	00
11. Unemployment compensation	00	00
12. Gifts received or expenses paid on your behalf	00	00
13. Other nontaxable income. Describe:	00	00
14. Workers'/veterans' disability compensation/pension benefits	00	00
15. FIP and other MDHHS benefits (do not include food assistance)	00	00
16. Other adjustments. Describe:	00	00
17. Medical insurance/HMO premiums you paid for you and your family	00	00
18. Total. For each column, add lines 2 through 15 then subtract lines 16 and 17	00	00

PART 3: EXPLANATION (If you did not include income from your spouse, provide an explanation.)

DID NOT LIVE WITH SPOUSE DURING TAX YEAR
--

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End of Michigan

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City Returns



Detroit City Taxes

City Tax Returns

City of Detroit Income Taxes are managed by the State Treasury and has their own set of forms

2020 City of Detroit Resident Income Tax Return

Issued under authority of Public Act 284 of 1954, as amended.

Check here if you are amending. Indicate reason on page 2.

Return is due April 15, 2021.

Type or print in blue or black ink.

1. Filer's First Name M.I. Last Name		2. Filer's Full Social Security No. (Example: 123-45-6789)	
If a Joint Return, Spouse's First Name M.I. Last Name		3. Spouse's Full Social Security No. (Example: 123-45-6789)	
Home Address (Number, Street, or P.O. Box)			
City or Town		State	ZIP Code
		4. CITY RESIDENT. Return for the city of DETROIT City Code 170	
5. 2020 FILING STATUS. Check one. a. <input type="checkbox"/> Single b. <input type="checkbox"/> Married filing jointly c. <input type="checkbox"/> Married filing separately* <small>* If you check box "c," complete line 3 and enter spouse's full name below:</small>		8. EXEMPTIONS. 8a-8c apply to you and your spouse only. Personal Exemption a. <input type="checkbox"/> 65 and over b. <input type="checkbox"/> Deaf, Disabled or Blind c. <input type="checkbox"/> Number of dependent children d. <input type="checkbox"/> Number of other dependents e. <input type="checkbox"/> TOTAL EXEMPTIONS. Add lines 8a through 8e f. <input type="checkbox"/>	
6. 2020 DEPENDENT STATUS <input type="checkbox"/> Check the box if you or your spouse can be claimed as a dependent on another person's tax return.			
7a. Filer's date of birth (MM-DD-YYYY)	7b. Spouse's date of birth (MM-DD-YYYY)		

PART 1: INCOME

9. Adjusted Gross Income from your U.S. Forms 1040 or 1040NR	9.	<input type="text"/>	00
10. Additions from line 29	10.	<input type="text"/>	00
11. Total. Add lines 9 and 10	11.	<input type="text"/>	00
12. Subtractions from line 37	12.	<input type="text"/>	00
13. Income subject to tax. Subtract line 12 from line 11. If line 12 is greater than line 11, enter "0"	13.	<input type="text"/>	00
14. Exemption allowance. Multiply line 8f by \$500	14.	<input type="text"/>	00
15. Taxable income. Subtract line 14 from line 13. If line 14 is greater than line 13, enter "0"	15.	<input type="text"/>	00
16. Tax. Multiply line 15 by 2.4% (0.024)	16.	<input type="text"/>	00

PART 2: CREDITS AND PAYMENTS

17. Tax withheld from City Schedule W, line 5	17.	<input type="text"/>	00
18. City estimated tax, extension payments and 2019 credit forward	18.	<input type="text"/>	00
19. Tax paid for you by a partnership from City Schedule W, line 6	19.	<input type="text"/>	00
20. Credit for income taxes paid to another city. City of	20.	<input type="text"/>	00
21. Total Credits and Payments. Add lines 17 through 20	21.	<input type="text"/>	00

PART 3: REFUND OR TAX DUE

22a. Tax Due. If line 16 is greater than line 21, subtract line 21 from line 16	22a.	<input type="text"/>	00
22b. Interest if applicable (see instructions)	22b.	<input type="text"/>	00
22c. Penalty if applicable (see instructions)	22c.	<input type="text"/>	00
22d. Underpaid estimate penalty and interest (see instructions)	22d.	<input type="text"/>	00
22e. Balance Due. Add lines 22a through 22d	22e.	<input type="text"/>	00
YOU OWE		<input type="text"/>	00

2020 Form 5118, Page 2 of 2

City of Detroit Resident Income Tax Return

Filer's Full Social Security Number

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
----------------------	----------------------	----------------------	----------------------

23. Overpayment. If line 21 is greater than line 16, subtract line 16 from line 21	23.	<input type="text"/>	00
24. Credit Forward. Amount of line 23 to be credited to your 2021 estimated tax for your 2021 tax return	24.	<input type="text"/>	00

25. Refund. Subtract line 24 from line 23	25.	<input type="text"/>	00
---	-----	----------------------	----

PART 4: ADDITIONS TO INCOME (All entries must be positive numbers.)

