# WELCOME TO AccountingAidSociety



# AGENDA
## Tax Masters – Session 1 – October 14, 2026

Welcome and Introductions

Site Procedure Refreshers

What is No Longer Expected This Year

Premium Tax Credit

Self-Employment Health Insurance Deduction

OB3 Updates – No Tax on Qualified Tips & Qualified Overtime
Vehicle Loan Interest Statement

Rejected Returns

Questions

Accounting AidSociety SINCE 1972

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

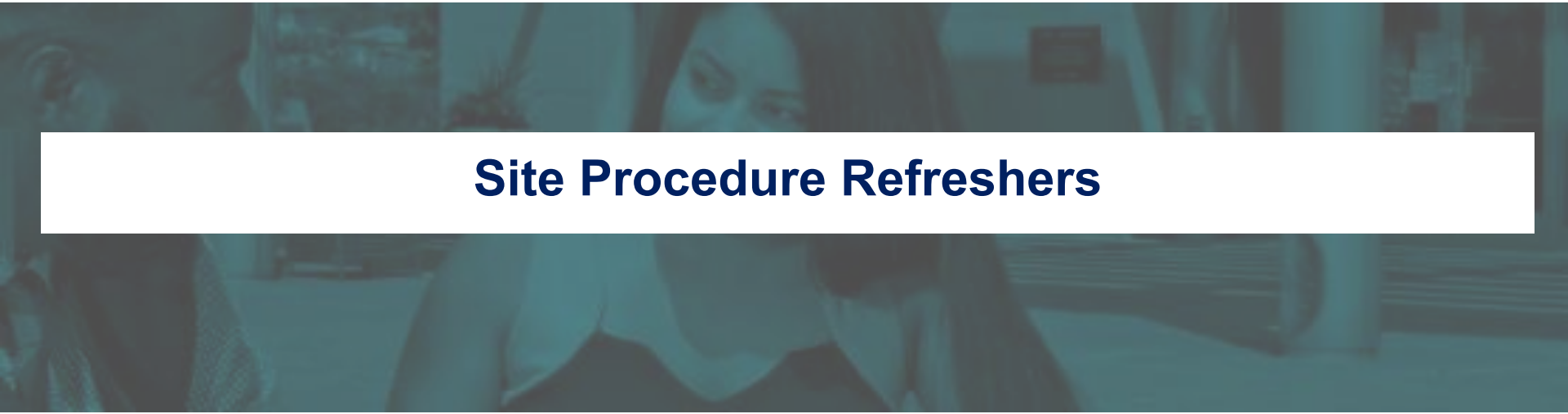
# Welcome and Introductions

# Meet Your Presenters

- Maysaa Rahal, Senior VITA Program Manager
- Kathy Holka, Senior Tax Policy Analyst
- Samantha Spolarich, Assistant VITA Program Manager
- Lamis Alnajjar, Assistant VITA Program Manager

# Virtual Q&A Sessions

- Thursday, November 10, 2026 | 6:00PM
- Thursday, November 19, 2026 | 6:00PM
- Tuesday, December 1, 2026 | 6:00PM
- Thursday, December 10, 2026 | 6:00PM
- Tuesday, January 5, 2027 | 6:00PM
- Thursday, January 14, 2027 | 6:00PM
- Thursday January 21, 2027 | 6:00PM
- Tuesday, January 26, 2027 | 6:00PM



# Site Procedure Refreshers

# Income Limit – 2027 Filing Season

- **Income limit for tax returns is $71,000**
  - Please do NOT turn someone away because of income without contacting a manager or site coordinator first.
    - Site coordinators can approve returns up to a certain amount above our income limit.
    - Taxpayers may have income that is a one-time occurrence that puts them over the income limit, such as an early withdrawal from retirement or lottery winnings.
- **Facilitated Self-Assistance (FSA) Income Limit is $95,000**

# TaxSlayer

- **TaxSlayer was selected to remain the VITA tax preparation software for the next contract period.**
  - The new contract includes **one base year and four option years**.

# Supplemental Intake Sheets/Worksheets

- Supplemental Intake Sheets/Worksheets:
  - Purpose: Review key supplemental intake sheets to ensure everyone is familiar with them and knows when they are required.
  - Sheets to Review:
    - NEC Worksheet – Required for self-employment income
    - Education Worksheet – Required for education expenses
    - Preparer Return Questions – Always required
    - Taxpayer Return Questions – Always required
    - Sale of Main Home Worksheet – Required for Sale of Main Home
    - Organ Donation Worksheet – Required for Michigan Credit for Organ Donation Expenses

# IRS Forms and Publications – Tax Year 2026

- **Forms and Publications available online at irs.gov:**
  - Form 13614-C, Intake/Interview and Quality Review Sheet
  - Pub 4012, VITA/TCE Volunteer Resource Guide
  - Form 6744, VITA/TCE Volunteer Assistor's Test/Retest
- **Draft forms available at irs.gov/draftforms:**
  - Form 1040, U.S. Individual Income Tax Return
  - Schedule 1,  Additional Income and Adjustments to Income
  - Schedule 1-A, Additional Deductions
  - Schedule 2, Additional Taxes
  - Schedule 3, Additional Credits and Payments

***We'll Review Some of These Documents at the November Tax Masters.***

# Link and Learn and the Practice Lab

- **Link and Learn Taxes Availability:**
  - Link and Learn Taxes (LLT) and the LLT certification site are expected to be available after mid-November.
- **Practice Lab:**
  - Although not yet announced, the TaxSlayer Practice Lab for the new tax year typically becomes available in mid-November. (At the time of this presentation, tax years 2025 and 2024 are available in the Practice Lab.)



# What Is No Longer Expected This Year

# What Is No Longer Expected This Year

## Energy Efficient Home Improvement Credit

- Ended for property placed in service after **December 31, 2025**.
- Do not claim for qualifying property placed in service in **2027**.

## Gambling Losses:

- No longer a dollar-for-dollar deduction against winnings.
- The deductible loss is limited to the **smaller of two amounts**:
  - **90% of gambling losses**, OR
  - **Total gambling winnings**

# What Is No Longer Expected This Year

## Miscellaneous Itemized Deductions:

- Terminates all miscellaneous itemized deductions that are subject to the 2% floor AGI limitation except for qualified educator expenses.
- **Under the old rules**, certain miscellaneous expenses could be deducted on Schedule A **only to the extent they exceeded 2% of AGI**.
  - For example, **IF** AGI was $50,000:
    - 2% of AGI = $1,000
    - If the taxpayer had $1,500 of qualifying miscellaneous expenses
    - Only $500 could potentially be deducted.

**That category of deductions is now generally gone.**

# What Is No Longer Expected This Year

## First-Time Homebuyer Credit – Form 5405

- **Form 5405, Repayment of the First-Time Homebuyer Credit**, will no longer be updated after the **2024 tax year**.
- **2024 was the final tax year** that Form 5405 could be filed.
- The 15-year repayment period for homes purchased in **2008** began with the **2010 tax return** and ended with the **2024 tax return**.
- **Do not file Form 5405 for tax year 2025 or later.**
- **The IRS First-Time Homebuyer Credit lookup tool is no longer available.**

# What Is No Longer Expected This Year

## First-Time Homebuyer Credit – Form 5405 (Continued)

- If you are preparing a return for a taxpayer who has **not completed all required repayments** of the First-Time Homebuyer Credit, advise the taxpayer to proceed with filing the return. The IRS will likely send the taxpayer correspondence regarding the outstanding credit and any remaining repayment amount owed. Do not delay filing the return solely because the taxpayer has outstanding repayments or the lookup tool is unavailable.



# Premium Tax Credit

# *Marketplace Deep Dive* Video Presentation

- Before we begin this presentation on the premium tax credit, please make note of another presentation on the health insurance Marketplace:
  - A video presentation, ***Marketplace Deep Dive***, from August 6, 2025.
  - Presented by Brad Martin, VITA Program Coordinator at United Way of Southwest Alabama.
  - It includes information about how the Marketplace works as well as very good explanations on Form 1095-A, Health Insurance Marketplace Statement, and Form 8962, Premium Tax Credit (PTC).
  - Available on the United Way of Southwest Alabama YouTube Channel.
    - Click on the Videos tab and select the United Way of Southwest Alabama Presents: Marketplace Deep Dive video.
  - Contact Kathy Holka if you would like a PDF of the presentation.

# What is the Premium Tax Credit?

- A tax provision of the Affordable Care Act (ACA).
- An individual who purchased coverage through the Health Insurance Marketplace (the ‘Marketplace’) may be eligible for the premium tax credit.
- The Marketplace is where taxpayers find information about health insurance options, purchase health insurance, and, if eligible, obtain help paying premiums and out-of-pocket costs.
- The Marketplace estimates the amount of the premium tax credit (PTC) that eligible taxpayers may be able to claim on their federal tax returns.
- Based on that estimate, eligible taxpayers can decide if they want to have all, some, or none of their estimated credit paid in advance to their insurance company to help pay for coverage.

