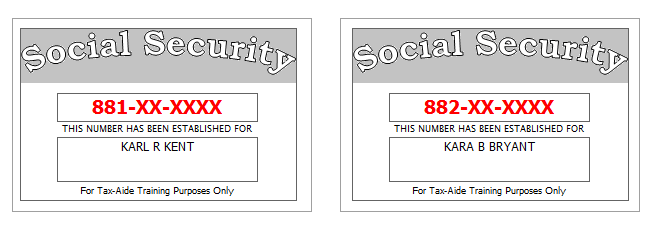
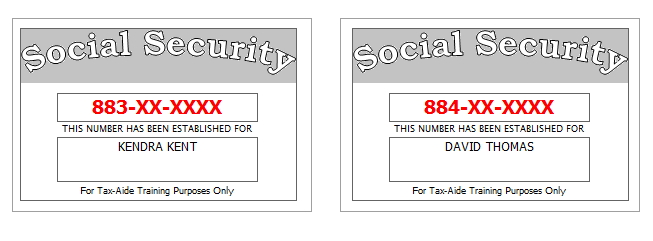
Step 0 Source: Intake 🡺 Result: Filing Status, Dependency







Karl and Kara have been married for several years and are currently full-time residents of Denville, New Jersey (Morris County). They want to file both a federal and a state return.

Their daughter, Kendra, is a full-time student classified as a junior at her college.

No one else can claim Kendra or Dave as a dependent.

Carmen Bryant is Kara’s older sister who is totally and permanently disabled. Carmen lived with the Kents all year and was fully supported by them. No one else can claim her as a dependent and she earned no income.

Karl and Kara provided 100% of the support for both Kendra and Dave.

**Reference:** 4012 Tab A, B, C

**Tool:** IRS Interactive Tax Assistant (link on Preparer page)

**Tool:** AARP Resource Tool for Counselors (Laminated Flow Chart

**Tool:** TP4F Qualifying Child/Qualifying Relative Flowchart Tool (link on Preparer page)

**Tool:** Dependent Calculator (link on Preparer page)

Step 1a Source: Intake Part I, II, VII 🡺 TWO Screen: Main Info

Use the Filing Status and Dependency Status from Step 0

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
|  |  |  |  | Hint: If carry-forward is offered when you create the return, please do NOT accept – Create a new return instead  Hint: If TWO says there is an existing deleted return, do NOT accept – Create a new return instead  Hint: Use all names from SS Cards (NOT Intake Sheet)  BP: Do not enter SP last name if same as TP (see field help)  Hint: Presidential Election Campaign from Intake Sheet, page 3, part VII, line 1  BP: List dependents from youngest to oldest  Hint: Use Code 1 (or 2) if dependent is “qualifying child” per IRS rules; use code 3 if dependent is “qualifying relative”  Hint: Check EIC box for all dependents who might qualify for EIC  Hint: Ctrl-E to go to next red field  Hint: Don’t worry about RTN / DAN for direct deposit at this point.  Hint: TP/SP PIN – any 5 digits (except 00000)  Check: Main Info should be green in tree at this point  Hint: Various other worksheets will become red in the tree as we go along. As a general rule, you should NOT worry about red worksheets until you have finished entering data from all documents and notes |

Step 1b Source: Intake Part I 🡺 TWO Screen: NJ 1040 Pg1

[no notes]

**Reference:** NJ Special Handling p5

**Tool:** NJ Municipality Code Lookup Tool (link on Preparer page)

**Tool:** NJ 1040 Instructions – Municipality Code Table

**Tool:** TWO State Help

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
|  |  |  |  | Hint: Use NJ Municipality Code Lookup Tool |

Step 1c Source: Intake Part I, II 🡺 TWO Screen: NJ 1040 Pg 2

Kendra is a full-time student classified as a junior at her college.

All dependents have health insurance (as of the time the return is filed)

Kara would like $1 to go to the Gubernatorial Election Campaign Fund, while Karl does not wish to contribute to the Gubernatorial Fund.

**Reference:** NJ Special Handling p5

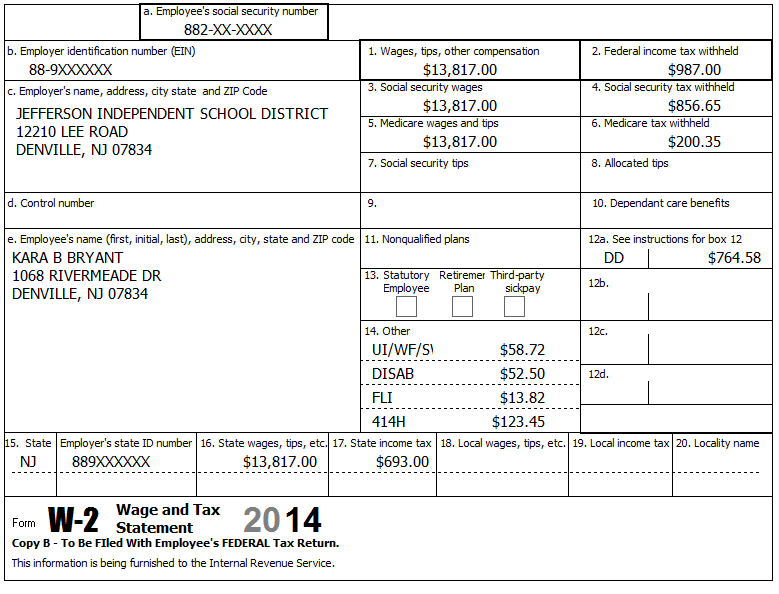
|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
|  |  |  |  | Hint: Is there a dependent (under age 22) attending college?  Hint: Health care coverage – see Notes  Hint: Gubernatorial Elections Fund – see Notes |

Step 1d Source: Intake Part VII 🡺 TWO Screen: Prep Use

[no notes]

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
|  |  |  |  | Hint: 11 & 12: Enter from page 3, part VII, line 4 & 5 13: Your initials 14: Leave empty and red for QR initials  Hint: The Prep Use worksheet will stay red until Quality Review is done and QR initials are entered |

Step 2 Source: W-2 🡺 TWO Screen: W2 (SP)

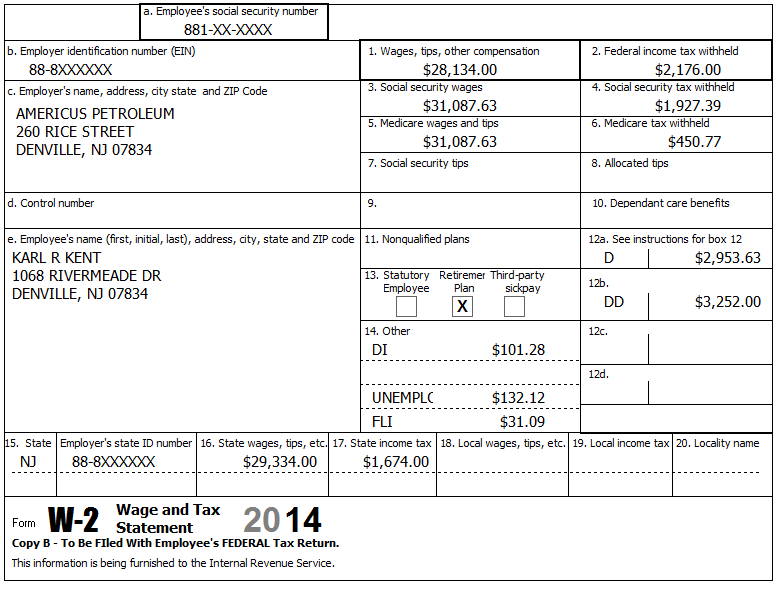


**Reference:** 4012 D-6

**Reference:** NJ Special Handling p1

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 13,817 | 5,292 | 5,317 | 1,354 | Hint: If the name and address of the employer come up after inputting the Employer Identification Number, check that the information is correct and take the red out of the fields (Ctrl-Space or F3 key)  Hint: If the checkbox for “Please verify the Federal withholding, …” turns red, double check your entries in Box 1 & 2, then check the box  Hint: Box 14 NJ codes may not match template – use template codes  Check: Sch A, line 5a=819  Check: NJ 2450 SP, line 2, A=59, B=53, C=14 |

Step 3a Source: W-2 🡺 TWO Screen: W2 (TP)



DI PP# 102030456

Karl’s W-2 / final pay stub had extra detail showing $1,200 for a Section 125 (pre-tax federal / after-tax NJ) Dental plan.

