| **Step** | **Form / Note** | **TW Screen** | **Learning Points** |
| --- | --- | --- | --- |
| **0** | **Intake Sheet** |  |  |
|  | SS Cards |  | On Intake/Interview Sheet, change first name of grandson to David, which is name on Social Security card |
|  | Notes |  | Fill in Page 1, shaded area, based on info in Notes:  - Question 1 – NO for all  - Question 2 – NO for all  - Question 3 – YES for all  - Question 4 – YES for all  - Question 5 – YES for all  Based on these answers & Pub 4012 (Page C-5), all 3 can be claimed as a Qualifying Child for dependency |
| **1a** | **Intake Sheet** | **Main Info** |  |
|  | Part I | General Info | Must enter spouse’s last name, since it is different than taxpayer’s  Don’t forget cell phone # and email address |
|  | Part 1 | Filing Status | Use Chart on page B-1 in 4012 to determine |
|  | Part II | Dependents | List dependents, starting with youngest:  David Thomas – Grandchild, Code 1 “Child Who Lives with You,” DC, EIC, CTC all checked. Code is 1 even though David is grandchild because he is considered a Qualifying Child for dependency  Kendra (last name not needed since same as taxpayer’s) – Daughter, Code 1 “Child Who Lives with You,” EIC checked  Carmen Bryant – Sister, Code 1 “Child Who Lives with You," EIC checked. Again, Code is 1 even though Carmen is obviously not a child, but she is considered a Qualifying Child for dependency |
|  | Part VII | Presidential Election Campaign Fund | Check box to indicate that Karl wishes to donate $3 to Presidential Election Campaign Fund; do not check box for Kara |
| **1b** | **Intake Sheet** | **NJ 1040 Pg 1** |  |
|  | Part I | Municipality Code | Enter Municipality Code for Denville (1408). Can obtain from NJ 1040 instruction booklet or through Municipality Code Look-up tool in left-hand column on TaxPrep4Free.org Preparer page |
| **1c** | **Intake Sheet** | **NJ 1040 Pg 2** |  |
|  | Notes | Gubernatorial Election Campaign Fund | Check NO for Karl. Check YES for Kara |
|  | Part II  Notes | Line 11 Dependents attending colleges | Since Kendra meets the NJ qualifications for a full-time college student under the age of 22, taxpayer can claim an extra exemption on NJ 1040. Enter 1 on Line 11 Dependents Attending College |
|  | Notes | Line 13 | All dependents have health insurance so no need to do anything here |
| **1d** | **Intake Sheet** | **Prep Use** |  |
|  | Part VII | Line 11 | Answer NONE to language question |
|  |  | Line 12 | Answer YES to disabled question (Carmen Bryant) |
|  |  | Line 13 | Your initials |
|  |  | Line 14 | Do NOT fill in now; filled in by Quality Reviewer after QR is complete |
| **2** | **W-2** | **W2 (SP)** | **Jefferson Independent School District** |
|  |  | Spouse Box | Check that this W-2 is for Kara |
|  |  | Box for "Please verify Federal withholding...." | This box may be underlined in red after W-2 amounts have been entered. Check that the amounts entered in Boxes 1-6 are correct. Once verified, check box |
|  |  | Employer's name & address fields | Enter Employer ID # (EIN). TW will populate name & address if in database. Always check to make sure it matches printed W-2; address can frequently change |
|  | Box 1 | Box 1 | Enter $13,817 as Federal wages. TW will automatically calculate the amounts in Boxes 3-6 |
|  | Box 2 | Box 2 | Enter $987 as Federal tax withheld |
|  |  | Box 14 | Use exact TW titles for these NJ taxes, regardless of how they are titled on W-2: NJSUI for UI/WF/SWF; NJSDI for Disab; NJFLI for FLI. This ensures that these NJ taxes will flow through to Sch A Line 5a State and Local Taxes correctly  Enter 414H in Box 14. Will not flow through to Sch A Line 5a. 414H does not qualify for Form 8880 Credit for Qualified Retirement Savings Contributions, so no need to check box |
|  | Box 16 | Box 16 | TW will automatically populate state wages with the amount from Box 1. Verify that Federal and state wages are the same |
|  | Box 17 | Box 17 | Enter $693 as state income tax withheld |
|  |  | **1040 Pg 1** | **Jefferson Independent School District** |
|  |  | Line 7 | TW transfers the Box 1 wages amount from the W2 screen ($13,817) |
|  |  | **1040 Pg 2** | **Jefferson Independent School District** |
|  |  | Line 64 | TW transfers the Federal tax withheld from the W2 screen ($987) |
|  |  | **Sch A** | **Jefferson Independent School District** |
|  |  | Line 5a | TW transfers the NJ tax withheld, as well as the NJSDI, NJSUI, and NJFLI amounts from the W2 screen ($819) |
|  |  | **NJ 1040 Pg 2** | **Jefferson Independent School District** |
|  |  | Line 14 | TW transfers the state wages from the W2 screen ($13,817) |
|  |  | **NJ 1040 Pg 3** | **Jefferson Independent School District** |
|  |  | Line 48 | TW transfers the state tax withheld from the W2 screen ($693) |
| **3a** | **W-2** | **W2 (TP)** | **Americus Petroleum** |
|  |  | Forms tree | Add another copy of W-2 screen in TW by clicking on + next to W2 in forms tree |
|  |  | Taxpayer Box | Check that this W-2 is for Karl |
|  |  | Box for "Please verify Federal withholding...." | This box may be underlined in red after W-2 amounts have been entered. Check that the amounts entered in Boxes 1-6 are correct. Once verified, check box |
|  |  | Employer's name & address fields | Enter EIN. TW will populate name & address if in database. Always check to make sure it matches printed W-2; address can frequently change |
|  | Box 1 | Box 1 | Enter $28,134 as Federal wages. TW will automatically calculate the amounts in Boxes 3-6 |
|  | Box 2 | Box 2 | Enter $2,176 as Federal tax withheld |
|  | Boxes 3-6 | Boxes 3-6, 12 | When you enter Wages in Box 1, Boxes 3, 4, 5, & 6 do not match printed W-2. However, once you enter code D $2,954 in Box 12 for an elective deferral to a 401K account, TW will change Boxes 3 - 6 to match. Therefore, wait to check box “to take calculations off Lines 3, 4, 5, & 6” until rest of W-2 is entered to see if Boxes 3-6 still don't match |
|  | Box 13 | Box 13 | Ensure that Retirement Plan is checked. This is important in calculating the deductibility of IRA contributions |
|  | Box 14 | Box 14 | Disability in Box 14 was for a private disability plan (PP #), not the NJ State disability plan. Therefore, it must be entered as NJSDIPP, not just NJSDI. TW will not include the private plan amount on Schedule A Line 5a State Income Taxes because the title is not NJSDI exactly. In addition, disability will not flow through to Form 2450 for Excess Unemployment & Disability |
|  | Box 16 | Box 16 | TW will automatically populate state wages with the amount from Box 1. Check to see if state wages are the same as the Federal on the W-2. If not, you must check box at top of screen, "Check to take calculations off Box 16, state wages." Then TW will allow you to enter the correct state wages from the W-2 ($29,334) |
|  | Box 17 | Box 17 | Enter $1,674 as state income tax withheld |
|  |  | **1040 Pg 1** | **Americus Petroleum** |
|  |  | Line 7 | TW transfers the Box 1 wages amount from the W2 screen ($28,134). Total wages for the two W-2s are now $41,951 |
|  |  | **1040 Pg 2** | **Americus Petroleum** |
|  |  | Line 64 | TW transfers the Federal tax withheld from the W2 screen ($2,176). Total Federal tax withheld is now $3,163 |
|  |  | **Sch A** | **Americus Petroleum** |
|  |  | Line 5a | TW transfers the NJ tax withheld ($1,674)  TW transfers the NJSUI and NJFLI amounts from the W2 screen ($163). It will not transfer the NJSDIPP amount since it is a private plan, not a state plan  Line 5a is now $2,656 |
|  |  | **NJ 1040 Pg 2** | **Americus Petroleum** |
|  |  | Line 14 | TW transfers the state wages from the W2 screen ($29,334). Total NJ wages are now $43,151 |
|  |  | **NJ 1040 Pg 3** | **Americus Petroleum** |
|  |  | Line 48 | TW transfers the state income tax withheld from the W2 screen ($1,674). Total NJ taxes withheld is now $2,367 |
| **3b** | **W-2** | **NJ 2450 TP** | **Americus Petroleum** |
|  |  | Line 1a | Enter plan # for private disability plan |
|  |  | Scratch pad off Column B  Description  Line 1 | Since the private plan disability amount in Column B is a calculated field, you must link to a scratch pad to enter the amount  Enter NJ 2450 COLUMN B DISABILITY  Enter PRIVATE PLAN DISABILITY = $101 |
| **4** | **Notes** | **Sch B** | **Campbell Mortgage** |
|  |  | Line 1a | Enter purchaser's name, address, SS #, & amount of interest received ($2,782)  If appropriate, fill in state info to detail joint & spouse amount (all Karl’s, so joint & spouse amounts are both 0) |
|  |  | Line 7a  Line 8 | Answer NO to both questions about foreign accounts and trusts |
|  |  | **1040 Pg 1** | **Campbell Mortgage** |
|  |  | Line 8a | TW transfers the taxable interest from the seller-financed mortgage on Sch B screen ($2,782) |
|  |  | **NJ 1040 Pg 2** | **Americus Petroleum** |
|  |  | Line 15a | TW transfers the taxable interest from the seller-financed mortgage on Sch B screen ($2,782) |
| **5** | **1099-INT** | **Interest Stmt** | **Kendall Federal Credit Union** |
|  |  | Line 1  - Box 1 or 3 Amount Column | Enter Kendall Federal Credit Union  Enter $456 as taxable interest |