26. Deductible part of self-employment tax	26.	<input type="text"/>	00
27. Self-employment health insurance deduction	27.	<input type="text"/>	00
28. Other additions. Describe:	28.	<input type="text"/>	00
29. Total Additions. Add lines 26 through 28. Enter here and on line 10	29.	<input type="text"/>	00

PART 5: SUBTRACTIONS FROM INCOME (Included in AGI on line 9. All entries must be positive numbers.)

30. IRA, pension, annuity or other retirement benefit distribution	30.	<input type="text"/>	00
31. Taxable Social Security benefits	31.	<input type="text"/>	00
32. Interest on U.S. government obligations and gains on the sale of U.S. obligations (see instructions)	32.	<input type="text"/>	00
33. State and local income tax refunds	33.	<input type="text"/>	00
34. Unemployment compensation	34.	<input type="text"/>	00
35. Renaissance Zone deduction	35.	<input type="text"/>	00
36. Other subtractions. Describe:	36.	<input type="text"/>	00
37. Total Subtractions. Add lines 30 through 36. Enter here and on line 12	37.	<input type="text"/>	00

Who has to File?

- Who **Must** File
 - Persons who owe tax or are due a refund
 - Residents whose AGI exceeds the personal exemption for that city
 - Nonresidents and part-year residents whose city wages exceed the personal exemption
- Residents who file a Federal Return (EVEN IF NO CITY TAX IS OWED) **should** file

Filing Status

- **Three Filing Statuses:**

5. **2020 FILING STATUS.** Check one.

a. Single

b. Married filing jointly

c. Married filing separately*

* If you check box "c," complete line 3 and enter spouse's full name below:

- **City of Detroit** does not have "Head of Household" or "Qualifying Widow(er) with Dependent Child" filing status options. The tax program defaults these filers to Single on the city return.

Exemptions

Most **exemptions** carry over directly from the federal and state returns, so double check the city tax return to make sure all exemptions flowed through.

- Exemptions on City of Detroit returns include:
 - An additional exemption if 65 or older
 - An additional exemption if blind, deaf, or totally and permanently disabled (if under age 66) for the taxpayer or spouse.
 - There is no special exemption for dependents.

8. EXEMPTIONS. 8a-8c apply to you and your spouse only.		
Personal Exemption	a.	
65 and over.....	b.	
Deaf, Disabled or Blind.....	c.	
Number of dependent children	d.	
Number of other dependents.....	e.	
TOTAL EXEMPTIONS. Add lines 8a through 8e.	f.	

Exemptions

Each exemption is \$600, regardless of the type of exemption it is.

Example:

Mark (70 years old) and Ann (62 years old and disabled) are filing a joint return. They have one disabled son (40 years old). There exemptions would be the following:

8. EXEMPTIONS. 8a-8c apply to you and your spouse only.	
Personal Exemption	a. 2
65 and over.....	b. 1
Deaf, Disabled or Blind.....	c. 1
Number of dependent children	d.
Number of other dependents.....	e. 1
TOTAL EXEMPTIONS. Add lines 8a through 8e.	f. 5

14. Exemption allowance. Multiply line 8f by \$600 14.



- For City of Detroit returns – taxpayers who can be claimed as a dependent by someone else **cannot** claim an exemption for themselves

Taxable Income

RESIDENTS:

The following sources of income are taxable to residents regardless of where the income is earned:

- Wages, bonuses, etc.
- Business and Rental Income
- Gambling winnings, including the Lottery
- Early retirement distributions
- Interest, Dividends, and Capital Gains

NON-RESIDENTS:

The following sources of income are taxable to non-residents:

- Taxable income to nonresidents:
 - Wages, bonuses, etc. which are earned in the city
 - Business and Rental Income from the city
- If part of the work is done outside the city, then the income is apportioned.
 - For example, if John works in Detroit, but 10% of his days are spent at an office in Roseville, then he only needs to show 90% of the amount from his W-2 on the Detroit Nonresident return

Nontaxable Income

- Some common forms of **income not subject to tax** include:
 - Unemployment Compensation
 - Social Security Income or Benefits
 - Pensions and annuities
- Pre-retirement distributions are taxable

Credits and Payments

Tax Withheld-

Any amount the client paid to the city will carry to Schedule W.