**Reference:** 4012 D-6

**Reference:** NJ Special Handling p1, p3

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 41,951 | 3,614 | 34,651 | 1,893 | Hint: Use + next to existing W2 in tree (or Add button above tree, or link from 1040 line 8) to add another W2  Hint: Enter the amount in box 12 before attempting to correct the amounts in boxes 3,4,5,6  Hint: See NJ Special Handling for how to deal with DI PP#  Hint: You will need to check box “Check to take calculations off of line 16…” before you can correct the box 16 amount  Check: Sch A, line 5a=2,656  BP: Do NOT do anything with Sec 125 insurance now – need to wait until NJ income is finalized.  BP: Handle NJ 2450 now (next sub-step) |

Step 3b Source: W-2 🡺 TWO Screen: NJ 2450 TP

[no notes]

**Reference**: NJ Special Handling p7

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 41,951 | 3,614 | 34,651 | 1,893 | Hint: See NJ Special Handling for how to deal with DI PP#  BP: Use Scratch Pad linked to Line 1a, Col B to document source of DI PP# amount  Check: NJ 2450 TP, line 2, A=132, B=101, C=31 |

Step 4 Source: Notes 🡺 TWO Screen: Sch B

Last year’s return showed a seller-financed mortgage on Sch B.

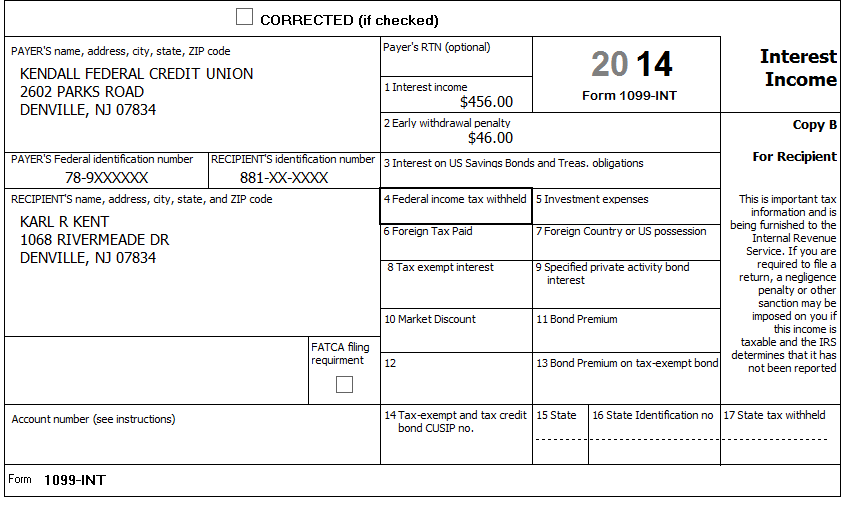
Karl is collecting payments on a seller-financed mortgage. The purchaser is Charles Campbell (SSN 885-XX-XXXX), 1523 North Curry Rd, Denville, NJ 07834. Last year Karl received $2,782.15 interest on that loan.

Neither Karl nor Kara had an interest in a financial account in a foreign country and have never received distributions from or transferred funds to a foreign trust.

**Reference**: 4012 D-8

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 44,733 | 3,025 | 37,433 | 1,782 | Hint: Look on Preparer Page Lookup Tool to see where to enter this  Hint: Don’t forget the questions in Part III |

Step 5 Source: 1099-INT 🡺 TWO Screen: Interest Stmt



**Reference**: 4012 D-9

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 45,143 | 2,985 | 37,843 | 1,775 | Hint: Interest Stmt worksheet is under Sch B in the tree |

Step 6 Source: 1099-INT 🡺 TWO Screen: Interest Stmt

|  |  |  |  |
| --- | --- | --- | --- |
| ZYX Investments | End of Year Tax Information Statement  Account 203040506 | Statement Date: 01-30-2015  Page 1 of 3 | 2014 |
| 123 Main Street  P.O. Box 07978-123  Pluckemin, NJ 07978  PAYER’S Federal ID No: **78-7XXXXXX** | Karl R. Kent  1068 Rivermeade Dr  Denville, NJ 07834  RECIPIENT’S ID No: **881-XX-XXXX** | Your Broker:  SERGE BRONSKI  888-555-5555  sbronski@rjones.com | |

|  |  |  |
| --- | --- | --- |
| **Interest Income – 1099-INT – Reported to IRS** | | |
| 1 | Interest Income (not included in line 3) | 123.00 |
| 2 | Early withdrawal penalty | 0.00 |
| 3 | Interest on US Savings Bonds & Treasury obligations | 2,455.00 |
| 4 | Federal Income tax withheld | 245.00 |
| 5 | Investment expenses | 0.00 |
| 6 | Foreign tax paid | 0.00 |
| 7 | Foreign country or US possession |  |
| 8 | Tax-exempt interest (includes line 9) | 337.85 |
| 9 | Specified private activity bond interest (AMT) | 0.00 |
| 10 | Tax-exempt bond CUSIP numbers (see instructions) |  |
| 11 | State |  |
| 12 | State ID numbers |  |
| 13 | State tax withheld | 0.00 |
|  | FATCA filing requirement | NO |

**Interest Detail (only summary 1099-INT reported to IRS)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | **1** Interest Income | **2** Early withdrawal penalty | **3** Interest on US Savings Bonds | **4** Federal withholding | **8** Tax-exempt interest |
| **MooFoo Mutual Fund** | | |  |  |  |
| 12-30-2014 | 123.00 | 0.00 | 2,455.00 | 245.00 | 0.00 |
|  |  |  |  |  |  |
| **New Jersey Muni Bond** | | |  |  |  |
| 12-30-2014 | 0.00 | 0.00 | 0.00 | 0.00 | 148.63 |
|  |  |  |  |  |  |
| **Georgia Muni Bond** | | |  |  |  |
| 12-30-2014 | 0.00 | 0.00 | 0.00 | 0.00 | 189.22 |
| **Totals:** | **123.00** | **0.00** | **2,455.00** | **245.00** | **337.85** |

Money from U.S. Savings Bonds was used for house repairs.

**Reference**: 4012 D-9

**Reference**: NJ Special Handling p1, p2

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 47,721 | 2,970 | 38,155 | 1,769 | Hint: Easier to check if use separate lines for each type of interest  Check: Fed 1040, line 8a=5,816, 8b=338  Check: NJ 1040, line 15a=3,504, 15b=2,604 |

Step 7a Source: 1099-DIV 🡺 TWO Screen: Dividend Stmt

|  |  |  |  |
| --- | --- | --- | --- |
| ZYX Investments | End of Year Tax Information Statement  Account 203040506 | Statement Date: 01-30-2015  Page 2 of 3 | 2014 |
| 123 Main Street  P.O. Box 07978-123  Pluckemin, NJ 07978  PAYER’S Federal ID No: **78-7XXXXXX** | Karl R. Kent  1068 Rivermeade Dr  Denville, NJ 07834  RECIPIENT’S ID No: **881-XX-XXXX** | Your Broker:  SERGE BRONSKI  888-555-5555  sbronski@rjones.com | |

|  |  |  |
| --- | --- | --- |
| **Dividends and Distributions – 1099-DIV – Reported to IRS** | | |
| 1a | Total ordinary dividends (includes line 1b) | 231.86 |
| 1b | Qualified dividends | 125.25 |
| 2a | Total capital gain distributions (includes lines 2b, 2c, 2d) | 68.75 |
| 2b | Unrecaptured Section 1250 gain | 0.00 |
| 2c | Section 1202 gain | 0.00 |
| 2d | Collectibles (28%) gain | 0.00 |
| 3 | Nondividend distributions | 2.44 |
| 4 | Federal Income tax withheld | 0.00 |
| 5 | Investment expenses | 0.00 |
| 6 | Foreign tax paid | 3.75 |
| 7 | Foreign country or US passion |  |
| 8 | Cash liquidation distributions | 0.00 |
| 9 | Noncash liquidation distributions | 0.00 |
| 10 | Exempt-interest dividends (includes line 11) | 200.00 |
| 11 | Specified private activity bond interest dividends (AMT) | 22.00 |
| 12 | State |  |
| 13 | State ID number |  |
| 14 | State tax withheld | 0.00 |
|  | FATCA filing requirement | NO |