|  |  | - Early Penalty Column | Enter $46 as early withdrawal penalty  Notice that the Taxable Interest on the Federal 1040 Line 8a ($3,238) does not match the Taxable Interest on NJ 1040 Line 15a ($3,192). This is because the early withdrawal penalty ($46) is treated differently. On the Federal return, the penalty is included in Taxable Interest on Line 8a, but then subtracted as an Adjustment to Income on Line 30. For NJ, the penalty is subtracted directly from Taxable Interest on Line 15a |
|  |  | **Sch B** | **Kendall Federal Credit Union** |
|  |  | Line 1b | TW transfers the taxable interest from the Interest Stmt screen ($456) |
|  |  | **1040 Pg 1** | **Kendall Federal Credit Union** |
|  |  | Line 8a | TW transfers the taxable interest from the Interest Stmt screen ($456). Total taxable interest is now $3,238 |
|  |  | Line 30 | TW transfers the early withdrawal penalty from the Interest Stmt screen as an adjustment to income ($46) |
|  |  | **NJ 1040 Pg 2** | **Americus Petroleum** |
|  |  | Line 15a | TW transfers the taxable interest minus the early withdrawal penalty from the W2 screen ($410). Total NJ taxable interest is now $3,192 |
| **6** | **1099-INT** | **Interest Stmt** | **ZYX Investments (Interest only)** |
|  |  |  | Use a separate line for each entry since Federal and NJ tax law may differ. Use ZYX Investments as Payer for each line |
|  | Line 1 | Line 2  - Box 1 or 3 Amount Column | Taxable interest from ZYX Investments  Enter $123 for taxable interest |
|  | Line 3 | Line 3  - Box 1 or 3 Amount Column  - State Adjust Column | U.S. savings bond interest from ZYX Investments  Enter $2,455 for taxable interest on U.S. Savings Bonds. (Not tax-exempt for Federal unless it is used for education expenses, not house repairs)  Not taxable in NJ so must enter a “-“ and $2,455 in State Adjust column to exclude from NJ interest income. Then TW transfers to NJ 1040 Line 15b, instead of Line 15a |
|  | Line 4 | Line 4  - Federal Withheld Column | Tax withheld info from ZYX Investments  Enter $245 for tax withheld |
|  | Line 8  New Jersey Muni Bond line under Interest Detail | Line 5  - NAEOB Column  - State Adjust Column | Tax-exempt interest from ZYX Investments  Enter $149 for Federal tax-exempt interest in NAEOB column with code of E  Since interest on a NJ municipal bond is also tax exempt for NJ, there is no entry needed in the State Adjust column |
|  | Line 8  Georgia Muni Bond line under Interest Detail | Line 6  - NAEOB Column  - State Adjust Column | Tax-exempt interest from ZYX Investments  Enter $189 for Federal tax-exempt interest in NAEOB column with code of E  Since this is interest on a municipal bond from a state other than NJ, interest is taxable in NJ. Enter “+” and 189 in State Adjust column to add to NJ interest income |
|  |  | **Sch B** | **ZYX Investments (Interest only)** |
|  |  | Lines 1c & 1d | TW transfers the taxable interest (Box 1 or 3 Column) from the Interest Stmt screen ($123 + 2,455 = $2,578) |
|  |  | **1040 Pg 1** | **ZYX Investments (Interest only)** |
|  |  | Line 8a | TW transfers the taxable interest from the Interest Stmt screen ($2,578) |
|  |  | Line 8b | TW transfers the tax-exempt interest from the Interest Stmt screen ($338) |
|  |  | **1040 Pg 2** | **ZYX Investments (Interest only)** |
|  |  | Line 64 | TW transfers the federal tax withheld from the Interest Stmt screen ($245). Total Federal tax withheld is now $3,408 |
|  |  | **NJ 1040 Pg 2** | **ZYX Investments (Interest only)** |
|  |  | Line 15a | TW transfers the NJ taxable interest from the Interest Stmt screen ($312). Total NJ taxable interest is now $3,504 |
|  |  | Line 15b | TW transfers the NJ tax-exempt interest from the Interest Stmt screen ($2,604) |
| **7a** | **1099-DIV** | **Dividend Stmt** | **ZYX Investments (Dividends only)** |
|  | Line 1a | Ordinary Dividends Column | Enter $232 as ordinary dividends |
|  | Line 1b | Qualified Dividends Column | Enter $125 as qualified dividends |
|  | Line 2a | Capital Gain Column | Enter $69 as capital gains distribution |
|  | Line 3 |  | Nondividend Distributions are return of capital. These should not be entered in TW at all since they are just returning investor's principal. They should be subtracted from cost basis when investment is sold |
|  | Line 10 | Exempt Int. Div. Column | Enter $200 as exempt interest dividends received from a regulated investment company (mutual fund) |
|  |  | State Adjust Column | Look at the Exempt-Interest Dividends detail to determine if the federal exempt- interest dividend is treated the same or differently for NJ. The rule is that interest attributable to NJ bonds held by mutual funds is only tax-exempt in NJ if the mutual fund is a “NJ Qualified Investment Fund” (has 80% or more of its investments in obligations that are exempt from NJ income tax - New Jersey will usually be part of fund name). See instructions for NJ 1040 Line15b and GIT-5 for more details, as well as NJ Special Handling document on TaxPrep4Free Page 2  - The Select US General Fund is not a NJ Qualified Investment Fund since it is not NJ specific. Therefore, the exempt interest attributable to NJ is taxable (10%), as well as the part attributable to all other states (60%), together totaling 70%. The only part that is tax exempt on the NJ return is the part attributable to the US obligations (30%). Since 70% of $100 = $70, add a + and 70 to the State Adjust Column so that $70 of the exempt-interest dividends is added to NJ dividend income on NJ 1040 Line 16. The $30 for the tax-exempt US obligations part will be transferred to NJ 1040 Line 15b  - The Select NJ Qualified Fund is considered a "NJ Qualified Investment Fund," so the exempt interest attributable to NJ obligations (65%) is tax exempt, along with the part for US obligations (20%). Only the part attributable to all other states (15%) is taxable. Since 15% of $100 = $15, add a + and 15 to the State Adjust Column so that $15 of the exempt-interest dividends is added to NJ dividend income on NJ 1040 Line 16. The remaining $85 will be transferred to NJ 1040 Line 15b |
|  | Line 11 | AMT PAB column | Enter $22 as dividends from private activity bonds. This is a subset of municipal bond fund dividends |
|  |  | **Sch B** | **ZYX Investments (Dividends only)** |
|  |  | Lines 5a | TW transfers the ordinary dividends from the Dividend Stmt screen ($232) |
|  |  | **Sch D** | **ZYX Investments (Dividends only)** |
|  |  | Lines 13 | TW transfers the capital gains distributions from the Dividend Stmt screen ($69) |
|  |  | **1040 Pg 1** | **ZYX Investments (Dividends only)** |
|  |  | Line 8b | TW transfers the exempt-interest dividends from the Dividends Stmt screen ($200). Total tax-exempt interest is now $538 |
|  |  | Line 9a | TW transfers the ordinary dividends from the Dividends Stmt screen ($232) |
|  |  | Line 9b | TW transfers the qualified dividends from the Dividends Stmt screen ($125) |
|  |  | **NJ 1040 Sch B** | **ZYX Investments (Dividends only)** |
|  |  | Line 2 | TW transfers the capital gains distribution from the Dividend Stmt screen ($69) |
|  |  | **NJ 1040 Pg 2** | **ZYX Investments (Dividends only)** |
|  |  | Line 15b | TW transfers the portion of the exempt-interest dividends from the Dividend Stmt screen that are also tax-exempt for NJ ($115). Total tax exempt interest income is now $2,719 |
|  |  | Line 16 | TW transfers the NJ taxable dividends from the Dividends Stmt screen. This includes the ordinary dividends plus the portion of the exempt-interest dividends that are taxable in NJ (shown as positive amounts in the State Adjust Column) ($317) |
|  |  | Line 18 | TW transfers the capital gains distribution from NJ Sch B ($69) |
| **7b** | **1099-DIV** | **1116 Pg 1** | **ZYX Investments (Foreign Tax Paid only)** |
|  |  | Blank line in middle of paragraph near top | May need to manually add Form 1116 to forms tree by clicking on Forms List icon at top of screen, typing Foreign Tax, & clicking Add. Enter $4 ($3.75) in box in middle of screen. Don’t need to “get the red out” of rest of screen |
|  |  | **1040 Pg 2** | **ZYX Investments (Foreign Tax Paid only)** |
|  |  | Line 48 | TW transfers the foreign tax paid from Form 1116 ($4) |
|  |  | **NJ 1040 Pg 2** | **ZYX Investments (Foreign Tax Paid only)** |
|  |  |  | Foreign tax paid is not used on the NJ return |
| **8a** | **Notes** | **1040 Pg 1** |  |
|  |  | Box above Line 10 | Answer YES to question |
| **8b** | **Notes** | **St Tax Refund** |  |
|  |  | Line 1 | Enter $437 NJ income tax refund from prior year (Use link to NJ Form 1099-G Inquiry in left column of TaxPrep4Free.org Preparer page to verify amount) |
|  |  | Line 2 | Enter $1,320 as prior year Sch A Line 5a Income Taxes  Enter $955 as prior year Sch A Line 5b Sales Tax |
|  |  | Line 3 | Since refund is only taxable to the extent that Line 5a Income Taxes exceed Line 5b Sales Tax, only $365 ($1,320 - 955) of prior year's refund could be taxable this year |
|  |  | Line 6 | Enter $13,687 as prior year's itemized deductions |