# What is the Premium Tax Credit?

**Premium tax credit (PTC):** Financial assistance for eligible people who purchase coverage in the ACA marketplaces

| THE PREMIUM TAX CREDIT (PTC) CAN BE TAKEN: | |
|---|---|
| In advance (APTC – Advance Premium Tax Credit) | At tax time (PTC) |
| • Forwarded to insurer to reduce monthly premiums.<br>• Insured individual pays a lower monthly premium after APTC.<br>• Reconciled at tax time. | • Insured individual pays the full monthly premium.<br>• PTC is claimed at tax time. |
| The PTC is claimed and reconciled on Form 8962, Premium Tax Credit. | |

# Claiming/Reconciling the PTC

- The premium tax credit is claimed and reconciled on **Form 8962, Premium Tax Credit (PTC)**.
- A **net premium tax credit** (from line 24 of Form 8962) is claimed on line 9 of Schedule 3, Additional Credits and Payments.
    - It is a refundable credit.
- If the taxpayer received an **excess advance premium tax credit**, the **repayment** (from line 27 of Form 8962) is reported on line 1a of Schedule 2, Additional Taxes.

The *2025 Form 8962* and the *2026 draft Form 8962* are included in your folders.

# Claiming/Reconciling the PTC

- Those who choose to get the benefit of APTC ***must*** file a federal tax return even if they have gross income for the year that is below the income tax filing threshold.

# Form 1095-A, Health Insurance Marketplace Statement

- The Marketplace sends Form 1095-A, Health Insurance Marketplace Statement, to individual who enrolled themselves or family members in qualified health coverage through the Marketplace.
- The form includes information about the coverage, who was covered, and when.
- The deadline for the Marketplace to provide Form 1095-A to taxpayers is January 31 of the year after the year of coverage.

# Premium Tax Credit – Terminology

- **Qualified Health Plan** – For purposes of the PTC, a qualified health plan is a health insurance plan or policy purchased through a Marketplace at the bronze, silver, gold, or platinum level. Also referred to as a "policy" in the instructions.
  - Catastrophic health plans and stand-alone dental plans purchased through the Marketplace, and all plans purchased through the Small Business Health Options Program (SHOP), are not qualified health plans for purposes of the PTC. Therefore, they do not qualify a taxpayer to take the PTC.

# Premium Tax Credit – Terminology

- **Tax Family (Form 8962, line 1)** – Generally includes the taxpayer, their spouse (if filing a joint return) and dependents.
  - If taxpayer or spouse can be claimed as a dependent, they are not included in the tax family.
- **Coverage Family** – Includes only individuals in your tax family who are enrolled in a qualified health plan and are not eligible for MEC (other than coverage in the individual market).
  - Individuals included in the coverage family may change from month to month.
  - The taxpayer's PTC is available to help them pay only for the coverage of individuals included in their coverage family.

# Premium Tax Credit – Terminology

- **Household Income (Form 8962, line 3)** – For purposes of the PTC, household income is the modified adjusted gross income (MAGI) of:
  - The taxpayer,
  - The spouse (if filing a joint return), plus
  - The MAGI of each individual claimed as a dependent **and** who is required to file an income tax return because their income meets the income tax return filing threshold.
- For purposes of the PTC, **modified AGI** is the AGI on the tax return plus:
  - Tax-exempt interest (Form 1040, line 21),
  - Foreign earned income (Form 2555, lines 45 and 50), and
  - The portion of Social Security benefits that is not taxable.

# Premium Tax Credit – Terminology – MEC

- **Minimum Essential Coverage (MEC)** –
  - An individual in the taxpayer's tax family who is **eligible** for MEC (except coverage in the individual market) for a month is not in your coverage family for that month.
  - Therefore, the taxpayer cannot take the PTC for that individual's coverage for the months that individual is eligible for MEC.

# Premium Tax Credit – Terminology – MEC

- In addition to qualified health plans and other coverage in the individual market, MEC includes:
  - Most coverage through government-sponsored programs (including Medicaid coverage, Medicare Part A or C, the Children's Health Insurance Program (CHIP), certain benefits for veterans and their families, TRICARE, and health coverage for Peace Corps volunteers);
  - Most types of employer-sponsored coverage; and
  - Other health coverage the Department of Health and Human Services designates as MEC.

# Who is Eligible for the Premium Tax Credit?

In general, taxpayers are allowed a PTC if the taxpayer spouse (if filing a joint return), or dependents were enrolled ina qualified helath plan offered through the Marketplace for one or more months and they meet all of the following:

- **Eligible Income** – The taxpayer is an applicable taxpayer:
  - Household income is between 100 percent and 400 percent of the federal poverty line (FPL) for the taxpayer's family size.
    - There are some exceptions for taxpayers with household income below 100% of the FPL.
  - Note: For tax years prior to 2026, taxpayers may have qualified for PTC if income was above 400%.

# Who is Eligible for the Permium Tax Credit (Cont.)

- **Eligible Filing Status**
  - Individuals who ***can*** be claimed as a dependent are **not eligible** for the PTC.
  - If married, the taxpayer files a joint return with his or her spouse. Unless:
    - The taxpayer is considered unmarried for Head of Household filing status, or
    - Meets the criteria which allows certain victims of domestic abuse or spousal abandonment to claim the PTC using the Married Filing Separetly filing status.

# Who is Eligible for the Permium Tax Credit (Cont.)

**Exceptions to the Joint Filing Requirement:**

- Taxpayer qualifies for Head of Household filing status.
- A taxpayer who is Married Filing Separately can meet the joint filing requirement if they are a/an:
  - Survivor of Domestic Abuse:
    - Live apart from their spouse, and
    - Are unable to file a joint return because of domestic abuse.
  - Abandoned Spouse:
    - Live apart from their spouse, and
    - Cannot locate their spouse after usineg reasonable diligence.

There are no special documentation requirements, but a person could be asked for more information if audited. These exceptions can be used by people filing as Married Filing Separately for a maximum of three consecutive years.

# Who is Eligible for the Permium Tax Credit (Cont.)

- **<u>Eligible Immigration Status</u>** – Must be a:
  - U.S. citizen or national,
  - Lawful permanent resident (also known as green card holders), or
  - Immigrant that is considered lawfully present under Marketplace rules.
    - Note: Beginning with tax year 2027, there are new, narrower immigration group restrictions.

# Who is Eligible for the Permium Tax Credit (Cont.)

- **<u>Ineligible for Other Minimum Essential Coverage (MEC)</u>**
  - The taxpayer, spouse (if filing a joint return), or dependents cannot be eligible for MEC (other than coverage in the individual market).
  - Note: MEC should be looked at separately for each month of the tax year.
    - Example: Taxpayer was eligible for employer-sponsored coverage from January through May of 2026. He was unemployed for the rest of the tax year and not eligible for other MEC. He can claim the PTC for June through December of 2026.

# Who is Eligible for the Permium Tax Credit (Cont.)

- **Ineligible for Other Minimum Essential Coverage (MEC) – Continued**
  - The Marketplace might know at the time of enrollment that the individual was eligible for another type of MEC for one or more months of the tax year and would calculate the estimated PTC for all months of the tax year.
    - If you become aware that the taxpayer, spouse (if married filing jointly), and/or a dependent was eligible for other MEC during the year and the Marketplace calculated PTC for the month (Form 1095-A would show coverage for the month), you must enter the correct SLCSP (second lowest cost silver plan) in TaxSlayer. Do not enter the SLCSP that is on Form 1095-A.

# Who is Eligible for the Permium Tax Credit (Cont.)

- **Paid Premiums**
  - The premiums for the plan or plans in which the taxpayer and his or her family member enroll are paid by the due date of the taxpayer's return (not including extensions).
- **Individual Cannot Be Incarcerated**
  - Except if pending disposition of charges.

# Who is Eligible for the Permium Tax Credit (Cont.)

**Exceptions for taxpayers with household income below 100% of the FPL –** Taxpayers may qualify for the PTC if they meet all of the following requirements:

- No one can claim them as a dependent for the year.
- The taxspayer or an individual in their tax family enrolled in a qualified health plan through the Marketplace.
- The Marketplace **estimated at the time of enrollment that their household income would be at least 100% of the FPL for their family size** for 2026.
- APTC was paid for the coverage of one or more months in 2026.
- You otherwise qualify as an applicable taxpayer (except for the FPL percentage).

# Who is Eligible for the Permium Tax Credit (Cont.)

**Exceptions for taxpayers with household income below 100% of the FPL –**

Taxpayers **do not meet** the requirements under Estimated household income at least 100% of the FPL if:

- No APTC was paid for the taxpayer or their family's coverage; or
- The taxpayer, withintentional or reckless disregard for the facts, provided incorrect information to a Marketplace for the year of coverage.