**Dividend Detail (only summary 1099-DIV reported to IRS)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | **1a** Ordinary dividends | **1b** Qualified dividends | **2a** Capital gains | **3** Nondiv. Dists. | **4** Federal w/h | **6** Foreign tax paid | **10** Exempt Interest | **11** Sp. PAB |
| **MooFoo Mutual Fund** | | |  |  |  |  |  |  |
| 12-30-2014 | 231.86 | 125.25 | 68.75 | 2.44 | 0.00 | 3.75 | 0.00 | 0.00 |
|  |  |  |  |  |  |  |  |  |
| **Select US General Fund** | | |  |  |  |  |  |  |
| 12-30-2014 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 100.00 | 0.00 |
|  |  |  |  |  |  |  |  |  |
| **Select NJ Qualified Fund** | | |  |  |  |  |  |  |
| 12-30-2014 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 100.00 | 22.00 |
| **Totals:** | **231.86** | **125.25** | **68.75** | **2.44** | **0.00** | **3.75** | **200.00** | **22.00** |

|  |  |  |
| --- | --- | --- |
| **Exempt-interest dividends by Area** | **Select US General Fund** | **Select NJ Qualified Fund** |
| US Federal, Possessions, Territories obligations | 30.0% | 20.0% |
| New Jersey State and Local obligations | 10.0% | 65.0% |
| All Other State and Local obligations | 60.0% | 15.0% |

**Reference**: 4012 D-11

**Reference**: NJ Special Handling p2

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 48,022 | 2,960 | 38,541 | 1,763 | Hint: Dividend Stmt worksheet is under Sch B in the tree  Check: Fed 1040, line 8a=5,816, 8b=538  Check: NJ 1040, line 15a=3,504, 15b=2,719  BP: Handle 1116 (Foreign tax) now (next sub-step) |

Step 7b Source: 1099-DIV 🡺 TWO Screen: 1116 Pg 1

[no Notes]

**Reference**: 4012 G-2

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 48,022 | 2,964 | 38,541 | 1,763 | Hint: May need to manually add 1116 Pg 1  Hint: Do NOT worry about red stuff on form 1116 below “Simplified Limitation Election” |

Step 8a Source: Notes 🡺 TWO Screen: 1040 Pg 1

Looking at their prior year state return, you see that they had a $437 state income tax refund. So you check their prior year federal return and determine that they itemized deductions (and used state income taxes (5a) instead of state sales taxes (5b)).

The Kents remember receiving a refund check, but don’t remember if the amount is correct, so you use the NJ online refund query tool to check on their prior year state income tax refund amount. It shows an amount consistent with the refund amount on their prior year NJ return.

**Reference**: 4012 D-12

**Reference**: NJ Special Handling p2

**Tool**: NJ Form 1099-G Inquiry (Refund)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 48,309 | 2,934 | 38,541 | 1,763 | Hint: See NJ Special Handling: State Income Tax Refunds  Hint: 1040, Line 10 amount will be calculated on St Tax Refund worksheet  Hint: When added, the St Tax Refund worksheet is inserted in tree between Main Info and Cap Gn Wkt |

Step 8b Source: Notes 🡺 TWO Screen: St Tax Refund

Their prior year federal return shows that the amount of state income taxes on Schedule A, line 5a was $1,320 and the amount of state sales tax on line 5b was $955.00. Their total itemized deductions were $13,687. Their taxable income was $39,544.

**Reference**: 4012 D-12

**Reference**: NJ Special Handling p2

**Tool**: Prior year Sch A Sales Tax Table (link on Preparer page)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 48,309 | 2,934 | 38,541 | 1,763 | Hint: Karl was over 65 last year  Check: St Tax Refund, line 9 = 13,400 |

Step 9a Source: Notes 🡺 TWO Screen: Sch C Pg 1

Kara has a small business, which she operates out of her home, typing medical transcripts. She received income reported on a 1099-MISC as well as cash income.

She uses the Cash accounting method. She has materially participated in the operation of the business for several years. She made no payments that would have required filing Form(s) 1099. This business is not an LLC.

**Reference**: 4012 D-14

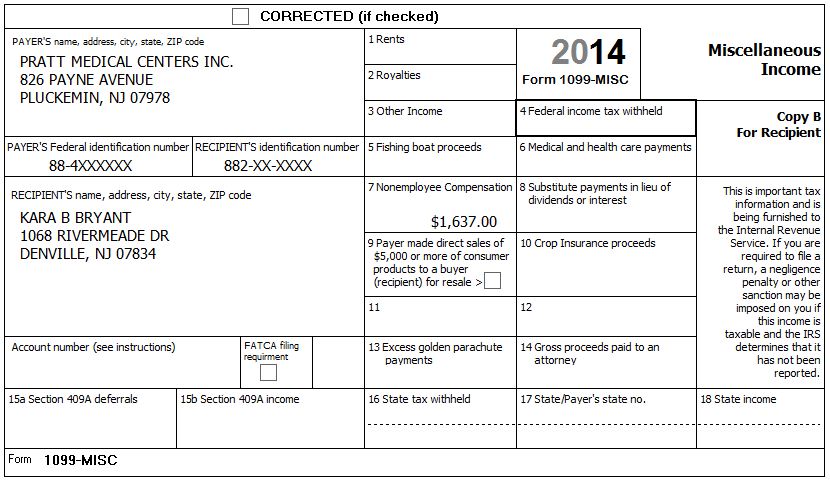
**Tool**: NAICS Search Tool (link on Preparer page)

**Tool**: TWO Help

**Tool**: 1040 Instructions, Sch C Business Codes table

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 48,309 | 2,934 | 38,541 | 1,763 | Hint: Use NAICS Search Tool to lookup box B Business Code (enter keyword “typing” or “transcription” in this case)  Hint: Use field help to determine if you need to enter anything in boxes C, D, or E  Hint: It is ok to link both the 1099-MISC and a Scratch Pad (for cash) to line 1  Hint: It is easier to enter expenses on Sch C Pg 2, Part V than to figure out proper use of lines in Sch C Pg 1, Part II |

Step 9b Source: 1099-MISC 🡺 TWO Screen: 1099 MISC



**Reference**: 4012 D-14

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 49,830 | 2,553 | 40,178 | 1,734 | Hint: Link from Sch C Pg 1, line 1 to a new 1099 MISC |

Step 9c Source: Notes 🡺 TWO Screen: Scratch Pad\*

\* Scratch Pad attached to Sch C, Line 1

In addition to the amount reported on Form 1099-MISC, she also received $1,082 during the year from various other doctors for this service

**Reference**: 4012 D-14

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 50,836 | 2,300 | 41,260 | 1,715 | Hint: Link from Sch C Pg 1, line 1 to a new Scratch Pad |

Step 9d Source: Notes 🡺 TWO Screen: Sch C Pg 2

Kara used her second car for picking up and delivering the typing jobs. She maintained a written record of mileage, reporting 35 business miles per month and 10,000 total other miles. She bought the car and started using it for business on January 2, 2007. Kara has another car available for personal use.

Her expenses included $45.00 for paper and $67.50 for a printer cartridge.

**Reference**: 4012 D-15

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 50,512 | 2,378 | 40,912 | 1,721 | Hint: Vehicle information goes in Part IV  Hint: Document Type and Amount for all expenses in Part V |

Step 10 Source: Notes 🡺 TWO Screen: Sch D Pg 1

Looking at last year’s 1040, line 13, you see -$3,000 (a loss), so you find the Schedule D Worksheet, and you see that the Kents had no Short-term capital loss carryover, but they did have a Long-term capital loss carryover of $253 to this year.