|  |  | Line 7 | Enter 2 for MFJ as prior year's filing status |
|  |  | Line 8 | Enter 1 for Karl being over age 65 last year |
|  |  | Line 12 | Enter $39,544 as prior year's taxable income |
|  |  | Line 14 | Since refund is only taxable to the extent that itemized deductions ($13,687) exceed standard deduction ($13,400), only $287 of refund is taxable this year |
|  |  |  | TW will automatically carry forward a lot of info above if prior year's data is available. If no carry-forward data, obtain info from last year's return. Printed return does not show both Sch A Lines 5a & 5b, since taxpayer can only claim one or the other. If needed, use Sch A Sales Tax Table link in left column of TaxPrep4Free.org Preparer page to determine last year's sales tax amount |
|  |  | **1040 Pg 1** |  |
|  |  | Line 10 | TW transfers the taxable part of last year's NJ refund from the St Tax Refund screen ($287) |
|  |  | **NJ 1040 Pg 2** |  |
|  |  |  | A NJ refund is not taxable on the NJ return |
| **9a** | **Notes** | **Sch C Pg 1** | **Pratt Medical Centers, Inc. plus Other Business Income)** |
|  |  | Box A | Enter Medical Transcription as principal business |
|  |  | Box B | Enter 561410 as business code. Use link to Sch C Business Codes in left column of TaxPrep4Free Preparer’s page. Use Ctrl + F to search for an appropriate code |
|  |  | Box C - E | Leave blank since business does not have a separate name, address or EIN |
|  |  | Box F | Enter Cash as the accounting method (anything else is Out of Scope) |
|  |  | Box G | Enter YES |
|  |  | Box H | No check since business was not started this tax year |
|  |  | Box I | Enter NO |
| **9b** | **1099-MISC** | **1099MISC** | **Pratt Medical Centers, Inc.** |
|  |  |  | Link to 1099 MISC screen from Sch C Line 1 Gross Receipts or Sales |
|  |  | Spouse Box | Check spouse, since this is Kara's business |
|  |  | Payer's Information | Enter payer's EIN. TW should bring up payer's name and address info. Verify that info is correct. If data does not come up, enter it |
|  | Box 7 | Box 7 | Enter $1,637 for nonemployee compensation |
|  |  | **Sch C Pg 1** | **Pratt Medical Centers, Inc.** |
|  |  | Line 1 | TW transfers income from 1099-MISC |
| **9c** | **Notes** | **Sch C Pg 1 Scratch Pad** | **Other Business Income** |
|  |  | Scratch pad off Line 1  Description  Line 1 | Link to scratch pad to enter the other income received from doctors.  Enter SCH C PG 1 LINE 1 BUSINESS INCOME  Enter OTHER INCOME FROM DOCTORS FOR MEDICAL TRANSCRIPTION = $1,082  TW adds scratch pad amount to 1099-MISC income already on Line 1 ($1,637 + 1,082 = $2,719) |
| **9d** | **Notes** | **Sch C Pg 2** | **Business Expenses** |
|  |  | Line 43 | Enter 01/02/2007 as the date the car was placed into service for the business |
|  |  | Line 44 | Enter 420 business miles (35 miles x 12 months) and 10,000 other miles. If not already checked, check box to have TW calculate business miles at standard mileage rate |
|  |  | Lines 45, 46, 47a, 47b | Answer YES to these four questions |
|  |  |  | TW calculates total business miles expense |
|  |  | Part V | List expenses for paper and printer cartridge under Other Expenses (or can enter under an appropriate line on Sch C Pg 1) |
|  |  | **Sch C Pg 1** | **Pratt Medical Centers, Inc. plus Other Business Income** |
|  |  | Line 9 | TW transfers calculated business miles expenses from Sch C Pg 2 |
|  |  | Line 27a | TW transfers total of other business expenses from Sch C Pg 2 |
|  |  | Line 31 | TW calculates net profit/loss from business (losses are Out of Scope) |
|  |  | **1040 Pg 1** | **Pratt Medical Centers, Inc. plus Other Business Income** |
|  |  | Line 12 | TW transfers the net profit from Sch C |
|  |  | **NJ 1040 Pg 2** | **Pratt Medical Centers, Inc. plus Other Business Income** |
|  |  | Line 17 | TW transfers the net profit from Sch C |
|  |  | **Sch SE SP** | **Pratt Medical Centers, Inc. plus Other Business Income** |
|  |  | Line 12 | Kara has to pay self-employment tax on her self-employment income from Sch C. This tax consists of Social Security tax (12.4%) and Medicare tax (2.9%) for a total of 15.3%. It is similar to the Social Security and Medicare taxes withheld from the pay of most wage earners. TW calculates that Kara's self-employment tax is $336 |
|  |  | Line 13 | Kara is allowed to deduct the employer-equivalent portion of her self-employment tax as an adjustment to income  TW calculates that the deduction for one-half of the self-employment tax is $168 |
|  |  | **1040 Pg 2** | **Pratt Medical Centers, Inc. plus Other Business Income** |
|  |  | Line 57 | TW transfers the Self-Employment Tax from Sch SE ($336) |
|  |  | **1040 Pg 1** | **Pratt Medical Centers, Inc. plus Other Business Income** |
|  |  | Line 27 | TW transfers the deductible part of the self-employment tax from Sch SE ($168) |
| **10** | **Notes** | **Sch D Pg 1** | **Long-term Capital Loss Carryover** |
|  |  | Line 6 | There is no short-term loss carryover so just "get the red out" |
|  |  | Line 14 | Enter $253 as long-term loss carryover. NJ does not allow carryover losses |
| **11a** | **1099-B** | **Cap Gn Wkt** | **ZYX Investments** |
|  |  | Line 1 | Sale of Rust Corporation Stock |
|  |  | - Column a | Enter 100 RUST as description of property |
|  |  | - 1099 Column | Enter E (long-term transaction and cost was not reported to IRS) |
|  |  | - Column b | Enter 11/01/1999 as date acquired |
|  |  | - Column c | Enter 09/23/2014 as date sold |
|  |  | - Column d | Enter $1,700 as sales price |
|  |  | - Column e | Enter $3,200 as cost basis |
|  |  | - Columns f & g | No adjustment to profit/loss needed. Sales commission is included in sales price (says net proceeds) |
|  |  | - Column h | TW calculates a long-term loss of ‑$1,500 |
|  |  | Line 2 | Sale of Rio Motors Inc stock |
|  |  | - Column a | Enter 50 RIMI as description of property |
|  |  | - 1099 Column | Enter E (long-term transaction and cost was not reported to IRS) |
|  |  | - Column b | Enter 09/01/2002 as date acquired |
|  |  | - Column c | Enter 05/10/2014 as date sold |
|  |  | - Column d | Enter $3,462 as sales price |
|  |  | - Column e | Enter $3,181 as cost basis |
|  |  | - Columns f & g | No adjustment to profit/loss needed. Sales commission is included in sales price (says net proceeds) |
|  |  | - Column h | TW calculates a long-term gain of $281 |
|  |  | Line 3 | Sale of Rio Motors Inc stock |
|  |  | - Column a | Enter 100 RIMI as description of property |
|  |  | - 1099 Column | Enter E (long-term transaction and cost was not reported to IRS) |
|  |  | - Column b | Enter 09/01/2002 as date acquired |
|  |  | - Column c | Enter 10/20/2014 as date sold |
|  |  | - Column d | Enter $7,226 as sales price |
|  |  | - Column e | Enter $6,362 as cost basis |
|  |  | - Columns f & g | No adjustment to profit/loss needed. Sales commission is included in sales price (says net proceeds) |
|  |  |  | TW calculates a long-term gain of $864 |
|  |  | Line 4 | Sale of Rider Corporation stock |
|  |  | - Column a | Enter 65 RIDE as description of property |
|  |  | - 1099 Column | Enter E (long-term transaction and cost was not reported to IRS) |
|  |  | - Column b | Enter IN/HE/RIT as date acquired (from drop down list) |
|  |  | - Column c | Enter 10/20/2014 as date sold |
|  |  | - Column d | Enter $5,663 as sales price |
|  |  | - Column e | Enter $7,222 as cost basis (Fair Market Value on date of uncle's death). |
|  |  | - Columns f & g | No adjustment to profit/loss needed. Sales commission is included in sales price (says net proceeds) |
|  |  | - Column h | TW calculates a long-term loss of ‑$1,559 |
|  |  | **8949 Pg 2E** | **Long-Term Capital Gains with No Cost Reported to IRS** |
|  |  |  | TW transfers all the long-term capital gains transactions with 1099 code E from Capital Gains Wkt |
|  |  | **Sch D** | **All Capital Gains Transactions** |
|  |  | Line 9 | TW transfers totals from 8949 Pg 2E (Sales Price $18,051, Cost $19,965, Loss -$1,914) |
| **11b** | **1099-B** | **Cap Gn Wkt** | **ZYX Investments** |
|  |  | Line 5 | You are allowed to consolidate a number of 1099-B transactions, instead of entering each one separately on the Cap Gn Wkt, as long as the transactions are all in the same category. Since all these transactions are the same 1099 code A (short-term transactions with cost reported to IRS), you can consolidate all of them into one line on the Cap Gn Wkt. You would need to enter a separate line for the consolidation of each other 1099 Code grouping (B, D, E). Also, since the cost basis on all these transactions has been reported to the IRS, there is no need to mail in copies of the brokerage statement and 8949 |
|  |  | - Column a | Enter ZYX Investments (name of broker) as description of property |
|  |  | - 1099 Column | Enter A (all consolidated transactions are short term and cost was reported to IRS) |
|  |  | - Column b | Enter 01/01/2014 as date acquired for short-term transactions. If you use VA/RI/OUS, TW will assume that the transactions are long term, and you would have to override the Short/Long Term designation in the last column. Not all counselors have permission to use the override function |