Schedule W is a summary of the taxes withheld from each paycheck.

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City Schedule W

City of Detroit Withholding Tax Schedule - 2020

Issued under authority of Public Act 284 of 1964, as amended.

Type or print in blue or black ink.

INSTRUCTIONS: If you had city income tax withheld in 2020, you **must complete** a Withholding Tax Schedule (City Schedule W) to claim the withholding on your City Income Tax Return. **Do not attach your W-2s.** Include your completed City Schedule W with Form 5118, Form 5119, or Form 5120. If you need additional space, complete the *City of Detroit Withholding Tax Continuation Schedule (Form 5253)*.

1. Filer's First Name	M.I.	Last Name	2. Filer's Full Social Security No. (Example: 123-45-6789)
			— — —
If a Joint Return, Spouse's First Name	M.I.	Last Name	3. Spouse's Full Social Security No. (Example: 123-45-6789)
			— — —
4. Return for the city of:		City Code	
DETROIT		170	

PART 1: CITY TAX WITHHELD

A	B — Employer's federal identification number (Example: 38-1234567)	C Employer's name	D — Wages, tips and other compensation from Box 1 of W-2 (see instructions)	E City income tax withheld from Box 19 of W-2
Enter "X" for: Filer or Spouse				
			00	00
			00	00

Credits and Payments

City Estimated Tax

- Some taxpayers must pay quarterly estimated tax payments if they are self-employed or their employer does not withhold enough from their paychecks.
- Clients that owe each year may be sent estimated payment vouchers to avoid owing. If a taxpayer owes more than \$100, they will be charged an extra \$100. This penalty comes after they file.

Taxes paid to Another City

- If a taxpayer lived in one taxing city but worked in another taxing city, earnings are taxed by both.

City Refund/Tax Due

- All refunds will be sent to the taxpayer via a paper check, as there is not a direct deposit option
- If there is tax due, a voucher will be printed with the tax return. Advise the taxpayer to send payment via check or money order in the pre-addressed envelope before the last filing date of the season
- If the taxpayer owes more than \$100, they should be advised to ask their employer to withhold more through a form W-4, or to make quarterly estimated tax payments for the next tax year



Other Locality Taxes

Common Form 1040

- 24 Michigan cities have local income taxes; all except Detroit and Hudson accept Common Form 1040
- **Return must be paper filed** – print two copies (one to mail and one for the client's records)
 - Print extra copy of federal forms that must be attached to the return
 - Federal 1040, page 1, and Schedules B, C, D, E
 - Other city returns (credit for taxes paid to other city)
 - Taxpayer should attach W-2's & 1099-R's (if taxable)
 - Instruct the client that they must sign and mail in the return with their payment (if owed)
 - Give them the extra copies of federal forms to attach

City Tax Rates

For 2021, the following Michigan cities levy an income tax of 1% for Residents and 0.5% for Nonresidents:

Albion	Battle Creek	Benton Harbor	Big Rapids	East Lansing
Flint	Grayling	Hamtramck	Hudson	Ionia
Jackson	Lansing	Lapeer	Muskegon	Muskegon Heights
Pontiac	Port Huron	Portland	Springfield	Walker

The following cities levy an income tax at different tax rates:

- **Detroit:** 2.4% for Residents, 1.2% for Nonresidents
- **Highland Park:** 2% for Residents, 1% for Nonresidents
- **Grand Rapids and Saginaw:** 1.5% for Residents, 0.75% for Nonresidents

Exemptions by City

Frequently Encountered Cities

Exemption amounts and types vary by city. Only **Detroit, Muskegon,** and **Saginaw** prorate exemptions for part-year residency.

City	Exemption Amount	Exemption Type					
		Personal	65 and older	Blind	Deaf	Permanently Disabled	Dependents
Detroit	\$600	Yes	Yes	Yes	Yes	Yes	Yes
Flint	\$600	Yes	Yes	Yes	Yes	Yes	Yes
Grand Rapids	\$600	Yes	Yes	Yes	No	No	Yes
Hamtramck	\$600	Yes	Yes	Yes	Yes	Yes	Yes
Highland Park	\$600	Yes	Yes	Yes	Yes	Yes	Yes
Pontiac	\$600	Yes	Yes	Yes	No	No	No
Port Huron	\$600	Yes	Yes	Yes	Yes	Yes	Yes
Saginaw	\$750	Yes	Yes	Yes	No	No	Yes

Exemptions by City

Infrequently Encountered Cities

Exemption amounts and types vary by city. Only **Detroit**, **Muskegon**, and **Saginaw** prorate exemptions for part-year residency.