# Who is Eligible for the Permium Tax Credit (Cont.)

**Exceptions for taxpayers with household income below 100% of the FPL –**

**Alien lawfully present in the United States:**

- Certain aliens with household income below 100% of the FPL are not eligible for Medicaid because of their immigration status.
- They may qualify for the PTC if they meet all of the following:
  - No one can claim them as a dependent for the year.
  - They or an individual in their tax family enrolled in a qualified health plan through the Marketplace.
  - The enrolled individual is lawfully present in the U.S. and is not eligible for Medicaid because of immigration status.
  - They otherwise qualify as an applicable taxpayer (except for the federal poverty line percentage).

# Who is Eligible for the Permium Tax Credit (Cont.)

**Applicable Taxpayer –** Generally, an individual is an applicable taxpayer if:

- Their household income for 2026 is at least 100% of the FPL, but not more than 400% of the FPL, for their family size, and
- No one can claim them as a dependent for the tax year.
- In addition, if taxpayer was married at the end of the tax year, they must file a joint return to be an applicable taxpayer unless they meet one of the exceptions for married taxpayers.

# Who is Eligible for the Permium Tax Credit (Cont.)

**Applicable Taxpayer (Continued)**

- **Individuals who are incarcerated** (other than pending disposition of charges, for example, awaiting trial) are not eligible for coverage in the Marketplace.
- However, these individuals may be applicable taxpayers and take the PTC for the coverage of individuals in their tax families who are eligible for coverage in a qualified healt plan.

# Who is Eligible for the Permium Tax Credit (Cont.)

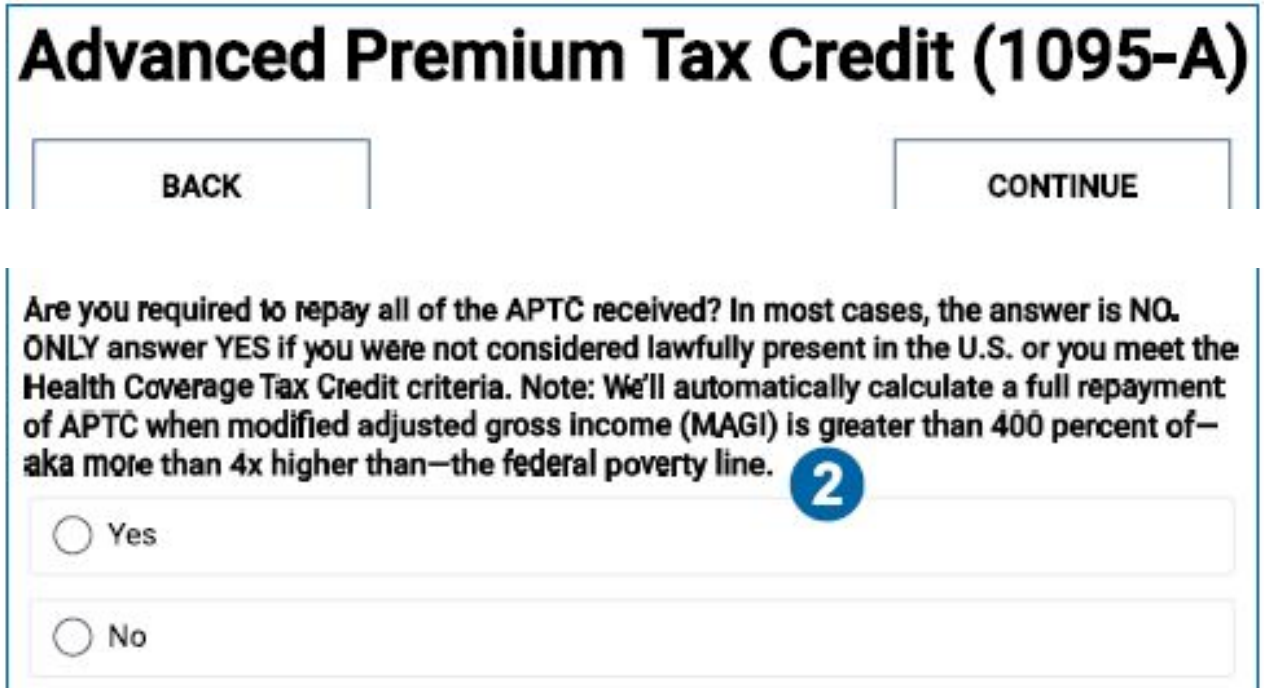
## Applicable Taxpayer (Continued)

- **Individuals who are not lawfully present** in the U.S. are not eligiblefor the PTC for their health coverage through the Marketplace.
- They cannot take the PTC for their own coverage.
- However, these individuals may be applicable taxpayers and take the PTC for the coverage of individuals in their tax families, such as their children, who are lawfully present and eligible for coverage in a qualified health plan.

For more information about who is treated as lawfully present for this purpose, go to HealthCare.gov . Also see *Individuals Not Lawfully Present in the United States Enrolled in a Qualified Health Plan* in Pub. 974, Premium Tax Credit (PTC), for more information.

# Who is Eligible for the Permium Tax Credit (Cont.)

[Page H-13 of Pub 4012 (for 2026 Returns)]




1) This question appears for all taxpayers with APTC. The question is really asking whether the taxpayer is liable for unlimited APTC repayment. Answer NO in most cases. Only answer YES if all individuals on the tax return for whom APTC was paid are not lawfully present in the U.S.

2) Generally, for other taxpayers below 100% of the FPL, answer NO.

# Premium Tax Credit – Out of Scope Situations

- **Allocation of Policy Amounts (Shared Policy) (Form 8962, Part IV)** – If either of the following situations apply, the taxpayer may have to allocate policy amounts with another taxpayer. If so, the return is Out of Scope.
  - The 1095-A lists a covered person who is not on the tax return as the taxpayer, spouse (if filing jointly), or a claimed dependent, or,
  - A person on the tax return was enrolled in another taxpayer's Marketplace coverage. (The person is listed on a Form 1095-A sent to a taxpayer not on the return.)

# Premium Tax Credit – Out of Scope Situations

- **Allocation of Policy Amounts (Shared Policy) (Form 8962, Part IV) - (Continued)** – A shared policy occurs when a Form 1095-A will be needed to complete two or more tax returns. It means one of the following situations has occurred:
  - Taxpayers who share(d) a Marketplace policy got divorced during the tax year.
  - Taxpayers are married but filing separate returns.
  - Taxpayer is claiming a dependent, but someone else is insuring that dependent under a Marketplace policy.
  - Taxpayer is not claiming someone (such as their young adult child) as a dependent, but is insuring that person under a Marketplace policy.

# Premium Tax Credit – Out of Scope Situations

- **Allocation of Policy Amounts (Shared Policy) (Form 8962, Part IV) - (Continued)**
  - All of the situations on the previous slide are Out of Scope for VITA.
  - It is best to figure out if any of those situations has occurred before you start the return.

# Premium Tax Credit – Out of Scope Situations

- **Alternative Calculation for Year of Marriage (Form 8962, Part V)** – If the following situation applies, an Alternative Calculation for Year of Marriage may be elected. If the taxpayer elects this option, the return is Out of Scope.
  - Taxpayers got married during the tax year, are filing a joint return for the year, and both spouses were unmarried as of January 1 of the tax year, and
  - A member of the taxpayers' family was enrolled in a qualified health plan for which APTC was paid for months prior to the first full month of marriage, and
  - Taxpayers have excess APTC (their APTC exceeds their allowed PTC).

# Premium Tax Credit – Out of Scope Situations

- **Alternative Calculation for Year of Marriage (Form 8962, Part V) - Continued** – Be aware of the following:
  - The preparer won't know if there is excess APTC until the Health Insurance section in TaxSlayer is completed and the PDF of Form 8962 is available.
  - How will you know if the taxpayers got married during the year? And if someone from the taxpayer's family was enrolled in a plan where APTC was paid in a month(s) prior to the marriage?

➢ Refer taxpayers to a professional preparer if this calculation is an option.
➢ The alternative calculation could result in less excess APTC or a net PTC.
➢ If taxpayer states they don't want to pursue this option with a professional preparer and want us to prepare the return as is, add a Note in TaxSlayer that taxpayer was advised that this alternative calculation could result in a higher refund or less tax owed and they chose to proceed without wanting to consider this calculation.

# Premium Tax Credit – Out of Scope Situations

- **Self-Employed Taxpayers**
  - The self-employed health insurance deduction is Out of Scope for taxpayers who are also allowed a PTC.
- **Code FF in Box 12 of Form W-2**
  - If there is a code FF on Form W-2, Box 12, and the employee has a Marketplace policy and is otherwise eligible for PTC, the return is Out of Scope.
  - Code FF reports permitted benefits under a qualified small employer health reimbursement arrangement (QSEHRA). Under a QSEHRA, an eligible employer can reimburse eligible employees for medical expenses, including premiums for Marketplace health insurance.