**Reference**: 4012 D-19

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 50,259 | 2,398 | 40,912 | 1,721 | Hint: There was no short-term carryover so, if Sch D, line 6 is red, make it un-red |

Step 11a Source: 1099-B 🡺 TWO Screen: Cap Gn Wkt

|  |  |  |  |
| --- | --- | --- | --- |
| ZYX Investments | End of Year Tax Information Statement  Account 203040506 | Statement Date: 01-30-2015  Page 3 of 3 (Part 1) | 2014 |
| 123 Main Street  P.O. Box 07978-123  Pluckemin, NJ 07978  PAYER’S Federal ID No: **78-7XXXXXX** | Karl R. Kent  1068 Rivermeade Dr  Denville, NJ 07834  RECIPIENT’S ID No: **881-XX-XXXX** | Your Broker:  SERGE BRONSKI  888-555-5555  sbronski@rjones.com | |

**FORM 1099-B 2015 Proceeds from Broker and Barter Exchange Transactions**

**Long-term transactions for which basis is not reported to the IRS**

Report on form 8949 with Box E checked and/or Schedule D, Part II

**1a** Description, **2** Long-term, **3** Basis not reported to IRS, **6** Net Proceeds

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Quantity | **1b** Date Acquired | **1c** Date Sold | **1d** Proceeds | **1e** Cost or other Basis | **1f** Code | **1g** Adj | Gain / Loss(-) | **4** Federal Tax Withheld |
| **Rust Corporation (RUST)** | | |  |  |  |  |  |  |
| 100.000 | 11-01-1999 | 09-23-2014 | 1,700.00 | 3,200.00 |  |  | -1,500.00 | 0.00 |
|  |  |  |  |  |  |  |  |  |
| **Rio Motors Inc (RIMI)** | | |  |  |  |  |  |  |
| 50.000 | 09-01-2002 | 05-10-2014 | 3,462.00 | 3.181.00 |  |  | 281.00 | 0.00 |
| 100.000 | 09-01-2002 | 10-20-2014 | 7,226.00 | 6,362.00 |  |  | 864.00 | 0.00 |
| 150.000 |  |  | 10,688.00 | 9,543.00 |  | 0.00 | 1.145.00 | 0.00 |
|  |  |  |  |  |  |  |  |  |
| **Rider Corporation (RIDE)** | | |  |  |  |  |  |  |
| 65.000 | \*\* | 10-20-2014 | 5.663.00 | \*\* |  |  | \*\* | 0.00 |
| **Totals** |  |  | **18,051.00** |  |  |  |  | **0.00** |
| \*\* Information not available | | |  |  |  |  |  |  |

ZYX Investments does not have a record for the purchase of Rider stock. Karl inherited the 65 shares from his uncle who paid $6,500 for the shares on 10/15/2005. The stock was worth $7,222 on 11/29/2008, the day his uncle died.

**Reference**: 4012 D-16 to D-18

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 48,345 | 2,588 | 40,843 | 1,723 | Hint: Cap Gn Wkt is near top of tree  Hint: Use “#Shares Symbol” instead of name of brokerage for Description of property column (e.g. 100 RIMI)  Hint: Use “IN/HE/RIT” for Date acquired for inherited stock |

Step 11b Source: 1099-B 🡺 TWO Screen: Cap Gn Wkt

|  |  |  |  |
| --- | --- | --- | --- |
| ZYX Investments | End of Year Tax Information Statement  Account 203040506 | Statement Date: 01-30-2015  Page 3 of 3 (Part 2) | 2014 |
| 123 Main Street  P.O. Box 07978-123  Pluckemin, NJ 07978  PAYER’S Federal ID No: **78-7XXXXXX** | Karl R. Kent  1068 Rivermeade Dr  Denville, NJ 07834  RECIPIENT’S ID No: **881-XX-XXXX** | Your Broker:  SERGE BRONSKI  888-555-5555  sbronski@rjones.com | |

**FORM 1099-B 2015 Proceeds from Broker and Barter Exchange Transactions**

Report on form 8949 with Box A checked and/or Schedule D, Part I

**1a** Description, **2** Short-term, **3** Basis reported to IRS, **6** Net Proceeds

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Quantity | **1b** Date Acquired | **1c** Date Sold | **1d** Proceeds | **1e** Cost or other Basis | **1f** Code | **1g** Adj | Gain / Loss(-) | **4** Federal Tax Withheld |
| **Qwik Qwok (QQSV)** | | |  |  |  |  |  |  |
| 10.000 | 07-02-2013 | 01-15-2014 | 350.00 | 340.00 |  |  | 10.00 | 0.00 |
| 10.000 | 07-02-2013 | 03-15-2014 | 350.00 | 340.00 |  |  | 10.00 | 0.00 |
| 20.000 |  |  | 700.00 | 680.00 |  | 0.00 | 20.00 | 0.00 |
|  |  |  |  |  |  |  |  |  |
| **Slik Shok (SSVV)** | | |  |  |  |  |  |  |
| 30.000 | 07-02-2013 | 02-15-2014 | 330.00 | 340.00 |  |  | -10.00 | 0.00 |
| 30.000 | 07-02-2013 | 04-15-2014 | 340.00 | 340.00 |  |  | 0.00 | 0.00 |
| 60.000 |  |  | 670.00 | 680.00 |  | 0.00 | -10.00 | 0.00 |
| **Totals** |  |  | **1,370.00** | **1,360.00** |  | **0.00** | **10.00** | **0.00** |

**Reference**: Special Topic: Consolidating Capital Gains (ST14-12)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 48,355 | 2,588 | 40,843 | 1,723 | Hint: See Special Topic document for consolidation procedure  BP: Go fix 8949 page now (next sub-step) |

Step 11bx Source: Notes 🡺 TWO Screen: 8949 Pg 1A

For this entry on the Cap Gn Wkt, Column (f) had a value (M), but column (g) is zero, so column (g) was made un-red. Column (g) on the associated 8949 page also needs to be made un-red.

Step 11c Source: 1099-B 🡺 TWO Screen: Cap Gn Wkt

|  |  |  |  |
| --- | --- | --- | --- |
| ZYX Investments | End of Year Tax Information Statement  Account 203040506 | Statement Date: 01-30-2015  Page 3 of 3 (Part 3) | 2014 |
| 123 Main Street  P.O. Box 07978-123  Pluckemin, NJ 07978  PAYER’S Federal ID No: **78-7XXXXXX** | Karl R. Kent  1068 Rivermeade Dr  Denville, NJ 07834  RECIPIENT’S ID No: **881-XX-XXXX** | Your Broker:  SERGE BRONSKI  888-555-5555  sbronski@rjones.com | |

**FORM 1099-B 2015 Proceeds from Broker and Barter Exchange Transactions**

Report on form 8949 with Box D checked and/or Schedule D, Part II

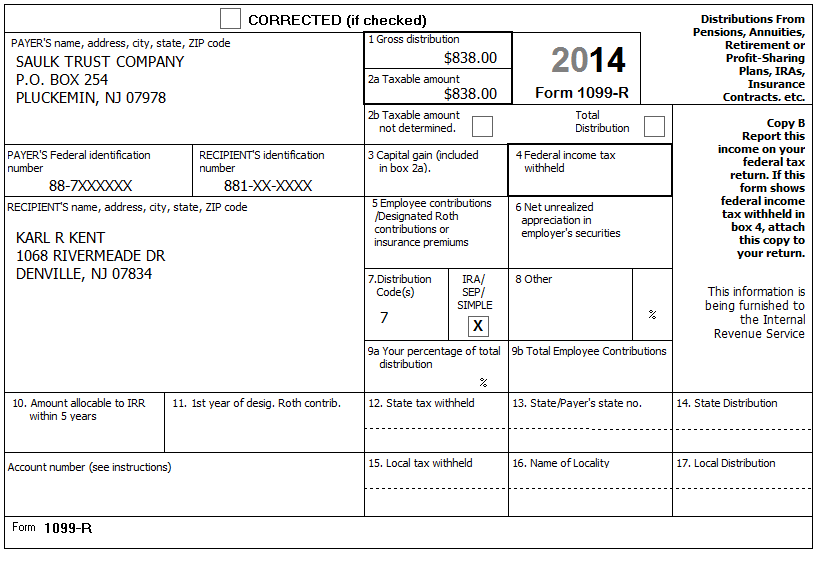
**1a** Description, **2** Long-term, **3** Basis reported to IRS, **6** Net Proceeds