|  |  | - Column c | Enter 12/31/2014 (or date of latest transaction - 04/15/2014) as the date sold |
|  |  | - Column d | Enter $1,370 as total sales price of consolidated transactions |
|  |  | - Column e | Enter $1,360 as total cost basis of consolidated transactions |
|  |  | - Column f | Enter M as code to show consolidated transaction |
|  |  | - Column g | "Get the red out." There is no amount associate with code M, and there are no other adjustments needed for this group of transactions |
|  |  | - Column h | TW calculates a short-term gain of $10 |
|  |  | **8949 Pg 1A** | **Short-Term Capital Gains with Cost Reported to IRS** |
|  |  |  | TW transfers all the short-term capital gains transactions with 1099 code A from Capital Gains Wkt |
|  |  | **Sch D** | **All Capital Gains Transactions** |
|  |  | Line 1b | TW transfers totals from 8949 Pg 2A (Sales Price $1,370, Cost $1,360, Gain $10) |
| **11c** | **1099-B** | **8949 Pg 1A** | **Short-Term Capital Gains with Cost Reported to IRS** |
|  |  | - Column g | Since the only adjustment code used was M to indicate a consolidated transaction and there was no adjustment amount, you must "get the red out" |
| **11d** | **1099-B** | **Cap Gn Wkt** | **ZYX Investments** |
|  |  | Line 6 | You are allowed to consolidate a number of 1099-B transactions, instead of entering each one separately on the Cap Gn Wkt, as long as the transactions are all in the same category. Since all these transactions are the same 1099 code D (long-term transactions with cost reported to IRS), you can consolidate all of them into one line on the Cap Gn Wkt. Also, since the cost basis on all these transactions has been reported to the IRS, there is no need to mail in copies of the brokerage statement and 8949 |
|  |  | - Column a | Enter ZYX Investments (name of broker) as description of property |
|  |  | - 1099 Column | Enter D (all consolidated transactions are long term and cost was reported to IRS) |
|  |  | - Column b | Enter VA/RI/OUS as date acquired. TW will assume that the transactions are long term |
|  |  | - Column c | Enter 12/31/2014 (or date of latest transaction - 12/15/2014) as the date sold |
|  |  | - Column d | Enter $1,370 as total sales price of consolidated transactions |
|  |  | - Column e | Enter $1,360 as total cost basis of consolidated transactions |
|  |  | - Column f | Enter M as code to show consolidated transaction |
|  |  |  | The stock sold on 8/15/2014 shows a nondeductible loss of $9.88 from a wash sale (sale of a security at a loss and repurchase of the same or substantially identical security within 30 days before or after). This necessitates entering code W  Pub 4012 Pgs D17-18 show all the adjustment codes that are in scope  **NOTE:** If there is more than one adjustment code in column f, they should be entered in alphabetical order, with no spaces or commas |
|  |  | - Column g | Enter positive $10 to zero out the loss from the wash sale  Pub 4012 Pgs D17-18 tell you whether to enter a positive or negative number for each adjustment code |
|  |  | - Column h | TW calculates a long-term gain of $20 |
|  |  | **8949 Pg 2D** | **Long-Term Capital Gains with Cost Reported to IRS** |
|  |  |  | TW transfers all the long-term capital gains transactions with 1099 code D from Capital Gains Wkt |
|  |  | **Sch D Pg 1** | **All Capital Gains Transactions** |
|  |  | Line 8b | TW transfers totals from 8949 Pg 2D (Sales Price $1,370, Cost $1,360, Adjustments $10, Gain $20) |
|  |  | Line 7  Line 10  Line 13  Line 14 | TW totals everything on Sch D:  S/T Gain on Part I Line 7 $10  L/T Loss on Part II Line 10 -$1,894  Capital Gains Distribution from 1099-DIV on Line 13 $69  L/T Capital Loss Carry-over on Line 14 $253 |
|  |  | **Sch D Pg 2** | **All Capital Gains Transactions** |
|  |  | Line 16 | Bottom line for Sch D is a net long-term loss of -$2,068 |
|  |  | **1040 Pg 1** | **Capital Gain/Loss** |
|  |  | Line 13 | Up to ‑$3,000 of capital loss can be applied against other ordinary income, so TW transfers the full -$2,068 Sch D loss to the 1040. There is no loss left to carry over to next year |
|  |  | **NJ 1040 Pg 2** | **Capital Gain/Loss** |
|  |  | Line 18 | Since NJ does not allow capital losses, $0 is transferred from Sch D |
| **12a** | **1099-R** | **1099R** | **Saulk Trust Company** |
|  |  | Payer's name & address fields | Enter Payer ID #. TW will populate name & address if in database. Always check to make sure it matches printed 1099-R; address can frequently change |
|  | Box 1 | Box 1 | Enter gross distribution amount ($838) |
|  | Box 2a | Box 2a | Enter taxable amount of pension ($838). Since taxable is given, Simplified Worksheet is not needed  See Pub 4012 Page D-27 example C |
|  | Box 4 | Box 4 | If Box 4 is red, take the red out (Ctrl-Space or F3 or Toggle Estimated). There was no Federal income tax withheld |
|  | Box 7 | Box 7 | Enter code 7 for normal distribution  Ensure that IRA is checked in Box 7 so that amounts will transfer to 1040 Line 15 for IRAs, not Line 16 for pensions |
|  |  | **1040 Pg 1** | **Saulk Trust Company** |
|  |  | Line 15b | TW transfers the taxable IRA distribution from the 1099R screen ($838) |
| **12b** | **1099-R** | **NJ IRA Wkt** | **Saulk Trust Company** |
|  |  | Forms tree | TW generated a NJ IRA Worksheet in forms tree as soon as the 1099-R was entered with IRA checked in Box 7. IRA income will not be included on the NJ 1040 until this worksheet is completed |
|  | **Notes** | Part 1 | At this point this is the only IRA entered in TaxWise. Enter 1 as Copy number of the IRA you want to use this worksheet for. Line 2 already shows $838 from 1099-R for Saulk Trust Company as “Total Distributions from IRA during the Tax Year.” You have no information to complete the rest of the Worksheet, so just “get the red out” (Ctrl-Space or F3 or Toggle Estimated) |
|  |  | **NJ 1040 Pg 2**  **NJ 1040 Pg 3** | **Saulk Trust Company** |
|  |  | Line 19 | TW transfers IRA taxable income from the NJ IRA Wkt screen ($838) |
|  |  | Lines 19, 27, 39 | NJ 1040 Line 19 Pensions, Annuities & IRA Withdrawals increased for Saulk distribution. However, the entire Line 19 amount was offset by the NJ Pension Exclusion on Line 27a. Therefore, Line 39 NJ Taxable Income did not change |
| **13a** | **1099-R** | **1099R** | **Yale Security IRA** |
|  |  | Forms tree | Add another copy of 1099R screen in TW by clicking on + next to 1099R in forms tree |
|  |  | Payer's name & address fields | Enter Payer ID #. TW will populate name & address if in database. Always check to make sure it matches printed 1099-R; address can frequently change |
|  | Box 1 | Box 1 | Enter gross distribution amount ($11,755) |
|  | Box 4 | Box 4 | If Box 4 is red, "get the red out" (Ctrl-Space or F3 or Toggle Estimated). There was no Federal income tax withheld |
|  | Box 7 | Box 7 | Enter code G in Box 7 to indicate a direct rollover. (See Pub 4012 page D-22 for an explanation of code G)  Ensure that IRA is checked in Box 7 so that amounts will transfer to 1040 Line 15 for IRAs, not Line 16 for pensions |
|  |  | **1040 Pg 1** | **Yale Security IRA** |
|  |  | Line 15b | Since this is a direct rollover, TW checks rollover box on 1040 Line 15b and underlines the box after "F9 to explain" in red. 1040 Pg 1becomes red in the forms tree. Link from box to IRA Rollover Explanation screen |
| **13b** | **Notes** | **IRA Rollover** | **Yale Security IRA** |
|  |  |  | Type in “DIRECT TRANSFERS OF IRA FUNDS 11,755 FROM YALE SECURITY IRA TO MERRILL LYNCH." TW will then check box after “F9 to explain” on 1040 Line 15b. The $11,755 will be included in the IRA Distribution amount on Line 15a, but will not be included in Taxable Amount on Line 15b  Total on Line 15a is now $12,593 |
| **13c** | **1099-R** | **NJ IRA Wkt** | **Yale Security IRA** |
|  |  | Forms tree | Once the 1099-R is entered for Yale, the total number of IRAs shown on the top of the existing IRA worksheet will change to 2. Add another copy of NJ IRA Worksheet by clicking on + next to NJ IRA Wkt in forms tree |
|  |  | Part I | Enter 2 as Copy number of the IRA you want to use this worksheet for. Notice that there is no distribution amount on Line 2. That is because the 1099-R for Yale Security IRA is for a roll-over, which is not taxable. Just “get the red out” (Ctrl-Space or F3 or Toggle Estimated) |
|  |  | **NJ 1040 Pg 2**  **NJ 1040 Pg 3** | **Yale Security IRA** |
|  |  | Lines 19a, 39 & 66 | Pensions, Annuities and IRA Withdrawals, NJ Taxable Income, and Refund lines will not change since there is no taxable pension income |
| **14** | **1099-R** | **1099R** | **Defense Finance & Accounting Svc** |
|  |  | Forms tree | Add another copy of 1099-R screen in TW by clicking on + next to 1099R in forms tree |
|  |  | Payer's name & address fields | Enter Payer ID #. TW will populate name & address if in database. Always check to make sure it matches printed 1099-R; address can frequently change |