# Premium Tax Credit – Out of Scope Situations

- **PTC Eligibility – ICHRA**
  - Employers may offer an Individual Coverage Health Reimbursement Arrangement (ICHRA) to reimburse their employees for individual market coverage, including premiums for Marketplace health insurance.
  - There are rules to determine if a PTC is allowed for a month based on if an ICHRA is considered affordable or unaffordable.
  - If taxpayer has an ICHRA, and the employee has a Marketplace policy and is otherwise eligible for PTC, the return is Out of Scope.

# Premium Tax Credit – Intake/Interview Process

- Page 3 of Form 13614-C, Intake/Interview and Quality Review Sheet, asks the taxpayer if the following happened during the tax year:
  - *Purchase health insurance through the Marketplace (Exchange)?*
- In order to get an accurate answer and to minimize the possibility of a rejected return, **additional/alternative questions *must* be asked**, such as:
  - Did you purchase health insurance under the Affordable Care Act? Under Obamacare?
  - Besides yourself, did your spouse (if filing jointly) and/or dependent(s) have health insurance through the Marketplace? Purchased by you, themselves, or someone else?

# Premium Tax Credit – Intake/Interview Process

- In order to get an accurate answer and to minimize the possibility of a rejected return, **additional/alternative questions *must* be asked**, such as (**Continued**):
  - Did you, your spouse or dependent receive Form 1095-A, Health Insurance Marketplace Statement? Receive Form 1095-B or 1095-C?
  - Have you ever received a phone call from an insurance agent about signing up for health insurance?
  - Have you or anyone listed on the return ever had health insurance through the Marketplace?
  - If they answer No to the question on the Intake/Interview sheet, ask what type of health insurance each tax family member had.

# Premium Tax Credit – Intake/Interview Process

- Quality reviewers ***must*** review the Marketplace question on the Intake/Interview sheet. If the box is not checked, they ***must*** also ask additional or alternative questions of the client.
- Another approach when trying to determine if health insurance was purchased through the Marketplace:
  - Focus on understanding / asking whether the client (and all others to be listed on the tax return - the tax family) had health insurance for the tax year, and
  - Then asking where they got it.
- Include Notes/Comments on Form 13614-C.

# Form 1095-A, Health Insurance Marketplace Statement

- Carefully examine Form 1095-A to make sure it reflects the taxpayer's account of coverage.
- Look for critical errors that will affect the PTC calculation, such as errors in enrollment premiums, second lowest cost silver plan (SLCSP) premium, or APTC.
- Examine these areas:
  - Recipient information (Part I)
  - Policy start or end date (Part I, Part II)
  - Covered individuals (Part II) – Are all listed individuals included in the tax return?
  - Premium cost (Part III, Column A)
  - APTC (Part III, Column C)

# Form 1095-A, Health Insurance Marketplace Statement

- To obtain an original or corrected Form 1095-A the taxpayer can log into his or her online account at HealthCare.go , or call the Marketplace call center.
- Marketplace call center: 1-800-318-2596 (TTY: 1-855-889-4325)

# Form 8962, Premium Tax Credit (PTC)

- Line A (at the top, just above Part I)
  - If a taxpayer is MFS and is eligible for relief from the requirement to file MFJ because of spousal abuse or abandonment, this box should be checked.
  - If MFS but not eligible for relief, he/she is not eligible for a PTC and must repay APTC.
    - Refer taxpayer to Part IV, Allocation Situation 2, ofthe Form 8962 instructions to determine the amount of APTC the taxpayer must repay (Out of Scope.)

# Form 8962, Premium Tax Credit (PTC)

- Line 1, Tax family size
  - In TaxSlayer, the Household Members page in the Health Insurance section refers to the tax family.
  - **DO NOT** make any changes to the Household Members page in TaxSlayer.

# Form 8962, Premium Tax Credit (PTC)

- Line 2b, Enter the total of your dependents' modified AGI
  - The The dependents' MAGI should appear on line 2b ONLY IF the dependents' gross income is above the filing threshold.

# Premium Tax Credit – Resources

- **For complete information on the Premium Tax Credit, refer to the following resources:**
  - Instructions for Form 8962, Premium Tax Credit (PTC)
  - Publication 974, Premium Tax Credit (PTC)
- Additionally, the following publications should be referenced during the intake/interview process and during tax preparation:
  - Publication 4491, VITA/TCE Training Guide
  - Publication 4012, VITA/TCE Volunteer Resource Guide
- The United Way of Southwest Alabama Presents: Marketplace Deep Dive video presentation from August 2025.



# Self-Employed Health Insurance Deduction

# Self-Employed Health Insurance (SEHI) Deduction

- **Self-employed taxpayers who report a net profit on Schedule C** may qualify to deduct eligible health insurance premiums as an adjustment to income.
- The adjustment **reduces Adjusted Gross Income (AGI)**.
- The self-employed health insurance (**SEHI**) deduction is reported on Form 1040, **Schedule 1, Adjustments to Income, line 17**.

# SEHI Deduction – Eligible Premiums

**What Premiums Can be Deducted?**

Taxpayers may deduct the amount paid for health insurance, which includes:

- **Medical**,
- **Dental**, and
- **Vision** insurance, and
- **Qualified long-term care** insurance.

This includes **Medicare premiums** paid out-of-pocket or deducted from the taxpayer's and spouse's Social Security benefits.

# SEHI Deduction – Eligible Premiums (cont.)

**Limitations**

Generally, taxpayers may be able to deduct the total amount paid in the tax year, but they **can't include**:

- Amounts for any month they were **eligible** to participate in a health plan and/or long-term care insurance plan subsidized by:
  - Their employer,
  - Their spouse's employer,
  - Their dependent's employer, or
  - The employer of their child who was under the age of 27 at the end of the tax year.

# SEHI Deduction – Whose Coverage Qualifies?

**Whose Health Coverage Qualifies?**

Health coverage can be for:

- The taxpayer,
- The taxpayer's spouse,
- The taxpayer's dependents, or
- The taxpayer's child under age 27 at the end of the tax year, even if not claimed as a dependent.
    - A child includes a son, daughter, stepchild, adopted child, or foster child.

# SEHI Deduction – Name on Policy

**Whose Name Can Be on the Policy?**

For an in-scope return, the health insurance policy can be either in:

- The taxpayer's name,
- The spouse's name (if filing jointly), or in
- The name of the business.

# SEHI Deduction – Limits on the Deduction

**What is the Limit on the SEHI Deduction?**

The self-employed health insurance deduction is limited to the net profit from self-employment reduced by the deduction for one-half of the self-employment tax.

**What if premiums exceed the limit?**

A taxpayer can generally include any remaining premiums as an itemized medical expense deduction on Form 1040, Schedule A.

# SEHI Deduction – Out of Scope Issue

***OUT OF SCOPE:***

The self-employed health insurance deduction is Out of Scope for self-employed taxpayers who purchased Marketplace coverage and are eligible for the Premium Tax Credit.

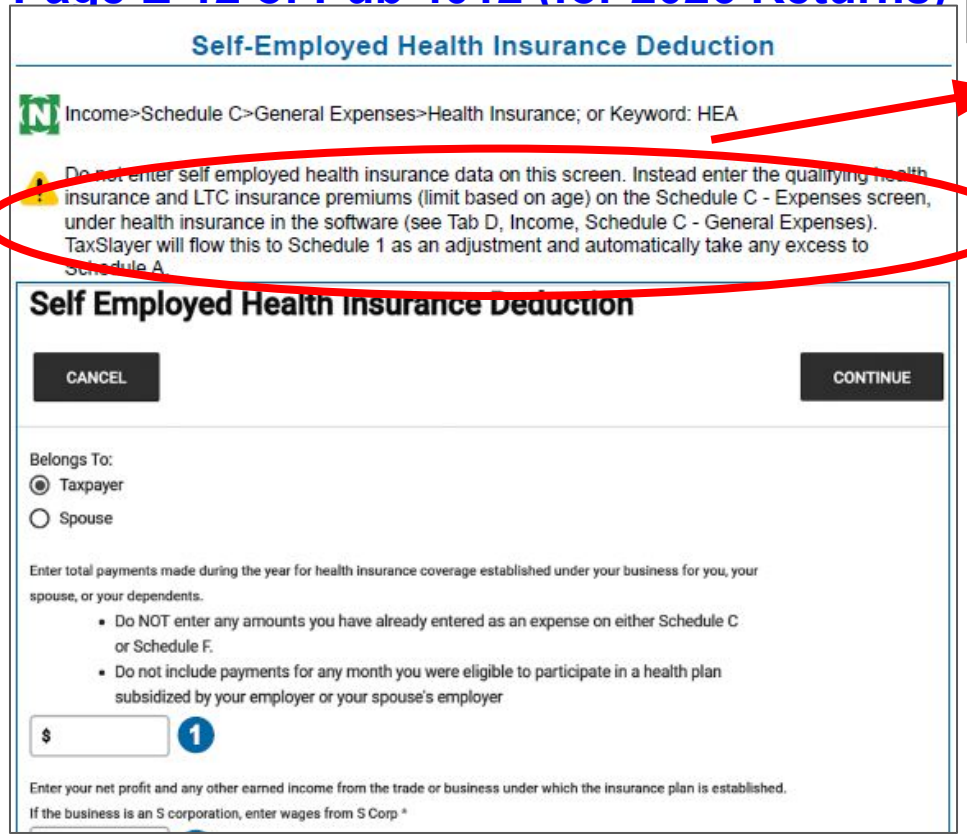
# SEHI Deduction – How to Figure and Claim the Deduction

- The taxpayer can generally use the ***Self-Employed Health Insurance Deduction Worksheet*** in the Form 1040, Schedule 1, instructions to figure their deduction. Exceptions:
  - The taxpayer is required to use ***Form 7206, Self-Employed Health Insurance Deduction***, if any of the following applies:
    - They had more than one source of income subject to self-empoyment tax.
    - They file Form 2555, Foreign Earned Income.
    - They are using amounts paid for qualified long-term care insurance to figure the deduction.
  - The taxpayer uses **Pub. 974** if the insurance plan was obtained through the Marketplace, and advance payments of the premium tax credit were made or they are claiming the premium tax credit. (**Out of Scope**)

The deduction is claimed as an adjustment to income on line 17 of Schedule 1, Additional Income and Adjustments to Income. TaxSlayer will complete the applicable schedule and forms based on the entries made.