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Quantity | **1b** Date Acquired | **1c** Date Sold | **1d** Proceeds | **1e** Cost or other Basis | **1f** Code | **1g** Adj | Gain / Loss(-) | **4** Federal Tax Withheld |
| **Qwik Qwok (QQSV)** | | |  |  |  |  |  |  |
| 10.000 | 07-02-2013 | 07-15-2014 | 350.00 | 340.00 |  |  | 10.00 | 0.00 |
| 10.000 | 07-02-2013 | 11-15-2014 | 350.00 | 340.00 |  |  | 10.00 | 0.00 |
| 20.000 |  |  | 700.00 | 680.00 |  | 0.00 | 20.00 | 0.00 |
|  |  |  |  |  |  |  |  |  |
| **Slik Shok (SSVV)** | | |  |  |  |  |  |  |
| 30.000 | 07-02-2013 | 08-15-2014 | 330.00 | 340.00 | W | 9.88 | -10.00 | 0.00 |
| 30.000 | 07-02-2013 | 12-15-2014 | 340.00 | 340.00 |  |  | 0.00 | 0.00 |
| 60.000 |  |  | 670.00 | 680.00 |  | 0.00 | -10.00 | 0.00 |
| **Totals** |  |  | **1,370.00** | **1,360.00** |  | **9.88** | **10.00** | **0.00** |

**Reference**: Special Topic: Consolidating Capital Gains (ST14-12)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 48,375 | 2,583 | 40,843 | 1,723 | Hint: Can combine code M and code W on same line |

Step 12a Source: 1099-R 🡺 TWO Screen: 1099R



Karl met all his RMD requirement for his IRAs from Saulk Trust account. He has no record of his original contributions.

**Reference**: 4012 D-20, D-21, D27 C. Example 3

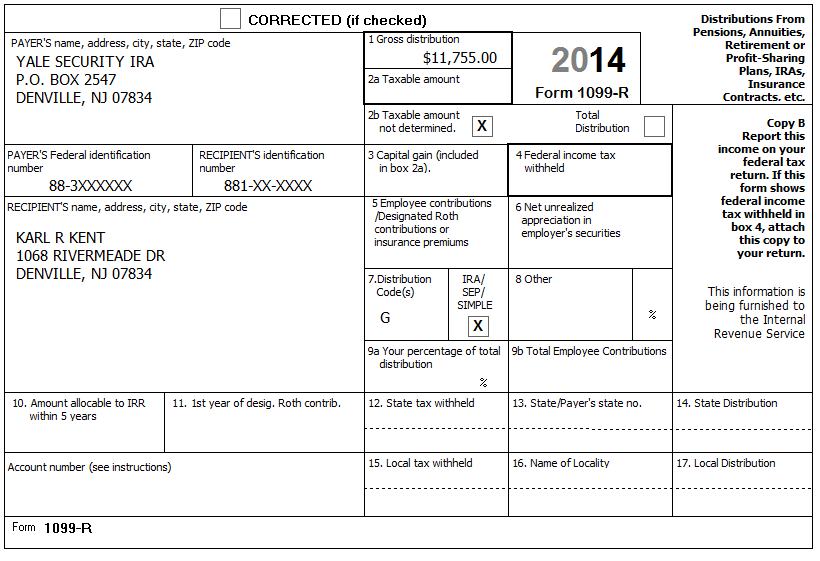
|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 49,213 | 2,503 | 40,843 | 1,723 | Check: NJ 1040 Pg 2, line 19a = 0  BP: Do NJ IRA Wkt now (next sub-step) |

Step 12b Source: Notes 🡺 TWO Screen: NJ IRA Wkt

**Reference**: NJ Special Handling p7

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 49,213 | 2,503 | 40,843 | 1,723 | Hint: Set copy number to 1  BP: Have no record of contributions so just make things un-red  Check: NJ 1040, line 19a = 838  Check: NJ 1040, line 27c = 838 |

Step 13a Source: 1099-R 🡺 TWO Screen: 1099R



**Reference**: 4012 D-20, D-22

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 49,213 | 2,503 | 40,843 | 1,723 | Hint: Use + next to existing 1099R in tree (or Add button above tree, or link from 1040 line 8) to add another 1099R  BP: Do IRA Rollover explanation now |

Step 13b Source: Notes 🡺 TWO Screen: IRA Rollover

Karl did a direct transfer of his traditional IRA funds from Yale Security IRA to Merrill Lynch.

**Reference**: 4012 D-23

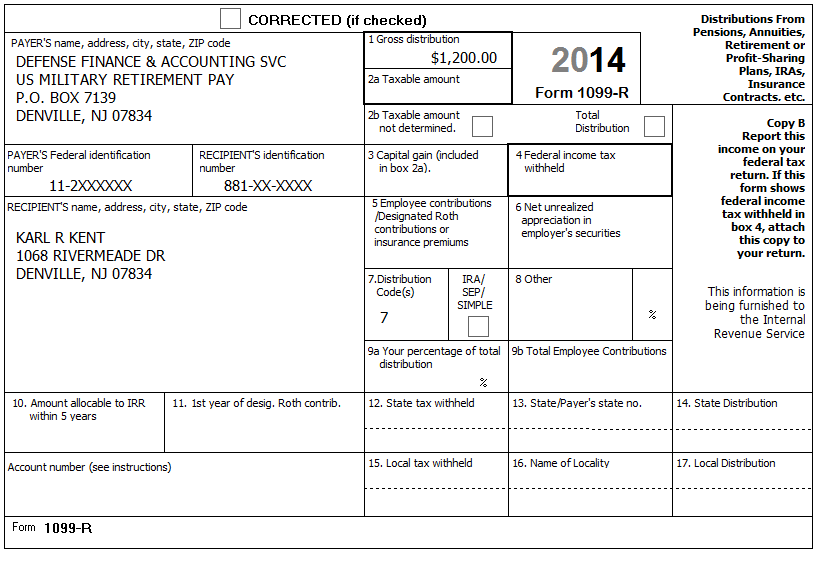
|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 49,213 | 2,503 | 40,843 | 1,723 | Hint: Add IRA Rollover worksheet from 1040, line 15b checkbox (Cannot use Add button above tree)  BP: Include From, To, and Amount in explanation |

Step 13c Source: Notes 🡺 TWO Screen: NJ IRA Wkt

**Reference**: NJ Special Handling p7

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 49,213 | 2,503 | 40,843 | 1,723 | Hint: Add new NJ IRA Wkt and set copy number to 2  BP: This is a rollover (code G), so just make things un-red  Check: NJ 1040, line 19a = 838  Check: NJ 1040, line 27c = 838 |

Step 14 Source: 1099-R 🡺 TWO Screen: 1099R

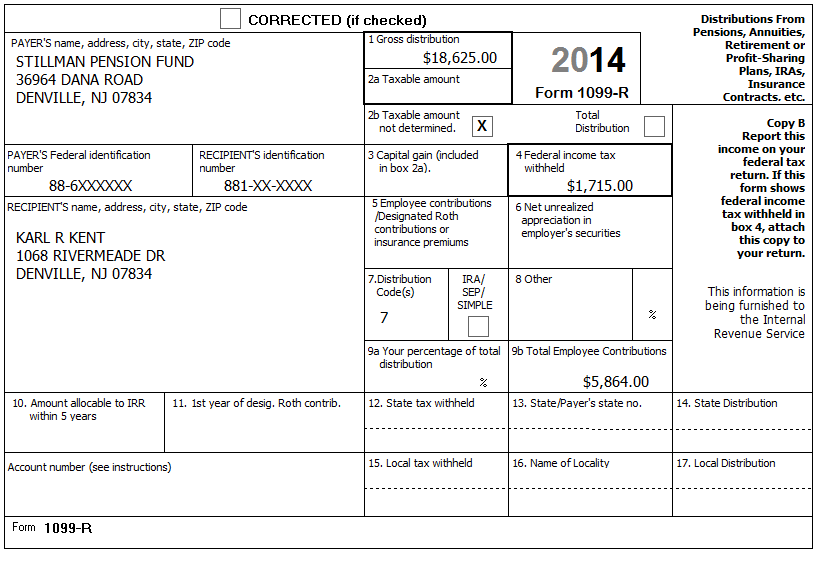


**Reference**: 4012 D-20, D-21, D-27 A. Example 1

**Reference**: NJ Special Handling p 2

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 50,413 | 2,383 | 40,843 | 1,723 | Hint: See NJ Special Handling for Military Pensions  Hint: Can make red boxes un-red – box 1 amount will be used for taxable amount (federal)  Check: NJ 1040, line 19a = 838 |

Step 15a Source: 1099-R 🡺 TWO Screen: 1099R



Karl retired two years ago and started drawing his retirement pay from Stillman on January 1, 2013. He recovered $335 of his cost during the first year. Karl did not select a joint and survivor annuity.