|  | Box 1 | Box 1 | Enter gross distributions amount ($1,200) |
|  | Box 2a | Box 2  Exclusion Worksheet Line 1 | Since Box 2a on 1099-R is blank & there were no employee contributions to the pension, TW will treat the entire gross distribution in Box 1 as taxable on Federal 1040. Must "get the red out" of Box 2 and Exclusion Worksheet Line 1 (Ctrl-Space or F3 or Toggle Estimated) |
|  | Box 4 | Box 4 | If Box 4 is red, "get the red out" (Ctrl-Space or F3 or Toggle Estimated). There was no Federal income tax withheld |
|  | Box 7 | Box 7 | Enter code 7 for normal distribution |
|  |  | Box 2 on bottom left of 1099-R screen | This is a military pension & is not taxable in NJ. Checking Box 2 on bottom left of 1099-R screen will take the $1,200 pension out of NJ income. If you forget which box to check, see NJ Special Handling document Page 2 |
|  |  | **1040 Pg 1** | **Defense Finance & Accounting Svc** |
|  |  | Line 16b | TW transfers the taxable amount of the pension (same as the gross - $1,200) from the 1099R screen |
|  |  | **NJ 1040 Pg 2**  **NJ 1040 Pg 3** | **Defense Finance & Accounting Svc** |
|  |  | Lines 19a, 39 & 66 | A military pension is not taxable for NJ, so Pension, Annuities and IRA Withdrawals, NJ Taxable Income and Refund lines do not change |
|  |  | Line 19b | There is no need to enter an excludable amount for a military pension or any other pension that is totally nontaxable for NJ |
| **15a** | **1099-R** | **1099R** | **Stillman Pension Fund** |
|  |  | Forms tree | Add another copy of 1099-R screen in TW by clicking on + next to 1099R in forms tree |
|  |  | Payer's name & address fields | Enter Payer ID #. TW will populate name & address if in database. Always check to make sure it matches printed 1099-R; address can frequently change |
|  | Box 1 | Box 1 | Enter gross distribution amount ($18,625) |
|  | Box 2b | Box for "Taxable amount not determined" | Check box |
|  | Box 4 | Box 4 | Enter Federal tax withheld ($1,715) |
|  | Box 7 | Box 7 | Enter code 7 for normal distribution |
|  |  | Simplified Method Worksheet at bottom of 1099R screen | Since Taxable Amount Not Determined is checked in Box 2b & there were employee contributions to this pension, you must use the Simplified Method Worksheet to determine the taxable amount of distribution - See Pub 4012 Page D-27 Example 2 |
|  | Box 9b | Line 1 | Cost in plan at annuity starting date = $5,864 (from Box 9b) |
|  |  | Line 2 | Age of primary annuitant at annuity starting date (1/1/2013) = 69 (66-70)  Check “if annuity starting date is after 11/18/1996”  Do not check joint & survivor annuity |
|  |  | Line 3 | TW calculates exclusion amount as $27.92 per month |
|  |  | Line 4 | Enter 12 as number of months for which payments were received this year |
|  |  | Line 5 | Enter $335 as amount recovered tax free in prior years (for 2013) |
|  |  | Line 6 | TW calculates exclusion for 2014 = $335 |
|  |  | Line 7 | Remaining cost in pension = $5,194 (TW calculates: original basis ($5,864) – tax free in prior years ($335) – tax free in 2014 ($335) = cost remaining to recover ($5,194)  The amount excluded from taxation will be the same each year that pension is received, except if the first and last years are partial years |
|  |  | **1040 Pg 1** | **Stillman Pension Fund** |
|  |  | Line 16a | TW transfers the full pension distribution from Box 1 ($18,625) to the Pensions and Annuities line. The total for the two pensions is now $19,825 |
|  |  | Line 16b | TW subtracts the exclusion ($335) from the distribution in Box 1 ($18,625) & transfers the result ($18,290) to the taxable pension line. The total taxable amount for the two pensions is now $19,490 |
|  |  | **1040 Pg 2** | **Stillman Pension Fund** |
|  |  | Line 64 | TW transfers the Federal tax withheld from the 1099R screen ($1,715). Total Federal tax withheld is now $5,123 |
| **15b** | **1099R Simplified Method** | **NJ 1040 Pg 2**  **NJ 1040 Pg 3** | **Stillman Pension Fund** |
|  |  | Line 19a | TW transfers the taxable amount of the pension from the 1099R screen ($18,290) |
|  |  | Scratch Pad off NJ 1040 Line 19b  Description  Line 1 | You need to manually enter the pension amount that is excludable from NJ income on a scratch pad. See NJ Special Handling Document Page 5 on TaxPrep4Free.org for details  Enter NJ 1040 LINE 19b EXCLUDABLE PENSIONS  Enter STILLMAN PENSION FUND NONTAXABLE AMOUNT = 335 (from line 6 of the Simplified Method Worksheet)  The amount on Line 19b is not used for any other tax calculations; it enables NJ to reconcile to the totals in 1099-R Box 1. The total of Line 19a ($19,128) + Line 19b ($335) should equal the gross amounts of all pensions taxable in NJ (Saulk $838 + Stillman $18,625)  Do not include any pensions that are not taxed at all in NJ on Line 19b (such as military, disability under 65, Railroad Retirement) |
|  |  | Lines 19a, 38 & 66 | While the taxable income from all the pensions are added to Pension, Annuities & IRA Withdrawals income on NJ 1040 Line 19a, taxable income on Line 38, & refund on Line 66 do not change. This is because the total NJ pension/IRA amount has not exceeded the $20,000 Pension Exclusion on NJ 1040 Line 27 |
| **16** | **K-1** | **Sch E Pg 1** | **Black Jack Production Company** |
|  |  |  | Link to Schedule E from 1040 Line 17. Do not enter this info on Sch K-1in TW. See Special Topic document on Sch K-1 Income Entry on TaxPrep4Free.org Preparer page |
|  |  | Line A | Check NO |
|  |  | Line 1A | Fill in Partnership’s Address, enter S in the TSJ column & enter 6 as Type for Royalties |
|  | Box 7 | Line 4 Column A | Enter $1,050 for royalty income |
|  |  | **1040 Pg 1** | **Black Jack Production Company** |
|  |  | Line 17 | TW transfers the royalties from the Sch E screen ($1,050) |
|  |  | **NJ 1040 Pg 2** | **Black Jack Production Company** |
|  |  | Line 22 | TW transfers the royalties from the Sch E screen ($1,050) |
| **17** | **1099-G** | **1099G** | **New Jersey Department of Labor** |
|  | Box 1 | Line 1 | Enter unemployment benefits received = $2,550 |
|  | Box 4 | Line 5 | Enter Federal tax withheld = $120 |
|  |  | **1040 Pg 1** | **New Jersey Department of Labor** |
|  |  | Line 19 | TW transfers the unemployment amount from the 1099G screen ($2,550) |
|  |  | **1040 Pg 2** | **New Jersey Department of Labor** |
|  |  | Line 64 | TW transfers the Federal tax withheld from the 1099G screen ($120). Total Federal tax withheld is now $5,243 |
|  |  | **NJ 1040 Pg 3** | **New Jersey Department of Labor** |
|  |  | Lines 38 & 66 | Unemployment is not taxable for NJ, so NJ Taxable Income and Refund do not change |
| **18a** | **SSA-1099** | **1040 Wkt1** | **Social Security** |
|  |  |  | Link from 1040 Line 20a or open from the tree |
|  | Box 5 | SS Received this Year line | Enter $13,682. Always enter the amount in Box 5. It will be in pink on a real SSA-1099 |
|  | Box 6 | Federal Tax Withheld line | Enter $360 for Federal Tax Withheld |
|  |  | Scratch pad from Medicare Parts B, C and D to Schedule A line  Description  Line 1  Line 2 | Use a scratch pad to document if there are payments for more than one type of Medicare  Enter 1040 WKT1 MEDICARE (TP)  Enter MEDICARE PART B = 1385  Enter MEDICARE PART D = 600  If Medicare line is still red on 1040 Wkt1, "get the red out" |
|  |  | **1040 Pg 1** | **Social Security** |
|  |  | Line 20a | TW transfers Social Security received this year from 1040 Wkt 1 ($13,682) |
|  |  | Line 20b | TW calculates how much of the Social Security is taxable (based on 1/2 of the Social Security + other gross income on 1040). If other income changes, TW will re-calculate the taxable part of Social Security as needed |
|  |  | **1040 Pg 2** | **Social Security** |
|  |  | Line 64 | TW transfers the Federal tax withheld from 1040 Wkt1 ($360). Total Federal tax withheld is now $5,603 |
|  |  | **A Detail** | **Medicare Premiums** |
|  |  | Medicare from 1040 Wkt line | TW transfers total Medicare premiums from the 1040 Wkt1 as an itemized deduction ($1,985) |
|  |  | **NJ 1040 Pg 2** | **Medicare Premiums** |
|  |  | Lines 28, 30, 39 & 66 | Social Security income is not taxable for NJ. However, medical expenses over 2% of NJ Gross Income on Line 28 can be claimed as a deduction on Line 30. TW calculates the 2% ($50,393 x .02 = $1,008). It then subtracts the 2% from the Medicare premiums ($1,985 - 1,008 = $977) to determine the amount of medical expenses to claim. The medical deduction causes NJ Taxable Income and Refund to change |
| **19** | **W-2G** | **W2G** | **New Jersey Lottery** |
|  |  |  | Link to 1040 Wkt7 "Line 21: Other Income Worksheet" screen from 1040 Line 21. Link again to W-2G screen from Line 1 "Gambling Winnings from Form W-2G." You could also use Add icon above forms tree to add W2G directly to tree |
|  |  | Payer's name & address fields | Enter Payer's Federal ID #. TW will populate name & address if in database. Otherwise, enter info |
|  | Box 1 | Box 1 | Enter gross winnings ($1,200). Federal taxes gross gambling winnings. NJ taxes net gambling amount (winnings - losses, up to amount of winnings) |