City	Exemption Amount	Exemption Type					
		Personal	65 and older	Blind	Deaf	Permanently Disabled	Dependents
Albion	\$600	Yes	Yes	No	No	No	No
Battle Creek	\$750	Yes	Yes	Yes	Yes	Yes	Yes
Benton Harbor	\$750	Yes	Yes	Yes	Yes	Yes	Yes
Big Rapids	\$600	Yes	No	No	No	No	No
East Lansing	\$600	Yes	Yes	Yes	Yes	Yes	Yes
Grayling	\$3,000	Yes	Yes	Yes	No	Yes	Yes
Hudson	\$1,000	Yes	Yes	Yes	No	No	Yes
Ionia	\$700	Yes	Yes	Yes	Yes	Yes	Yes
Jackson	\$600	Yes	Yes	No	No	No	Yes
Lansing	\$600	Yes	Yes	Yes	Yes	Yes	Yes
Lapeer	\$600	Yes	Yes	Yes	Yes	Yes	Yes
Muskegon	\$600	Yes	Yes	Yes	Yes	Yes	Yes
Muskegon Heights	\$600	Yes	Yes	Yes	Yes	Yes	Yes
Portland	\$1,000	Yes	Yes	Yes	Yes	Yes	Yes
Springfield	\$750	Yes	Yes	Yes	Yes	Yes	Yes
Walker	\$600	Yes	Yes	Yes	No	No	Yes

Michigan City Income Tax

Alternatively, city-specific tax forms are available on the Michigan.gov tax website at https://www.michigan.gov/taxes/0,4676,7-238-44143_44144-287984--,00.html. You can prepare each city return manually using their specific instructions.

This **must** be done for the city of **Hudson**, which cannot be prepared in TaxSlayer.



The screenshot shows the Michigan Department of Treasury website. At the top right, there are navigation links: Home, Contact Us, Forms, FAQs, Treasury Home, and MI.gov. Below these is a search bar with the word "Search" and a magnifying glass icon. The main header features the Michigan state outline logo and the text "Michigan Taxes Michigan Department of Treasury". A dark blue navigation bar contains the following categories: INDIVIDUAL INCOME TAX, BUSINESS TAXES, CITY TAX, COLLECTIONS/AUDITS/APPEALS, PROPERTY TAX, and REPORTS AND LEGAL. Below this bar, the word "TAXES" is centered. Underneath, the section "City Income Tax Forms" is displayed, followed by a list of cities: City of Albion, City of Battle Creek, City of Benton Harbor, City of Big Rapids, City of Detroit (with sub-links for "2014 and Previous Years" and "2015 to Present"), City of East Lansing, City of Flint, City of Grand Rapids, City of Grayling, City of Hamtramck, City of Highland Park, City of Hudson, City of Ionia, City of Jackson, City of Lansing, City of Lapeer, City of Muskegon, City of Muskegon Heights, City of Pontiac, City of Port Huron, City of Portland, City of Saginaw, City of Springfield, and City of Walker.

Credit for Taxes Paid to Another City

- If a taxpayer lived in one taxing city but worked in another taxing city, earnings are taxed by both.
- The resident city will give credit for taxes paid to the nonresident city.
- The credit is the LOWER of the actual tax paid or the nonresident tax calculation for the resident city (rates and exemptions may differ). For example, if a Pontiac resident works in Detroit, they pay the 1.2% nonresident tax rate to Detroit. However, the credit is 0.5% on the Pontiac return, because 0.5% is Pontiac's nonresident tax rate and LOWER than the actual tax paid to Detroit.

Establishing Where a Client Worked

- After asking a client what city they worked in, follow up by asking if they worked from home.
- Nonresident taxpayers will often fail to mention that they worked from home temporarily during the pandemic, especially if they usually work only in the taxing city. In many cases, clients will overpay local income tax if this isn't discovered.
 - For example: A teacher for Detroit Public Schools lives in Warren. When asked what city the client works in, the client says, “Detroit.” However, DPS was closed from March 2020 to August 2021, and teachers worked virtually. So the client actually worked in Warren for most of both 2020 and 2021, and therefore owes less tax to the city of Detroit.

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End of City Returns

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Questions?

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END