# SEHI Deduction – TaxSlayer Entries

**Page E-12 of Pub 4012 (for 2026 Returns)**

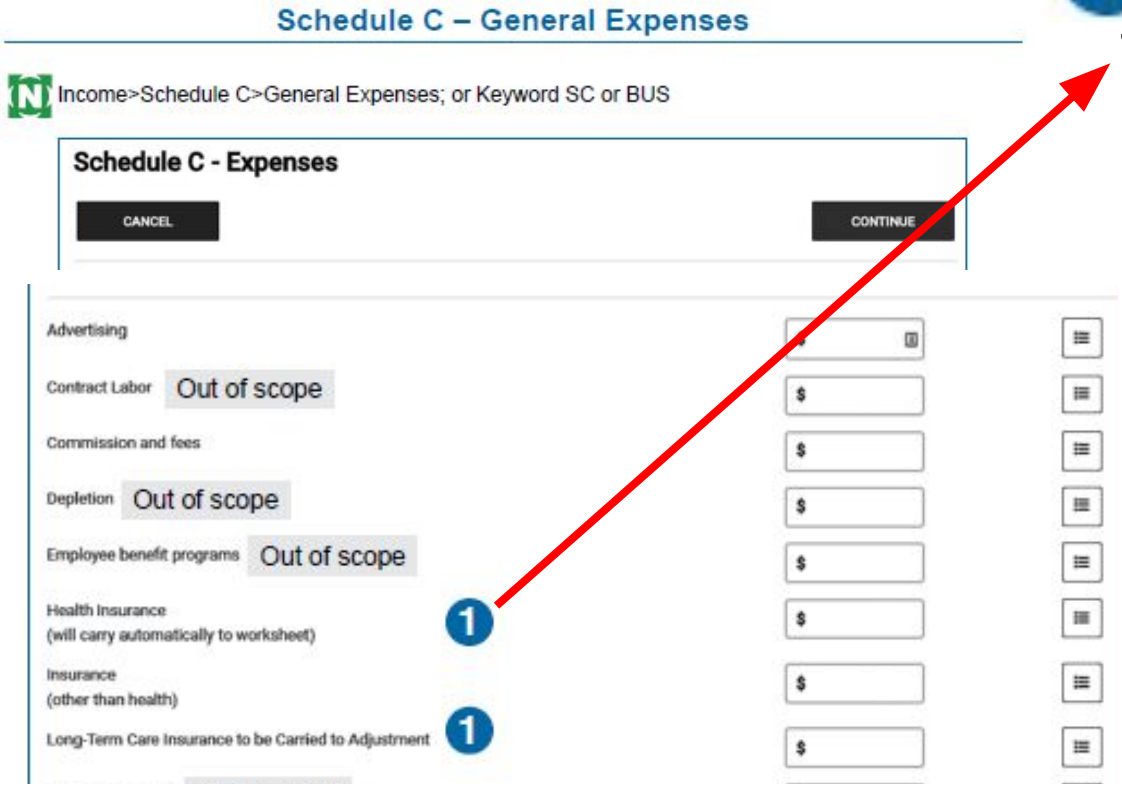



**Caution on pg. E-12 of Pub 4012**

Do not enter self employed health insurance data on this screen. Instead enter the qualifying health insurance and LTC insurance premiums (limit based on age) on the Schedule C - Expenses screen, under health insurance in the software (see Tab D, Income, Schedule C - General Expenses). TaxSlayer will flow this to Schedule 1 as an adjustment and automatically take any excess to Schedule A.

# SEHI Deduction – TaxSlayer Entries

[Page D-40 of Pub 4012 (for 2026 Returns)](#)

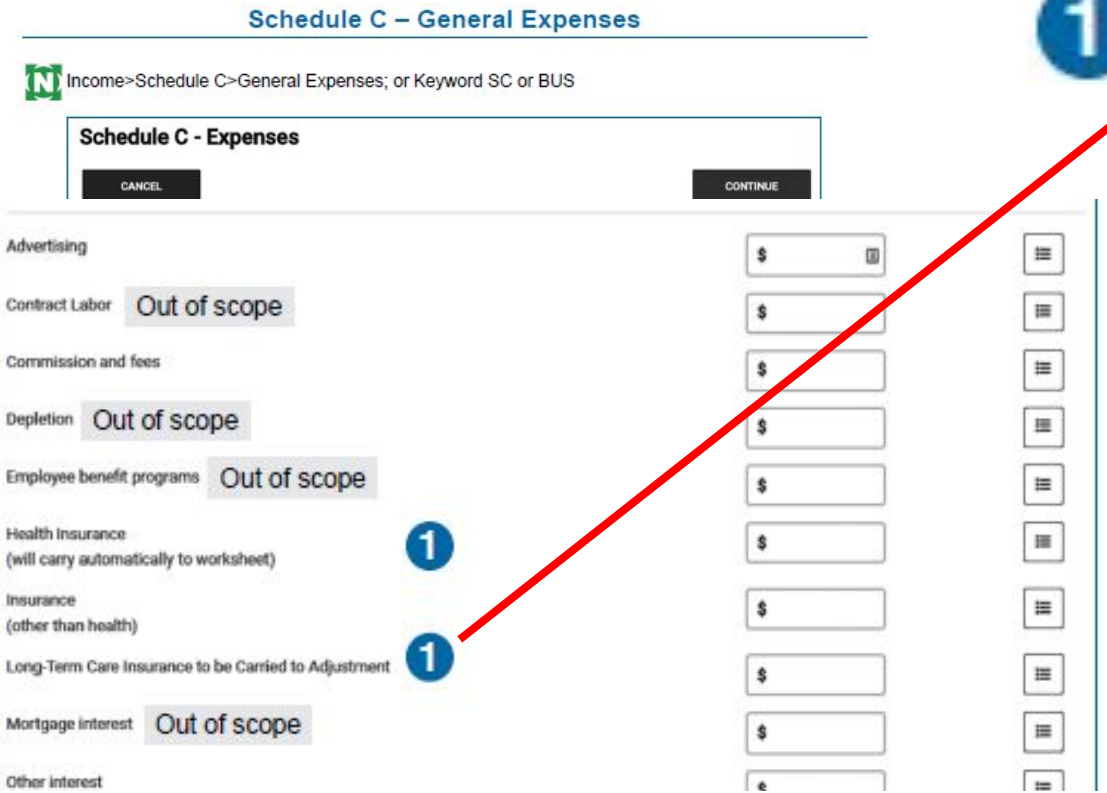



**From pg. D-40 of Pub 4012**

1. Separately enter allowable Health Insurance and Long-Term Care Insurance premiums for the Self-Employed Health Insurance (SEHI) Deduction. Amounts in excess of the SEHI Deduction limit automatically carry to Schedule A. See Tab E for scope limitations and additional details.

# SEHI Deduction – TaxSlayer Entries

[Page D-40 of Pub 4012 (for 2026 Returns)]




**From pg. D-40 of Pub 4012**

1. Limit long-term care insurance premiums based on the age of the insured person:
   - Age 40 or under: $500
   - Age 41 to 50: $930
   - Age 51 to 60: $1,860
   - Age 61 to 70: $4,960
   - Age 71 and over: $6,200

# SEHI Deduction – TaxSlayer Entries
# Medicare Premiums

**How to Handle if the Taxpayer Paid Medicare Premiums:**

- In order not to double-count amounts paid for Medicare on Schedule A or as a reduction to total household resources on the Michigan credit claims:
  - **DO NOT** enter Medicare premiums on the Social Security Benefits screen.
  - Instead, include **eligible Medicare premiums on Schedule C → General Expenses → Health Insurance** with the amount entered for any other eligible health insurance premiums.