|  | Box 2 | Box 2 | Enter date won |
|  | Box 3 | Box 3 | Enter type of wager |
|  |  | Line at bottom of W2G screen | Enter $1,000 gambling losses ($600 in lottery ticket losses + $400 in slot machine losses) |
|  |  | "See F-1 help" box on lower left of W2G screen | NJ Lottery winnings of less than $10,000 in one instance are not taxed in NJ. Since these lottery winnings are only $1,200, check "See F-1 help" box to tell TW to exclude the winnings from NJ taxable income |
|  |  | **Sch A** | **New Jersey Lottery** |
|  |  | Line 28 | TW transfers the losses (up to amount of winnings) to Sch A Line 28 ($1,000). Gambling losses are not subject to the 2% of AGI limitation that most miscellaneous deductions are. Taxpayer only benefits from the losses if she claims itemized deductions instead of standard deduction |
|  |  | **1040 Wkt7** | **New Jersey Lottery** |
|  |  | Line 1 | TW transfers gross gambling winnings from W2G ($1,200) |
|  |  | **1040 Pg 1** | **New Jersey Lottery** |
|  |  | Line 21 | TW transfers gross gambling winnings from 1040 Wkt7 ($1,200). TW will use "GAMBLING WINNINGS" as the Type on Line 21 |
|  |  | **NJ 1040 Pg 2** | **New Jersey Lottery** |
|  |  | Line 23 | Since these NJ lottery winnings are not taxable, NJ 1040 Line 23 = 0. If Kara had any taxable gambling winnings, TW would net the losses against the winnings and transfer the net amount to the NJ 1040 |
| **20a** | **1099-C** | **1040 Wkt7** | **Cancellation of Debt** |
|  | Box 2 | Line 16 | 1040 Wkt7 should already be in forms tree from step 19  Enter CANCELLED DEBT INCOME as description  Enter $625 as amount |
|  |  | **1040 Pg 1** | **Cancellation of Debt** |
|  |  | Line 21 | TW transfers the cancelled debt amount from 1040 Wkt7 ($625) |
| **20b** | **Notes** | **NJ Other Inc** | **Cancellation of Debt** |
|  |  | Line F | TW automatically transfers the cancelled debt income from 1040 Line 21 to NJ 1040 Line 25 Other Income. However, cancellation of debt income is not taxable in NJ. Therefore, we must exclude the $625 from Line 25  Link to NJ Other Inc from Line 25 or go directly from forms tree. Do not use a regular scratch pad  Enter ADJ FOR CANCELLED DEBT as description  Enter -625 as amount  "Get the red out" of Company ID Number |
|  |  | **NJ 1040 Pg 2** | **Cancellation of Debt** |
|  |  | Line 25 | TW transfers the -$625 from NJ Other Inc to zero out the cancelled debt income already on NJ 1040 Line 25 |
| **21** | **Notes** | **1040 Wkt2** | **Educator Expenses** |
|  |  |  | Link to 1040 Wkt2 from 1040 Line 23 or use Add icon above forms tree to add 1040 Wkt2 directly to tree |
|  |  | Educator Expenses section, Spouse Column | Enter $240 |
|  |  | Sch A, Line 21 | If the amount spent was greater than the maximum $250 allowed as Educator Expenses, you could claim the excess over $250 as Unreimbursed Employee Expenses (subject to 2% of AGI limitation) - N/A for this problem |
|  |  | **1040 Pg 1** | **Educator Expenses** |
|  |  | Line 23 | TW transfers the educator expenses from 1040 Wkt2 as an Adjustment to Income ($240) |
| **22** | **Notes** | **1040 Pg 1** | **Alimony to Ex** |
|  |  | Line 31 | Enter SS # of ex-wife & $3,600 as amount of alimony paid. This is one of the very few entries made directly on the 1040, instead of on an associated worksheet or schedule |
|  |  | **NJ 1040 Pg 2** | **Alimony to Ex** |
|  |  | Line 31 | TW transfers the alimony paid amount from 1040 Line 31 ($240) |
| **23** | **Notes** | **IRA Wkt** | **IRA Contributions** |
|  |  |  | Link to IRA Wkt from 1040 Line 32 or use Add icon above forms tree to add IRA Wkt directly to tree |
|  |  | Top of screen | TW answers the questions at the top of the screen for the taxpayer and spouse based on W-2 entries (check in Retirement Pay box) |
|  |  | Line 9 | TW calculates Maximum Allowable Traditional IRA Contribution as $6,500. Kara is allowed $6,500 (rather than the usual $5,500) because she is over age 50 |
|  |  | Line10 | Enter $3,000 as the amount Kara wants to contribute to her traditional IRA account |
|  |  | Line 11 | TW determines that all of Kara's traditional IRA contribution will be deductible this tax year. The tax will be deferred until the money is withdrawn from the account |
|  |  | Line 19 | TW calculates Kara's Maximum Allowable Roth IRA contribution as $3,500 ($6,500 maximum - $3,000 contributed to traditional IRA) |
|  |  | Line 20 | Enter $3,000 as the amount Kara wants to contribute to her Roth IRA. This amount is not deductible now, but it will not be taxed when it is withdrawn. The earnings on the money will also be tax free |
|  |  | **1040 Pg 1** | **IRA Contribution** |
|  |  | Line 32 | TW transfers the traditional IRA contribution from IRA Wkt as an adjustment to income ($3,000). The Roth IRA contribution is not deductible |
|  |  | **NJ 1040 Pg 2** | **IRA Contributions** |
|  |  |  | Contributions to a traditional IRA are not deductible for NJ. However, if the taxpayer keeps track of amounts contributed, he/she may be able to exempt that amount from NJ taxation when the money is taken out of the IRA |
| **24** | **Notes** | **1040 Wkt2** | **Student Loan Interest** |
|  |  |  | 1040 Wkt2 should already be in the forms tree from the educator expenses entry in Step 21 |
|  |  | Student Loan Interest section, Line 1, Spouse Column | Kara incurred the student loan to obtain her teaching degree. She is legally responsible to repay the loan. If student loan interest is paid by someone who is not legally liable for it (Kaleb), the payment is treated as received by the person who is legally liable (Kara), and the person legally liable is allowed to take the adjustment. Therefore, you can enter $268 in Kara's column |
|  |  | **1040 Pg 1** | **Student Loan Interest** |
|  |  | Line 33 | TW transfers Student Loan Interest from 1040 Wkt2 ($268) |
| **25a** | **Notes** | **Sch A** | **Itemized Deductions** |
|  |  | Line 6 “Real Estate Taxes on your principal residence, not listed above" (3rd box) | Enter $7,135 |
|  |  | Scratch pad off Line 6 “Other real estate taxes you paid, not listed elsewhere in this tax return" (4th box)  Description  Line 1 | It is best to document any other real estate taxes you paid on a scratch pad  Enter SCH A LINE 6 OTHER REAL ESTATE TAXES PD  Enter REAL ESTATE TAXES ON EMPTY LOT IN GEORGIA = 245 |
|  |  | Line 10 “Home Mortgage Interest & Points from 1098, not listed above” | Enter $3,164 |
|  |  | Line 28 | Gambling losses were already entered on W2G, & TW transferred $1,000 to Line 28. It entered "GAMBLING LOSSES" as the Type of Other Miscellaneous Deduction |
|  |  |  | Life insurance cannot be claimed as a Sch A deduction |
|  |  |  | Funeral expenses cannot be claimed as a Sch A deduction |
|  |  |  | Speeding tickets cannot be claimed as a Sch A deduction |
| **25b** | **Notes** | **NJ 1040 Pg 3** | **NJ Property Taxes** |
|  |  | Worksheet F, Line 1 | Since the Kents meet the eligibility requirements to claim the NJ property tax deduction/credit, complete Worksheet F on NJ 1040 Page 3. On Line 1, TW tells you the amount of real estate taxes claimed for the main residence on 1040 Sch A Line 6 Box 3. You cannot just assume that the NJ amount is the same; you must figure out the correct amount to claim for NJ. Since the Kents are part of the PTR program, the rule is that they can only claim their PTR base year amount  Enter $6,802 as Property Taxes Paid in 2014  Note: You can only claim the property taxes you paid on your principal residence; you cannot claim taxes on a second home for NJ |
|  |  | Worksheet F, under Line 7 | TW will complete the rest of Worksheet F and determine that it is better for the Kents to claim the Property Tax Deduction on Line 38 than the $50 Property Tax Credit on Line 49 |
|  |  | Line 37c | TW transfers the PTR base year amount from Worksheet F ($6,802) |
| **25c** | **Notes** | **NJ 1040 Pg 3** | **NJ Property Taxes** |
|  |  | Scratch Pad off Line 37a  Description  Line 1  Line 2 | Line 37a is asking for Total Property Taxes Paid. TW only transferred the PTR base year amount from Worksheet F. Therefore, you must use a scratch pad to amend this number  Enter NJ 1040 LINE 37A TOTAL PROPERTY TAXES PD  Enter TOTAL PROPERTY TAXES RECEIVED BY TAXING AUTHORITY = 7,135  Enter MINUS PTR BASE YEAR AMOUNT = -6,802 |
|  |  | Line 37b | Enter Block =50001, Lot=00002 |
|  |  | Line 37c | Enter Municipality Code = 1408. TW does not automatically transfer this from NJ 1040 Pg 1 |
|  |  | Checkbox below Line 37c | There is a TW error in this verbiage. It says, "Check if you completed Worksheet F." It should say "Worksheet F-1," which is used only when the taxpayer has multiple residences or the property has multiple owners or multiple units. Therefore, this box should not be checked for the Kents |
| **25d** | **Notes** | **A Detail** | **Medical Expenses** |
|  |  | Medical Expenses section | Enter medical expenses on A Detail Worksheet, not on Sch A directly |
|  |  | Medical Miles Lines | Enter 1236 Medical Miles (103 miles per month x 12). Mileage can be split between taxpayer and spouse as appropriate. TW will calculate deduction at $.235 per mile ($290) |