**Reference**: 4012 D-20, D-21, D-24, D-27 B. Example 2

**Reference**: NJ Special Handling p2

**Tool**: Annuity Calculator (link on Preparer page)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 68,703 | 1,415 | 40,843 | 1,723 | Hint: Box 2 blank and amount in box 9b, so use Simplified Method section of 1099R worksheet to calculate exclusion (non-taxable) amount  Hint: Annuity Calculator tool helpful for filling Simplified Method section  Hint: Don’t forget to put prior year amount on line 5 of Simplified Method section  Check: NJ 1040, line 19a = 19,128  BP: Make adjustment on NJ 1040, line 19b now (next sub-step) |

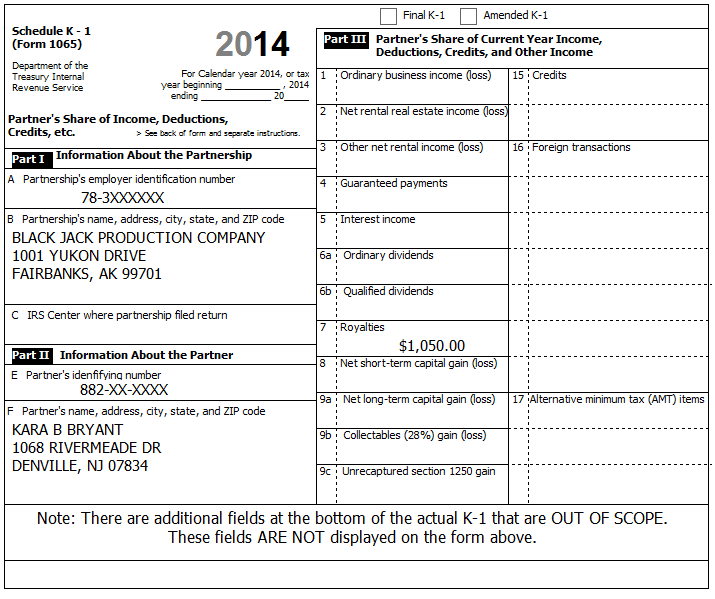
Step 15b Source: 1099R Simplified Method 🡺 TWO Screen: Scratch Pad\*

\* Scratch Pad attached to NJ 1040 Pg 2, Line 19b

**Reference**: NJ Special Handling p5

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 68,703 | 1,415 | 40,843 | 1,723 | Hint: Follow procedure in NJ Special Handling, p5 for NJ 1040 Pg 2, Line 19b (Excludable pensions)  Check: NJ 1040, line 19b = 335  Check: NJ 1040, line 19a (19,128) + line 19b (335) = 19,463 and Saulk box 1 (838) + Stillman box 1 (18,625) = 19,463 |

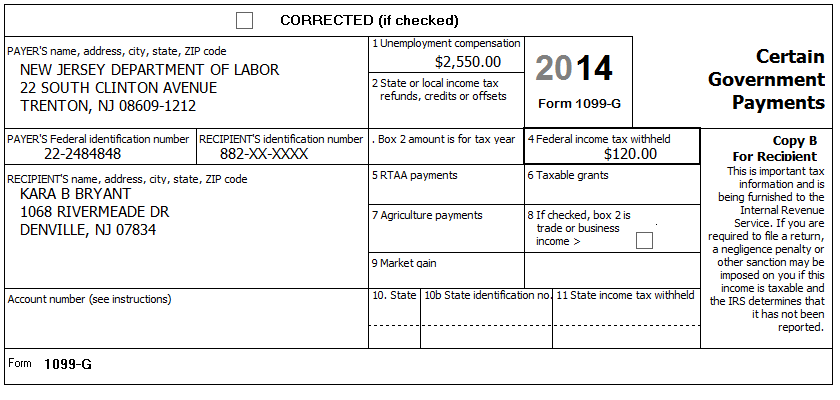
Step 16 Source: K-1 🡺 TWO Screen: Sch E



**Reference**: Special Topic Document – K-1 Income Entry

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 69,753 | 1,257 | 41,893 | 1,704 | Hint: Need to manually add Sch E to tree  Hint: Do NOT use K-1 form in TW ! |

Step 17 Source: 1099-G 🡺 TWO Screen: 1099G Wkt

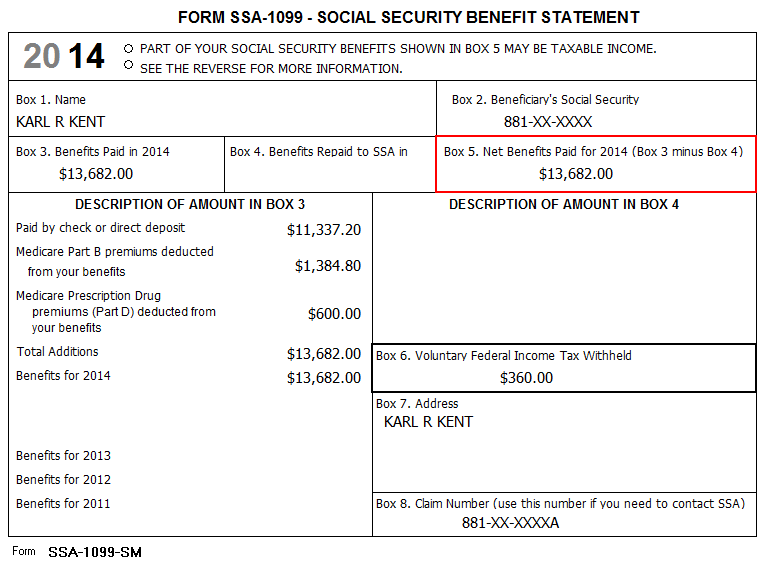


Kara said she received some unemployment, but didn’t receive any paperwork from the state. (NJ no longer sends out paper 1099-G forms for unemployment.) Luckily, Kara has her User ID and Password so you can help get a copy of her 1099-G online.

**Reference**: NJ Form 1099G Inquiry (Unemployment) (link on Preparer page)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 72,303 | 995 | 41,893 | 1,704 | Hint: 1099G Wkt probably already in tree with NJ info filled in |

Step 18 Source: SSA-1099 🡺 TWO Screen: 1040 Wkt1

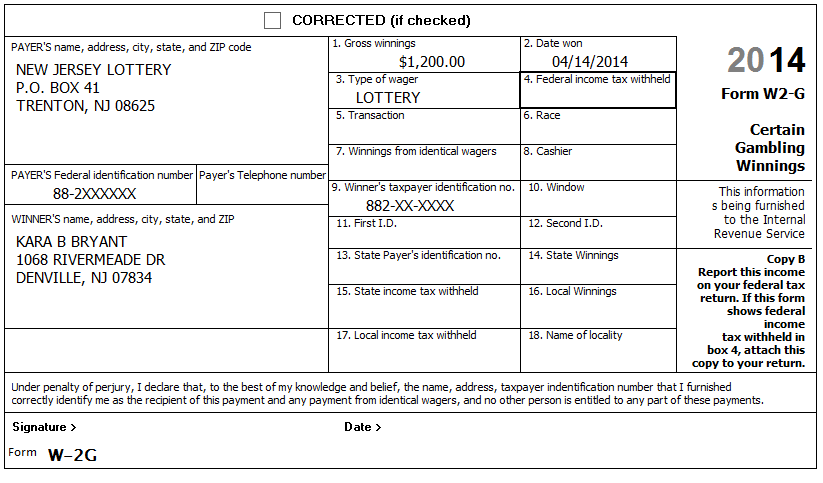


[no notes]