# SEHI Deduction – Review the Completed Tax Return

- Review Schedule 1, line 17, to ensure the correct amount is reported for the SEHI deduction.
- Review Schedule A if total health insurance premiums paid exceeds the net profit on Schedule C minus the deduction for ½ of self-employment tax.
- Review the Michigan credit claim(s) to ensure taxpayer is getting full benefit of all health insurance premiums paid.
- An additional entry may be needed if the amount of health insurance premiums paid exceeds the limit for the self-employed health insurance deduction.

# SEHI Deduction – Review the Completed Tax Return

| Amounts Reported When SEHI Deduction Is Claimed | |
|---|---|
| **Form MI-1040CR** | **Amount Reported on the Michigan Credit Claim** |
| Line 21<br>Social Security, etc. | Gross benefits because Medicare premiums were omitted from the Social Security Benefits page. |
| Line 30<br>Other adjustments | Includes the SEHI deduction actually allowed, including any Medicare premiums. |
| Line 31<br>Medical insurance | Include only eligible premiums remaining after SEHI deduction limit and other exclusions. |

**EXAMPLE:** $3,000 in eligible premiums and $2,000 allowed as SEHI

- Line 30 includes the $2,000.
- Line 31 - An additional entry is needed for the $1,000 difference.



# OB3 Updates: No Tax on Qualified Tips, No Tax on Qualified Overtime, Vehicle Loan Interest Deduction

# No Tax on Qualified Tips & Qualified Overtime Refresher

| | Qualified Tips | Qualified Overtime |
|---|---|---|
| **Who qualifies?** | Employees or self-employed workers in an occupation on the IRS tipped-occupation list who receive qualified, voluntary tips. | Workers receiving overtime pay required under the FLSA. Only the amount above regular pay qualifies—the “half” portion of time and a half. |
| **Maximum Deduction** | $25,000 per return, including a joint return. For self-employed workers, the deduction is also limited by net income from the business where the tips were received. | $12,500, or $25,000 per joint return. |

- Deductions phase out when modified AGI exceeds $150,000 ($300,000 for joint filers).
- The worker must have a valid Social Security number
- Cannot be MFS
- Claimed on Schedule 1-A, Additional Deductions

# No Tax on Qualified Tips & Qualified Overtime

- **2025:** W-2s and 1099-NECs had no dedicated fields for qualified tips or overtime. Determining the deduction could require an employer statement, pay records, or other documentation.

- **2026:** The updated forms report these amounts separately. Look for the new fields on the W-2, 1099-NEC and 1099-K.

# No Tax on Qualified Tips

| FORM | QUALIFIED TIPS |
|---|---|
| **W-2** | **Box 12**, **code TP**: cash tips reported to the employer.<br>**Box 14b**: Treasury Tipped Occupation Code(s). |
| **1099-NEC** | **Box 1b**: cash tips included in box 1a.<br>**Box 1c:** Treasury Tipped Occupation Code(s). |
| **1099-K** | **Box 1c**: cash tips included in box 1a.<br>**Box 1d:** Treasury Tipped Occupation Code(s). |

**Important note regarding Treasury Tipped Occupation Codes:**
**If only code 000 appears, those tips do not qualify.**

# No Tax on Qualified Overtime

| FORM | QUALIFIED OVERTIME |
| --- | --- |
| **W-2** | **Box 12**, **code TT**: qualified overtime compensation. |
| **1099-NEC** | **Box 1d**: qualified overtime included in box 1a. |

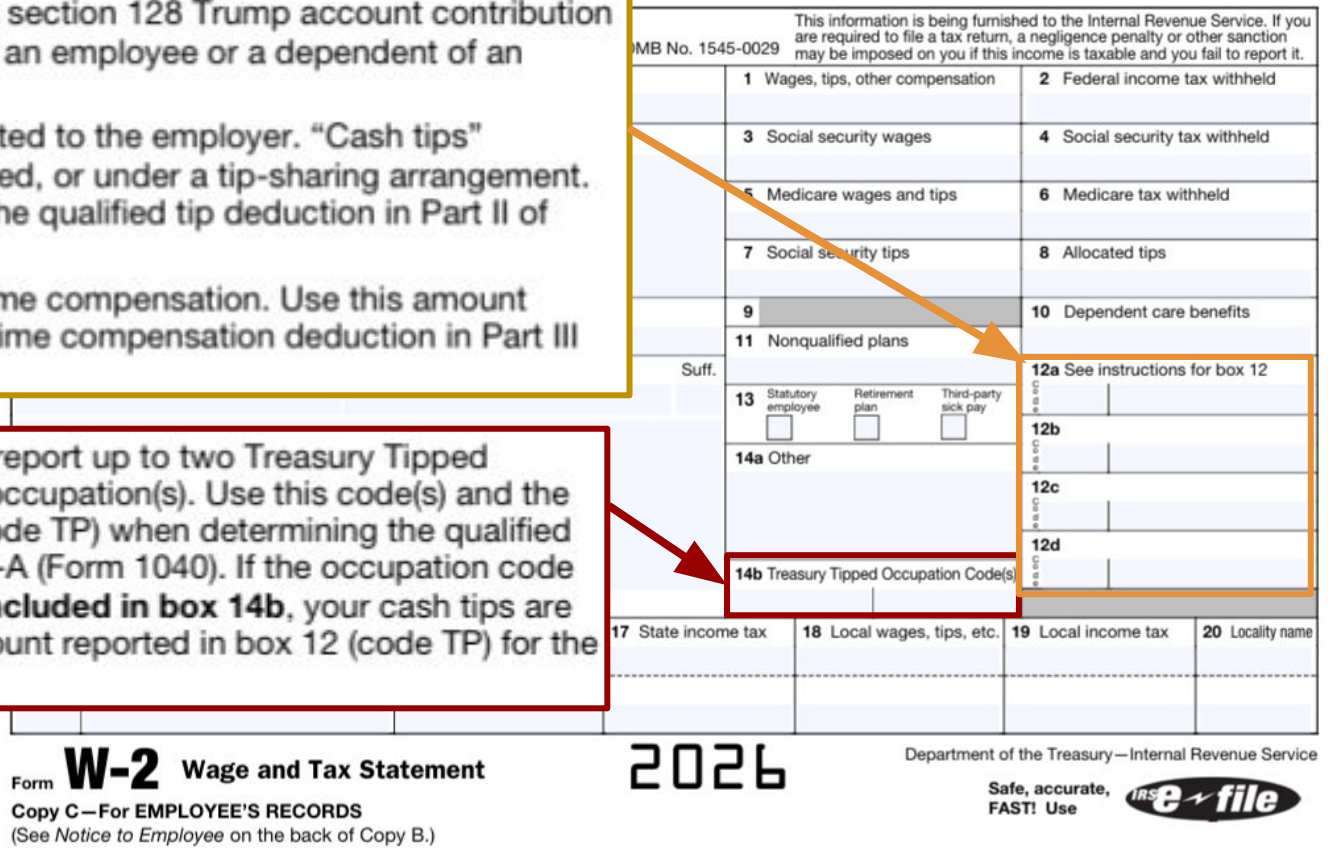
# W-2

**TA**—Employer contributions under a section 128 Trump account contribution program paid to a Trump account of an employee or a dependent of an employee.