|  |  | Qualified Long-Term Care Contracts Line (Spouse) | Enter $4,000 as the amount Kara paid for long-term care insurance. TW will determine how much of those premiums can be claimed based on AGI and age. For Kara, the limited amount is $3,720 |
|  |  | Other Medical Expenses | Enter DOCTORS = $1,653  Enter HOSPITAL = $3,200  Enter PRESCRIPTION DRUGS = $965  Enter PRESCRIPTION EYEGLASSES = $210 |
|  |  | Medicare from 1040 Wkt | $1,985 for Medicare Parts B & D was already transferred from SSA-1099 info entered on 1040 Wkt1 |
|  |  | Total | TW totals medical expenses ($12,023) |
|  |  | **Sch A** | **Medical and Dental Expenses** |
|  |  | Line 1 | TW transfers total medical expenses from A Detail ($12,023) . |
|  |  | Line 2 | TW transfers AGI from 1040 Line 38 ($78,650) |
|  |  | Line 3 | TW calculates the amount that is greater than 7.5% of AGI, since Karl is age 65 or older ($78,650 x .075 = $5,899). If both spouses were under 65, they could only claim medical expenses greater than 10% of AGI |
|  |  | Line 4 | TW calculates an allowable medical expense deduction of $6,124 ($12,023 - 5,899 = $6,124). If AGI changes due to later entries, TW re-calculates the medical deduction automatically |
|  |  | **NJ 1040 Pg 2** | **Medical Expenses** |
|  |  | Line 30 | TW re-calculates the amount of medical expenses that are greater than 2% of NJ Gross Income to re-populate this line |
|  | **Notes** | **A Detail** | **Charitable Contributions** |
|  |  | Charitable Contributions section | Enter charitable contributions on A Detail Worksheet, not on Sch A directly |
|  |  | Cash Contributions, 50% Limit Organizations section | Enter:  CHURCH = $1,650  NPR, ACS, SHRINERS = $225  MILLSAP SCHOOL = $250  TW calculates total of $2,125 |
|  |  | Other than Cash Contributions, 50% Limit Organizations section | Enter SALVATION ARMY = $350 |
|  |  | **Sch A** | **Charitable Contributions** |
|  |  | Line 16 | TW transfers total of cash or check contributions from A Detail ($2,125) |
|  |  | Line 17 | TW transfers total of other than cash contributions from A Detail ($350) |
|  |  | Line 19 | TW calculates total charitable contributions ($2,475) |
| **25e** | **Notes** | **Sales Tax (NJ)** | **Sales Tax on New Car** |
|  |  |  | The worksheet for Sales Tax is usually in the forms tree under Sch A. If it is not, link to it from Sch A Line 5b |
|  |  | Line 7 | TW uses sales tax charts to determine the allowable sales tax to claim. This is based on taxpayer's state, tax rate, and total income (includes AGI plus non-taxable income). Allowable amount is $1,020 |
|  |  | Line 8 | In addition to the sales tax chart amount, the taxpayer can also claim sales tax paid on specific big-ticket items (auto, boat, home, and home building material)  Enter $1,400 for sales tax on new car |
|  |  | Line 11 | TW adds the sales tax chart amount + sales tax on car. The result is a $2,420 allowable sales tax deduction |
|  |  | **Sch A** | **Sales Tax Deduction** |
|  |  | Line 5b | TW transfers the sales tax deduction from Sales Tax screen ($2,420) |
|  |  | Line 5 | TW compares the State and Local Taxes amount on Line 5a ($2,656) to the Sales Tax amount on Line 5b ($2,420) and determines that it is more beneficial for the taxpayer to claim the State and Local Taxes |
|  |  | Line 29 | TW calculates the total itemized deductions on Sch A ($22,799) |
|  |  | **1040 Pg 2** | **Itemized Deduction or Standard Deduction** |
|  |  | Line 40 | TW compares the itemized deductions ($22,799) to the standard deduction ($13,600). Since itemized is higher, TW transfers the itemized deductions total to the 1040. It puts a check mark next to Sch A in the forms tree to show that itemized deductions are being used, not standard deduction |
|  |  |  | If later entries change any number on Sch A, TW will automatically compare the revised total itemized deductions against the standard deduction and re-populate Line 40 as appropriate |
| **26** | **Notes** | **5695 Pg 2** | **Residential Energy Improvements** |
|  |  |  | Link from 1040 Line 53. TW will populate both Pg 1 & 2 in tree. Could also use Add icon to enter Form 5695 directly into tree. Page 1 is for solar, wind, & geothermal credits (Out of Scope). Go to Pg 2 for Nonbusiness Energy Property Credit to enter info for insulation & windows |
|  |  | Line 17a | Enter YES |
|  |  | Line 17b | Enter address of main home |
|  |  | Line 17c | Enter NO |
|  |  | Line 18g | Enter $305 as the amount on LIne 30 from Kents' 2013 Form 5695 |
|  |  | Line 19a | Enter $175 for insulation |
|  |  | Line 19d | Enter $7,450 for windows |
|  |  | Line 19h | TW determines that maximum allowed for windows is $2,000 |
|  |  |  | Be careful to follow instructions on whether to include labor costs. All items entered on Lines 19 must exclude labor; items entered on Lines 22 may include labor |
|  |  | Line 30 | TW will calculate allowable nonbusiness energy profit credit of $195 |
|  |  | **1040 Pg 2** | **Residential Energy Credit** |
|  |  | Line 53 | TW transfers credit from Form 5695 ($195) |
| **27** | **Notes** | **2441 Pg 1** | **Maryville Day Care Center** |
|  |  | Line 1a | Enter name of Maryville Day Care Center |
|  |  | Line 1b | Enter address of Maryville Day Care Center |
|  |  | Line 1c | Check EIN box. Type in number with no dashes. TW will fill in E as Type |
|  |  | Line 1d | Enter $1,100 expenses |
|  |  | Line 2a | TW fills in qualifying person’s name |
|  |  | Line 2b | TW fills in qualifying person's SS # |
|  |  | Line 2c | Enter qualified expenses of $1,100 |
|  |  | Line 11 | TW calculates credit of $220 (20% of qualified expenses) |
|  |  | **1040 Pg 2** | **Maryville Day Care Center** |
|  |  | Line 49 | TW transfers credit from Form 2441 ($220) |
| **28** | **Notes** | **F/S Tax Paid** | **Estimated Tax Payments** |
|  |  |  | Link to F/S Tax Paid screen from 1040 Line 65 or go directly from forms tree |
|  |  | Federal section |  |
|  |  | - Line "From last year" | Enter $200 as amount from 2013 Federal refund applied to 2014 taxes. TW will populate date of 4/15/2014. You cannot enter the date yourself as it is a calculated field |
|  |  | - Line 1 | Enter actual date Federal estimated taxes were paid (04/14/2014) & $100 as amount |
|  |  | - Line 3 | Enter actual date Federal estimated taxes were paid (09/15/2014) & $100 as amount  If any other payment lines are in red, "get the red out" |
|  |  | State section |  |
|  |  | - Column "Credit from last year" | Enter $100 as amount from 2013 state refund applied to 2014 taxes |
|  |  | - 4/15/2014 Amount 1 column | Enter $50 |
|  |  | - 9/15/2014 Amount 3 column | Enter $40 |
|  |  |  | There may be some red boxes left on this form. Use Ctrl-Space or F3 or Toggle Estimated to “get the red out” |
|  |  | **1040 Pg 2** | **Federal Tax Payments Made in 2014** |
|  |  | Line 65 | TW transfers the total of all Federal tax payments made in 2014 from F/S Tax Paid screen ($400) |
|  |  | **Sch A** | **State Tax Payments Made in 2014** |
|  |  | Line 5a | TW transfers the total of all state tax payments made in 2014 from F/S Tax Paid screen ($190) |
|  |  | **NJ 1040 Pg 3** | **State Tax Payments that Apply to 2014 NJ Taxes** |
|  |  | Line 50 | TW transfers the total of all state tax payments that apply to 2014 NJ taxes from F/S Tax Paid screen ($190) |
|  |  |  | If the last NJ estimated tax payment was paid after 1/1/2015, then the $40 would not be included on 1040 Sch A Line 5a, but would be included in NJ 1040 Line 50 |
| **29a** | **Notes** | **Diagnostics** |  |
|  |  |  | Run Diagnostics to ensure that there are no errors before doing education expenses comparison. Click on any errors, and TW will usually take you to the form that needs to be fixed. Once all errors are fixed, run Diagnostics again to confirm |
| **29b** | **Notes** |  | **Education Expenses** |
|  |  |  | To determine amount of qualified expenses, you must subtract amount of scholarship/grant ($5,000) from tuition and fees payments ($7,750). For American Opportunity Credit (AOC) only, you can then add $500 for textbooks & supplies. The $850 for a new computer is not a qualified expense even for AOC because it was not a course requirement. Use a scratch pad to document this calculation |
|  |  | **1040 Wkt2** | **Education Expenses Claimed as Tuition & Fees AGI Deduction** |
|  |  | Tuition & Fees as an AGI Deduction section | Link from 1040 Line 34 to 1040 Wkt 2 |
|  |  | Line for Kendra | Enter qualified expenses of $2,750 next to Kendra’s name. For Tuition & Fees Deductions, books & supplies are only qualified expenses if they must be paid to the institution as a condition of enrollment or attendance. Computers cannot be claimed as qualified expenses |
|  |  | Line for Kara | Enter qualified expenses of $318 next to Kara's name |
|  |  |  | TW calculates total qualified expenses of $3,068 |
|  |  | **1040 Pg 1** | **Education Expenses Claimed as Tuition & Fees AGI Deduction** |