**Reference**: 4012 D-26

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 83,933 | (393) | 40,916 | 1,721 | Hint: Enter Social security received and Federal tax withheld, then add Scratch Pad for Medicare  BP: Use Scratch Pad linked to “Medicare Parts B, C, and D to Schedule A” row, Taxpayer column to document breakdown of Medicare premiums if more than one of Part B, C, D  Check: A Detail, Medicare from 1040 worksheet box = 1,985 |

Step 19 Source: W2-G 🡺 TWO Screen: W2G

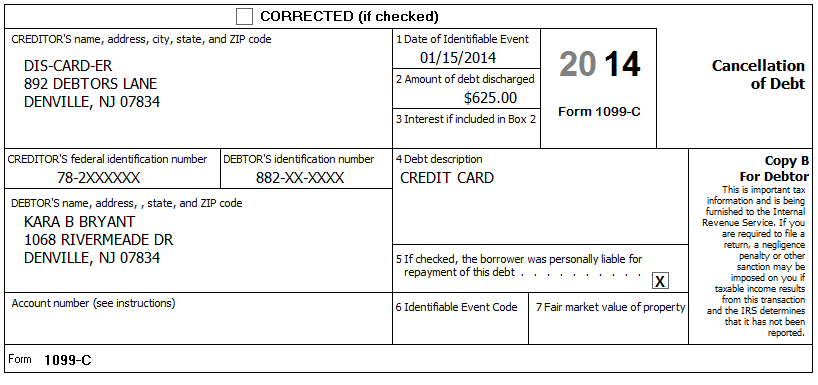


Kara had $600 in losses on Lottery tickets and $400 in losses on slot machines.

**Reference**: NJ Special Handling p3

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 85,133 | (573) | 40,916 | 1,721 | Hint: Need to add W2G (if not in tree)  BP: Include appropriate losses directly on W2G (bottom right)  Check: Sch A, line 28 = 1,000 |

Step 20a Source: 1099-C 🡺 TWO Screen: 1040 Wkt7



Kara was able to negotiate a deal with an overdue credit card to reduce her amount owed. The card was only used for personal expenses. She was solvent at the time and has never been involved in any bankruptcy proceedings.

**Reference**: 4012 D-33

**Reference**: NJ Special Handling p3

**Reference**: Special Topic: Cancellation of Debt – Credit Card

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 85,758 | (663) | 41,553 | 1,709 | Hint: 1040 Wkt7 should have been automatically added in previous step  BP: NJ Other Inc will be automatically added to tree - Handle reversing entry now (next sub-step) |

Step 20b Source: Notes 🡺 TWO Screen: NJ Other Inc

[no Notes]

**Reference**: NJ Special Handling p5

**Reference**: Special Topic: Cancellation of Debt – Credit Card

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 85,758 | (663) | 40,916 | 1,721 | Hint: NJ Other Inc should already be in tree |

Step 21 Source: Notes 🡺 TWO Screen: 1040 Wkt2

Kara bought her classroom supplies for her sixth graders and has receipts totaling $240.00. Kara worked over 1,000 hours and her costs were not reimbursed.

**Reference**: 4012 EXT-1

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 85,518 | (625) | 40,916 | 1,721 | Hint: Need to add 1040 Wkt2 if not already in tree |

Step 22 Source: Notes 🡺 TWO Screen: 1040 Pg 1

Karl paid $3,600 in alimony to a previous wife. The previous wife’s social security number is 886-XX-XXXX.

**Reference**: 4012 E-3, E-5

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 81,918 | (85) | 37,316 | 1,784 | Hint: One of the very few entries directly on 1040 |

Step 23 Source: Notes 🡺 TWO Screen: IRA Wkt

Kara made a contribution of $3,000 to her traditional IRA account and another $3,000 to her Roth IRA account.

**Reference**: 4012 E-3, E-5

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 78,918 | 365 | 37,316 | 1,784 | Hint: Will need to add IRA Wkt to tree |

Step 24 Source: Notes 🡺 TWO Screen: 1040 Wkt2

Kara’s brother, Kaleb, paid $268 interest on a student loan Kara incurred to obtain her teaching degree.

**Reference**: 4012 E-4, E-5

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 78,650 | 402 | 37,316 | 1,784 | Hint: 1040 Wkt2 should already be in tree |

Step 25 Source: Notes 🡺 TWO Screen: [see sub-steps]

The Kents brought a list of items they would like to deduct on their return.

**Itemized Deduction List**

Long Term Care insurance (Kara) $4,000

Doctor bills $1,653

Hospital bills $3,200

Life insurance $1,842

Funeral expenses $5,600

Medical mileage 103 miles per month (1,236 miles total)

Prescription drugs $965

Prescription eyeglasses $210

Church cash donations with canceled checks $1,650

Cash contributions to: National Public Radio, American Cancer Society,   
Shriners Children’s Hospital with canceled checks and receipts $225

Contributions to Millsap Elementary School with canceled checks and receipts $250

Salvation Army (FMV of clothes and TV in good used condition;   
Kents have receipts for these contributions.) $350

Sales Tax on a new car $1,400

Home mortgage interest (Form 1098) $3,164

Real estate tax (Principal residence) $7,135

Real estate tax (Empty lot in Georgia) $245

Gambling losses (Lottery) $600

Gambling losses (Slots) $400

Speeding tickets $375

Note: We will see later that the Kents participate in the NJ PTR program, we are going to ignore this for now to be consistent with the order of topics in the NJTL Training decks.

Step 25a Source: Notes 🡺 TWO Screen: Sch A

[see Itemized Deduction List, above]

**Reference**: 4012 F-3 thru F-6

**Reference**: NJ Special Handling p4, p8

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 78,650 | 492 | 37,316 | 1,784 | Hint: Enter only items which go directly on Sch A now, other items will be entered in other sub-step(s)  Hint: Some items in list may not be deductible or may have already been entered  Hint: Remember that we are ignoring PTR complications for now…  BP: Use Scratch Pad linked from Line 6, 4th box to document source of non-principal residence real estate tax amount  BP: Enter Real estate tax on NJ 1040 Pg 3 now (next sub-step) |

Step 25b Source: Notes 🡺 TWO Screen: NJ 1040 Pg 3, Worksheet F

The Kents qualified for the NJ PTR program last year. Their base year tax amount is $6,802.

**Reference**: NJ Special Handling p12

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 78,650 | 492 | 30,514 | 1,903 | Hint: What is correct number to use if TP is in the NJ PTR program? |

Step 25c Source: Notes 🡺 TWO Screen: NJ 1040 Pg 3, Line 37

According to the postcard from the tax office: – Block=50001, Lot-00002, Qualifier is blank.

**Reference**: NJ Special Handling p6

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 78,650 | 492 | 30,514 | 1,903 | BP: Correct amount reported on line 37a via a Scratch Pad attached to line 37a  Hint: In this case, County / municipality code is same as on NJ 1040 Pg1  Hint: Read NJ Special Handling for how to handle 37c checkbox |

Step 25d Source: Notes 🡺 TWO Screen: A Detail

[see Itemized Deduction List, above]

**Reference**: 4012 F-7

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 78,650 | 1,782 | 20,196 | 2,084 | Hint: Enter only items which go directly on A Detail worksheet now, other items will be entered in other sub-step(s)  Hint: Some items in list may not be deductible or may have already been entered  Check: Sch A, Line 1 = 12,023; Line 19 = 2,475 |

Step 25e Source: Notes 🡺 TWO Screen: Sales Tax

[see Itemized Deduction List, above]

**Reference**: 4012 n/a

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 78,650 | 1,782 | 20,196 | 2,084 | Hint: Enter only items which go directly on Sales Tax worksheet now, other items will be entered in other sub-step(s)  Hint: Some items in list may not be deductible or may have already been entered  BP: Use Scratch Pad linked to line 8 to document source of amount  Check: Sch A, line 5b = 2,420 |

Step 26 Source: Notes 🡺 TWO Screen: 5695 Pg 2

The Kents insulated the crawl space of their home for $175.00 and replaced all their windows with new windows meeting the IECC criteria (energy efficiency) at a cost of $7,450.00 excluding onsite preparation, assembly, or original installation of components.