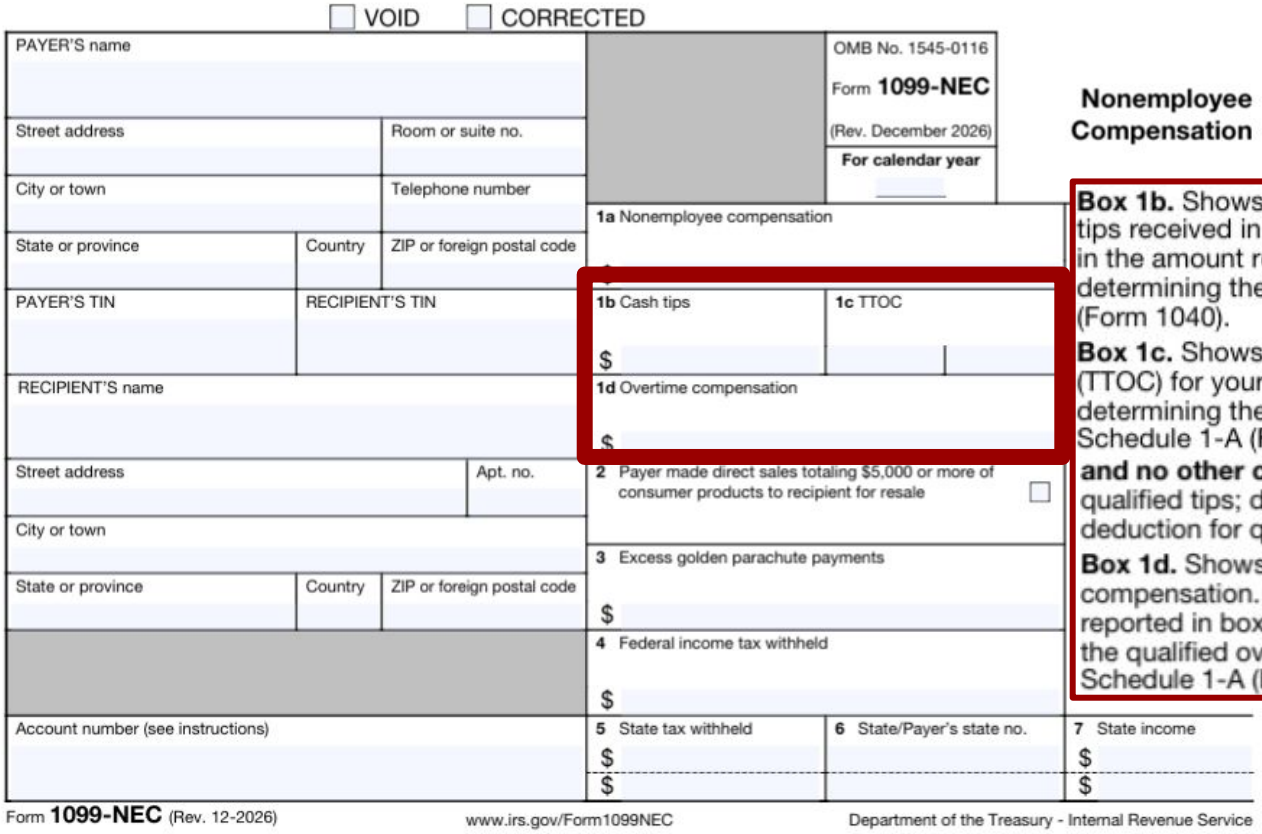
**TP**—Total amount of cash tips reported to the employer. "Cash tips" includes tips received in cash, charged, or under a tip-sharing arrangement. Use this amount when determining the qualified tip deduction in Part II of Schedule 1-A (Form 1040).

**TT**—Total amount of qualified overtime compensation. Use this amount when determining the qualified overtime compensation deduction in Part III of Schedule 1-A (Form 1040).

**Box 14b.** Employers use this box to report up to two Treasury Tipped Occupation Code(s) for your tipped occupation(s). Use this code(s) and the amount of tips reported in box 12 (code TP) when determining the qualified tip deduction in Part II of Schedule 1-A (Form 1040). If the occupation code 000 is used, **and no other code is included in box 14b**, your cash tips are not qualified tips; do not use the amount reported in box 12 (code TP) for the deduction for qualified tips.



# 1099-NEC



☐ VOID ☐ CORRECTED

| | | | |
|---|---|---|---|
| PAYER'S name | | | OMB No. 1545-0116<br>Form **1099-NEC**<br>(Rev. December 2026)<br>**For calendar year** |
| Street address | Room or suite no. | | |
| City or town | Telephone number | | |
| State or province / Country / ZIP or foreign postal code | | | |
| PAYER'S TIN | RECIPIENT'S TIN | | |
| RECIPIENT'S name | | | |
| Street address | Apt. no. | | |
| City or town | | | |
| State or province / Country / ZIP or foreign postal code | | | |
| Account number (see instructions) | | | |

| | | |
|---|---|---|
| **1a** Nonemployee compensation<br>$ | | |
| **1b** Cash tips<br>$ | **1c** TTOC | |
| **1d** Overtime compensation<br>$ | | |
| **2** Payer made direct sales totaling $5,000 or more of consumer products to recipient for resale ☐ | | |
| **3** Excess golden parachute payments<br>$ | | |
| **4** Federal income tax withheld<br>$ | | |
| **5** State tax withheld<br>$<br>$ | **6** State/Payer's state no. | **7** State income<br>$<br>$ |

Form **1099-NEC** (Rev. 12-2026) www.irs.gov/Form1099NEC Department of the Treasury - Internal Revenue Service

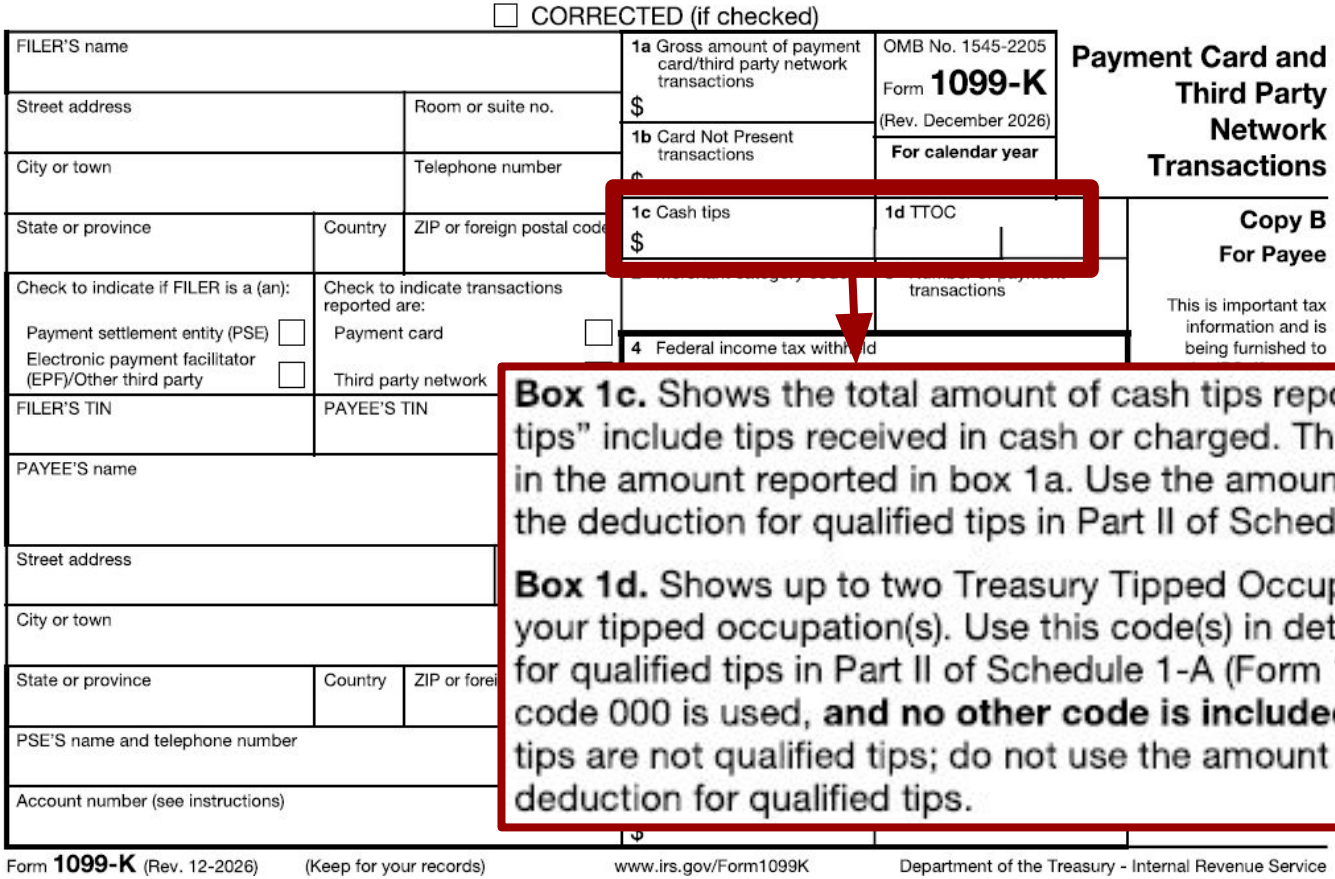
**Nonemployee Compensation**

**Box 1b.** Shows the total amount of cash tips. "Cash tips" include tips received in cash or charged. This amount has been included in the amount reported in box 1a. Use the amount in box 1b when determining the qualified tip deduction in Part II of Schedule 1-A (Form 1040).

**Box 1c.** Shows up to two Treasury Tipped Occupation Code(s) (TTOC) for your tipped occupation(s). Use this code(s) in determining the deduction for qualified tips in Part II of Schedule 1-A (Form 1040). If the occupation code 000 is used, **and no other code is included in box 1c**, your cash tips are not qualified tips; do not use the amount reported in box 1b for the deduction for qualified tips.

**Box 1d.** Shows the total amount of qualified overtime compensation. This amount has been included in the amount reported in box 1a. Use the amount in box 1d when determining the qualified overtime compensation deduction in Part III of Schedule 1-A (Form 1040).

# 1099-K



☐ CORRECTED (if checked)

FILER'S name

Street address | Room or suite no.