|  |  | Line 34 | TW transfers total qualified expenses from 1040 Wkt2 ($3,068). **Note AGI & Refund Monitor**. Delete this info before doing another comparison |
| **29c** | **Notes** |  | **Education Expenses Claimed as Lifetime Learning Credits** |
|  |  |  | Link to Form 8863 Pg 2 from 1040 Line 50 or use Add icon. Since both Kendra & Kara have education expenses, you must add a second Pg 2 by clicking on the + sign next to Pg 2 in the tree. TW will automatically add one Form 8863 Pg 1 to total the credits for both students |
|  |  | **Kendra's 8863 Pg 2** | **Kendra's Education Expenses Claimed as Lifetime Learning Credits** |
|  |  | Line 20 | Enter Kendra's name |
|  |  | Line 21 | Enter Social Security # |
|  |  | Line 22a | Enter Central Morris College |
|  |  | Line 22a-1 | Enter address of college |
|  |  | Line 22a-2 | Answer YES |
|  |  | Line 22a-3 | Answer NO |
|  |  | Line 22a-4 | Enter College's Federal ID # |
|  |  | Line 23 | Answer NO |
|  |  | Line 24 | Answer YES |
|  |  | Line 25 | Answer NO |
|  |  | Line 26 | Answer NO |
|  |  | Line 31 | Enter $2,750 (For Lifetime Learning credit, books and supplies are only qualified expenses if they must be paid to the institution as a condition of enrollment or attendance. Computers are never qualified expenses.) |
|  |  | **Kara's 8863 Pg 2** | **Kara's Education Expenses Claimed as Lifetime Learning Credits** |
|  |  | Line 20 | Enter Kara's name |
|  |  | Line 21 | Enter Social Security # |
|  |  | Line 22a | Enter Boonton College |
|  |  | Line 22a-1 | Enter address of College |
|  |  | Line 22a-2 | Answer NO |
|  |  | Line 22a-3 | Answer NO |
|  |  | Line 22a-4 | Blank (since you did not answer YES to either 22a-2 or 22a-3) |
|  |  | Line 23 | Answer NO |
|  |  | Line 24 | Answer NO (Instructions say to go to Line 31 if answer is NO) |
|  |  | Line 31 | Enter $318 |
|  |  | **8863 Pg 1** | **Education Expenses Claimed as Lifetime Learning Credits** |
|  |  | Line 19 | TW calculates total Nonrefundable Education Credit of $614 in Part II for both students |
|  |  | **1040 Pg 2** | **Education Expenses Claimed as Lifetime Learning Credits** |
|  |  | Line 50 | TW transfers Nonrefundable Lifetime Learning Credit from 8863 Pg 1 ($614). **Note AGI & Refund Monitor**. Delete expense info before doing another comparison |
| **29d** | **Notes** | **8863 Pg 2** | **Education Expenses Claimed as American Opportunity Credit for Kendra and Lifetime Learning Credit for Kara** |
|  |  | Lines 20 - 26 | Kendra is eligible for AOC, but Kara is not because she is not pursuing a degree program. Still use 2 Forms 8863 Page 2 to enter student & educational institution info for Kendra & Kara. All lines remain the same as above until you reach expense lines |
|  |  | **Kendra's 8863 Pg 2** | **Kendra's Education Expenses Claimed as American Opportunity Credit** |
|  |  | Scratch pad off Line 27  Description  Line 1  Line 2  Line 3 | For AOC only, books & supplies are qualified expenses, whether or not they were purchased from the institution as a condition of enrollment. Computers, however, can only be included if they are a requirement for enrollment or attendance. Therefore, qualified expenses = $3,250. Document the details on a scratch pad:  Enter FORM 8863 LINE 27 EDUCATION EXPENSES  Enter TUITION AND FEES = $7,750  Enter MINUS SCHOLARSHIPS AND GRANTS = -$5,000  Enter PLUS BOOKS AND SUPPLIES = $500 |
|  |  | **Kara's 8863 Pg 2** | **Kara's Education Expenses Claimed as Lifetime Learning Credit** |
|  |  | Line 31 | Enter $318 |
|  |  | **8863 Pg 1** | **Education Expenses Claimed as as American Opportunity Credit for Kendra and Lifetime Learning Credit for Kara** |
|  |  | Line 8 | TW calculates a Refundable Education Credit of $925 in Part I, based on Kendra's American Opportunity Credit |
|  |  | Line 19 | TW calculates Nonrefundable Education Credits of $1,452 in Part II, which includes the nonrefundable part of Kendra's American Opportunity Credit + Kara's Lifetime Learning Credit |
|  |  | **1040 Pg 2** | **Education Expenses Claimed as as American Opportunity Credit for Kendra and Lifetime Learning Credit for Kara** |
|  |  | Line 50 | TW transfers the Nonrefundable Education Credit from 8863 Pg 1 Line 19 ($1,452) |
|  |  | Line 68 | TW transfers the Refundable Education Credit from 8863 Pg 1 Line 8 ($925) |
|  |  |  | **Note AGI & Refund Monitor**. This is the most beneficial option to claim the education expenses, so leave these entries in return |
| **30** | **Notes** | **Sch A** | **PTR Recovery** |
|  |  | Scratch pad off Line 6 4th Box  Line 2 | Use the flowchart on Page 9 of the NJ Special Handling document to determine how to handle the PTR recovery. Based on the flowchart, you can net the recovery on Sch A against current year real estate taxes  On the same scratch pad that you used to enter the real estate taxes for the empty lot in Georgia, add the PTR recovery as a negative amount  Enter PTR RECOVERY = -$205 |
|  |  |  | As indicated in the flowchart, once you have netted the recovery, check to ensure that:  - the total for Sch A Line 6 is still greater than zero  - the total itemized deductions on Sch A Line 29 are still greater than the standard deduction  If the answer to either of these is No, then you would have to remove the recovery from Sch A and enter it as Other Income on 1040 Wkt 7 |
| **31** | **Notes** | **Diagnostics** |  |
|  |  |  | Run Diagnostics and correct errors as needed before entering NJ unique items |
| **32** | **Notes** | **NJ 1040 Pg 2** | **Federal Pre-Tax/NJ After-Tax Medical Expenses** |
|  |  | Scratch pad off Line 30  Description  Line 1 | Karl's Sch 125 dental insurance premiums were considered pre-tax for the Federal return, so he could not claim them as medical expenses on Sch A. Therefore, they did not flow through to the NJ 1040 Medical Expense line. Since there is already an amount on that line, that means that the other medical expenses already exceed the NJ 2% threshold. So enter the dental premiums on a scratch pad to just add them to NJ 1040 Line 30  Enter NJ 1040 LINE 30 MEDICAL EXPENSES  Enter FEDERAL PRE-TAX/NJ AFTER-TAX MEDICAL EXPENSES = $1200 |
| **33** | **Notes** | **NJ 1040 Pg 3** | **Use Tax** |
|  |  | Scratch pad of Line 45  Description  Line 1 | Based on Kents’ NJ Gross Income on NJ 1040 Line 28 ($50,393), the Estimated Use Tax Chart on Page 36 on NJ 1040 booklet shows they would owe $84 in Use tax. Enter that amount on scratch pad off NJ 1040 Line 45 to document that the amount came from the Chart  Estimate Use Tax Chart can also be found in left column of TaxPrep4Free.org Preparer's page  Enter NJ 1040 LINE 45 USE TAX  Enter USE TAX BASED ON ESTIMATED USE TAX CHART = 84 |
|  |  | Line 45 | Still need to "get the red out" even though you entered an amount on the scratch pad |
| **34** |  | **Diagnostics** |  |
|  |  |  | Run Diagnostics and correct errors as needed before entering direct deposit info |
| **35a** | **Notes** | **Main Info** | **Bank Account Info for Direct Deposit of Federal Refund** |
|  |  | Bank Account section | Enter Routing Number and Account Number from Kent's check. (Do not use deposit slip to obtain info) |
| **35b** | **Notes** | **1040 Pg 2** | **Bank Account Info** |
|  |  |  | Since direct deposit bank info is so important, TW requires you to enter the info twice. Therefore, as soon as bank info is entered on Main Info screen, TW will turn 1040 Pg 2 red in the forms tree to remind you that you have to enter the bank info a second time for verification |
|  |  | Line 76 | Enter Routing Number and Account Number from Kent's check. Also check box to indicate this is a checking account |
| **35c** | **Notes** | **NJ DD Wkt** | **Direct Deposit of NJ Refund** |
|  |  | Direct Deposit and Direct Debit Information section | Click on box that says "Check here if you had a Federal refund & want the state refund deposited to the same bank account as listed on the Federal return." If using the same account, you do not need to re-enter the bank account info on NJ return |
|  |  | Bank Account Information section | Answer NO to question "Will the refund or debit you are requesting involve a foreign bank account?" |
| **36a** |  | **Diagnostics** |  |
|  |  |  | Run Diagnostics and correct errors as needed |
| **36b** |  | **Create e-File** |  |
|  |  |  | Another type of error check is run when creating an e-file. You could get different error messages than when running Diagnostics. After all errors are corrected, you should get message "E-Files created successfully" |
| **37** | **Notes** | **1040 ACA Wkt** | **Health Insurance** |
|  |  | Line for taxpayer, spouse, and each dependent | Since Karl, Kara and all their dependents had health insurance for the full year, check the Full box on each person's line. No one had coverage through the Marketplace, so no further ACA action is necessary |
|  |  | **1040 Pg 2** | **Health Insurance** |
|  |  | Line 61 | TW checks the Full-Year Coverage box to show that the entire family was covered for the full year |
| **38** |  | **Diagnostics**  **Create e-File** |  |
|  |  |  | Run Diagnostics and correct errors as needed. Create the e-File |