City or town | Telephone number

State or province | Country | ZIP or foreign postal code

Check to indicate if FILER is a (an):
Payment settlement entity (PSE) ☐
Electronic payment facilitator (EPF)/Other third party ☐

Check to indicate transactions reported are:
Payment card ☐
Third party network

FILER'S TIN | PAYEE'S TIN

PAYEE'S name

Street address

City or town

State or province | Country | ZIP or forei

PSE'S name and telephone number

Account number (see instructions)

1a Gross amount of payment card/third party network transactions
$

1b Card Not Present transactions
$

OMB No. 1545-2205
Form **1099-K**
(Rev. December 2026)
**For calendar year**

**Payment Card and Third Party Network Transactions**

1c Cash tips
$

1d TTOC

transactions

4 Federal income tax withheld

**Copy B**
**For Payee**

This is important tax information and is being furnished to

Form **1099-K** (Rev. 12-2026) (Keep for your records) www.irs.gov/Form1099K Department of the Treasury - Internal Revenue Service

**Box 1c.** Shows the total amount of cash tips reported by the filer. "Cash tips" include tips received in cash or charged. This amount is also included in the amount reported in box 1a. Use the amount in box 1c in determining the deduction for qualified tips in Part II of Schedule 1-A (Form 1040).

**Box 1d.** Shows up to two Treasury Tipped Occupation Code(s) (TTOC) for your tipped occupation(s). Use this code(s) in determining the deduction for qualified tips in Part II of Schedule 1-A (Form 1040). If the occupation code 000 is used, **and no other code is included in box 1d**, your cash tips are not qualified tips; do not use the amount reported in box 1c for the deduction for qualified tips.

# 1099-K

## 1099-K Reporting Threshold –

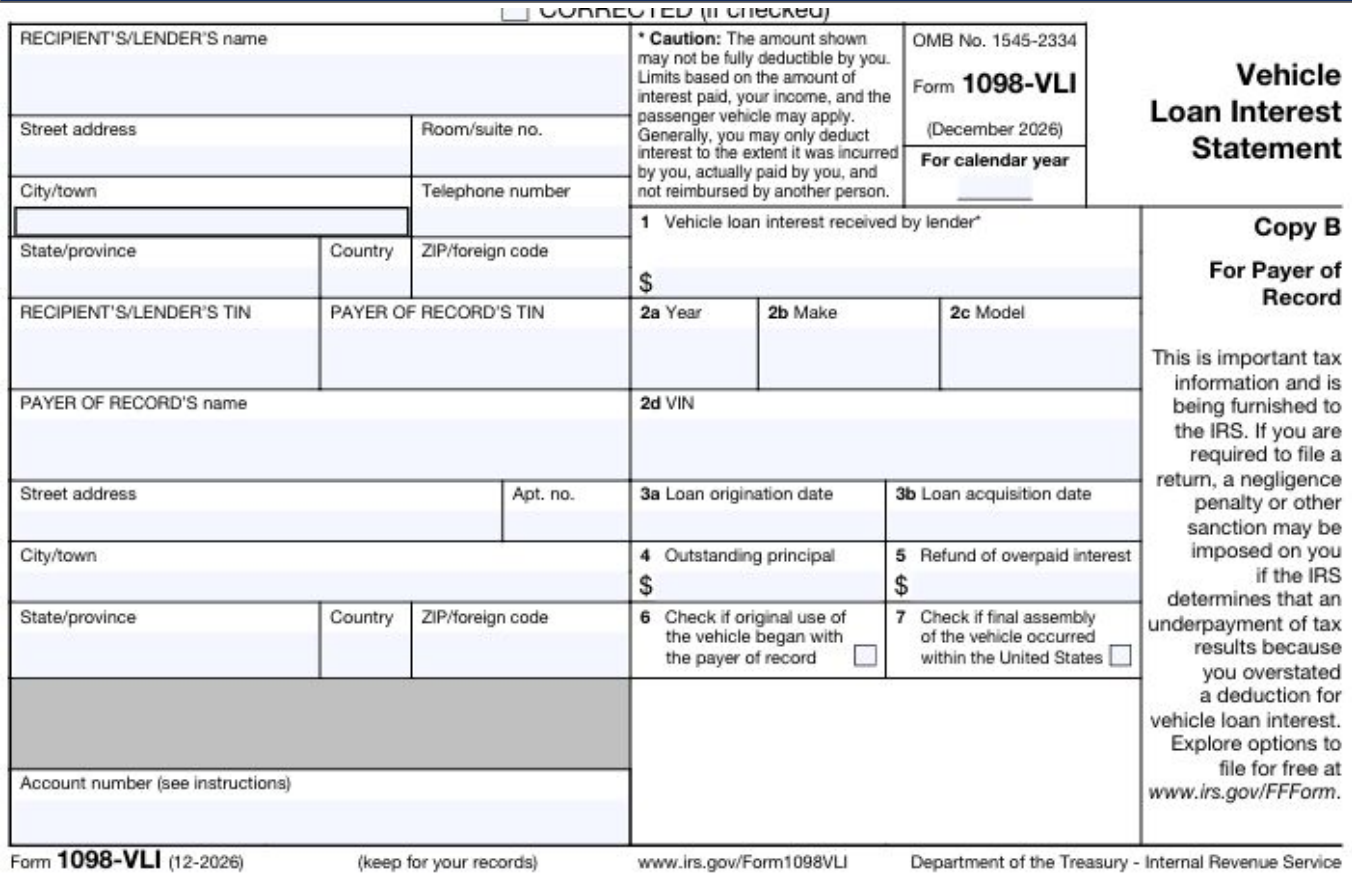
**For 2026 and later:**

- A **Third-Party Settlement Organization (TPSO),** generally must issue a Form 1099-K only when **BOTH** are true:
  - **More than $20,000** in total payments, **AND**
  - **More than 200 transactions** during the calendar year.
- A taxpayer may receive **no Form 1099-K** and still have taxable income that must be reported. Likewise, a taxpayer may receive a 1099-K even when the amount is below the federal reporting threshold because a payment processor may voluntarily issue the form.

# Vehicle Loan Interest Deduction - Refresher

- Eligible taxpayers may deduct up to $10,000 annually in qualified vehicle loan interest for 2025–2028, even if they do not itemize.
- The loan must have originated after December 31, 2024, to purchase a new vehicle for personal use, and be secured by the vehicle.
- The vehicle must have final assembly in the United States and a gross vehicle weight rating under 14,000 pounds (Check the VIN lookup tool on the resource page).
- Used vehicles and leases do not qualify.
- The deduction begins phasing out when modified AGI exceeds $100,000 ($200,000 for joint filers).
- *New for 2026: Look for Form 1098-VLI, Vehicle Loan Interest Statement, from the lender.

# 1098-VLI: Vehicle Loan Interest Statement



CORRECTED (if checked)

RECIPIENT'S/LENDER'S name

Street address | Room/suite no.

City/town | Telephone number

State/province | Country | ZIP/foreign code

RECIPIENT'S/LENDER'S TIN | PAYER OF RECORD'S TIN

PAYER OF RECORD'S name

Street address | Apt. no.

City/town

State/province | Country | ZIP/foreign code

Account number (see instructions)

* **Caution:** The amount shown may not be fully deductible by you. Limits based on the amount of interest paid, your income, and the passenger vehicle may apply. Generally, you may only deduct interest to the extent it was incurred by you, actually paid by you, and not reimbursed by another person.

OMB No. 1545-2334

Form **1098-VLI**

(December 2026)

**For calendar year** _____

**Vehicle Loan Interest Statement**

1 Vehicle loan interest received by lender*

$

**2a** Year | **2b** Make | **2c** Model

**2d** VIN

**3a** Loan origination date | **3b** Loan acquisition date

4 Outstanding principal

$

5 Refund of overpaid interest

$

6 Check if original use of the vehicle began with the payer of record ☐

7 Check if final assembly of the vehicle occurred within the United States ☐

**Copy B**

**For Payer of Record**

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 the IRS determines that an underpayment of tax results because you overstated a deduction for vehicle loan interest. Explore options to file for free at *www.irs.gov/FFForm*.

Form **1098-VLI** (12-2026) (keep for your records) www.irs.gov/Form1098VLI Department of the Treasury - Internal Revenue Service

Reports vehicle loan interest and vehicle information used to determine eligibility for the deduction.

**Receiving this form does not automatically mean all reported interest is deductible.**



# Rejected Returns

# Top Three Rejects

- From January through mid-September of 2026, the **same three reject codes** that topped last year's list accounted for **nearly 73%** of all reject-code instances at Accounting Aid tax sites.:
  - **Form 8962, Premium Tax Credit, missing from the tax return**. (Reject Code F8962-070, 34.06%, 777 returns)
  - **IP PIN missing for taxpayer**. (Reject code IND-181-01, 8.23%, 644 returns)
  - **Social Security number already used on a previously electronically filed tax return.** (Reject Code IND-452, 10.48%, 239 returns)

# What Can We Do To Minimize These Rejects?

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



# QUESTIONS

# Tax Masters Session 2

**Date:** Wednesday, November 11, 2026

**Time:** 5:30PM – 8:00PM

**Topics:** Federal & State Tax Law Updates

## Thank you for your participation in this presentation!

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