Looking at last year’s return, you see that the Kents had $305 of Nonbusiness energy property credit (Form 5695, line 30). They had no energy credits for years before last year.

**Reference**: 4012 EXT-4

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 78,650 | 1,977 | 20,196 | 2,084 | Hint: Need to add Form 5695 to the tree |

Step 27 Source: Notes 🡺 TWO Screen: 2441 Pg 1

Karl and Kara paid the Maryville Day Care Center $1,100 to watch Dave while they worked. The address is 128 Menio St, Denville, NJ 07834. The EIN for the center is 88-0XXXXXX.

**Reference**: 4012 G-3 thru G-5

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 78,650 | 2,197 | 20,196 | 2,084 | Hint: Form 2441 is already in tree (because checked DC box for David on Main Info) |

Step 28 Source: Notes 🡺 TWO Screen: F/S Tax Pd

Karl and Kara applied $200 from last year’s federal tax refund and $100 from last year’s state tax refund toward this year’s federal and state taxes.

During the year, Karl and Kara made the following estimated tax payments:

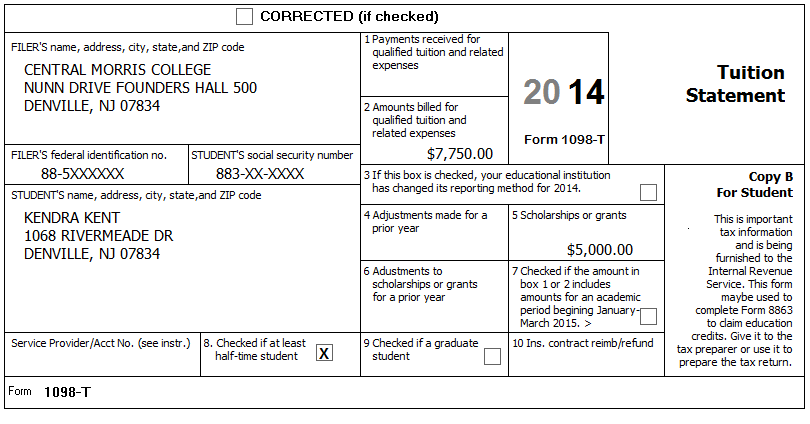
|  |  |  |
| --- | --- | --- |
| Date | Federal | NJ |
| 04-14 | $100 | $50 |
| 09-15 | $100 | $40 |

**Reference**: 4012 H-3

**Reference**: NJ Special Handling p11

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 78,650 | 2,627 | 20,196 | 2,274 | Hint: F/S Tax Pd is already in tree (below W-2s)  Hint: If any quarterly amount boxes with zero are red, just make them un-red  Hint: Un-red the “NJ state and/or local balance due from previous years’ returns…” box (if red)  Check: Sch A, line 5a = 2,846 |

Step 29 Source: Notes 🡺 TWO Screen:



Kara and Karl paid $2,750 for Kendra’s tuition plus an additional $3,500 for room and board. Kendra spent $500.00 on textbooks and supplies (which were not an enrollment requirement) and $850.00 for a new computer (which was not a course requirement). Kendra did not receive a 1098-T for 2013. This is Kendra’s third year in (undergraduate) college. Kendra has no felony convictions of any kind.

Kara had to take several special training courses at Boonton College that were required by her employer. Boonton college address: 123 Main, Boonton, NJ 07005. Kara did not receive a 1098-T nor was she enrolled at least half-time. The class tuition and fees totaled $317.85.

**Reference**: 4012 J-1 thru J-8, EXT-2

Step 29a Source: Notes 🡺 TWO Screen: Diagnostics

We are going to compare several alternative ways of handling the Kent’s education costs.

Ordinarily, before doing this, we would take care of any (federal) red forms in the tree and then run Diagnostics to make sure there are no unresolved issues before doing this comparison. Because the Kent problem is so complex, the only (federal) red forms in the tree are 1040 ACA Wkt and Prep Use. We are saving ACA stuff for last for training purposes and Prep Use will always be red before QR, so we only need to run Diagnostics at this point

If Diagnostics shows any Errors, then they need to be fixed before proceeding; Warnings, Overridden Entries, etc. are usually not something to worry about. (Note: If you have an Error, clicking on the Error will (usually, but not always) take you to the form that needs to be fixed.)

Step 29b Source: Notes 🡺 TWO Screen: 1040 Wkt2

We will try both Kara’s and Kendra’s expenses as a Tuition and Fees AGI Deduction first. (This is least likely to be the best choice.)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 75,582 | 3,122 | 20,196 | 2,274 | Hint: The Tuition and Fees as an AGI Deduction section is at the bottom of the worksheet |

Step 29bx Source: Notes 🡺 TWO Screen: 1040 Wkt2

Be sure to remove all testing entries and check that federal AGI/Refund plus NJ numbers return to previous values before proceeding

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 78,650 | 2,627 | 20,196 | 2,274 |  |

Step 29c Source: Notes 🡺 TWO Screen: 8863 Pg 2

We will try both Kara’s and Kendra’s expenses as a Lifetime Learning Credit next.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 78,650 | 3,241 | 20,196 | 2,274 | Hint: Need to add 8863 Pg 2 to tree (Note: not 8863 Pg 1 – 8863 Pg 1 will pop into the tree as soon as start to fill in Pg 2)  Hint: Need to add separate 8863 for each student (i.e. one for Kara and second for Kendra)  Result: Lifetime Learning better than AGI Deduction |

Step 29d Source: Notes 🡺 TWO Screen: 8863 Pg 2

We will try Kara’s expenses as a Lifetime Learning Credit (she doesn’t qualify for American Opportunity Credit) and Kendra’s expenses as an American Opportunity Credit next.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 78,650 | 5,004 | 20,196 | 2,274 | Hint: Remove Kendra’s entry from Lifetime Learning section and enter in American Opportunity Credit section  BP: Use Scratch Pad linked to Kendra’s 8863 Pg 2, Line 27 to document breakdown of Kendra’s expenses  Result: American Opportunity Credit best result for TP |

Note: ACA would typically be handled at this point

To support training and to allow for alternate ACA situations, handling ACA is deferred to later.

Step 30 Source: Notes 🡺 TWO Screen: Sch A

The Kents qualified for the NJ PTR program last year and received a rebate of $205

As is recommended, the base year tax amount was used in the step where property tax was entered on NJ 1040 Pg 3, Worksheet F. We are now going to handle the $205 PTR rebate.

Because the Kents itemized last year, the PTR rebate is a recovery.

**Reference**: NJ Special Handling p4, p9

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 78,650 | 4,974 | 20,196 | 2,274 | BP: Use Scratch Pad to document PTR adjustment  Hint: There is already a Scratch Pad on the 4th box (from real estate tax on Georgia lot), so just add PTR amount to it |

Step 31 Source: Notes 🡺 TWO Screen: Diagnostics

We should be done with the federal return entry. Before moving on to cleaning up NJ unique items, we should check that there are no unresolved federal issues.

If Diagnostics shows any Errors, then they need to be fixed before proceeding.

Step 32 Source: Notes 🡺 TWO Screen: NJ 1040 Pg 2, Line 30

Add Karl’s $1,200 pre-tax federal / after-tax NJ Dental Insurance to other medical expenses on NJ 1040, Line 30

**Reference**: NJ Special Handling p6

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 78,650 | 4,974 | 18,996 | 2,291 | BP: Use Scratch Pad linked to Line 30 to document source of NJ after-tax medical amount |

Step 33 Source: Notes 🡺 TWO Screen: NJ 1040 Pg 3, Line 45

The Kents would like to use the standard amount suggested by the NJ-1040 Instructions for the amount of Use Tax they owe.

**Reference**: NJ 1040 Instructions or link to Use Tax table on Preparer page

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 78,650 | 4,974 | 18,996 | 2,207 | Hint: Use NJ 1040, Line 28 amount to look up estimated amount in chart  BP: Use Scratch Pad linked to Line 45 to document how Use Tax amount was calculated  Hint: Will still need to un-red line 45 |

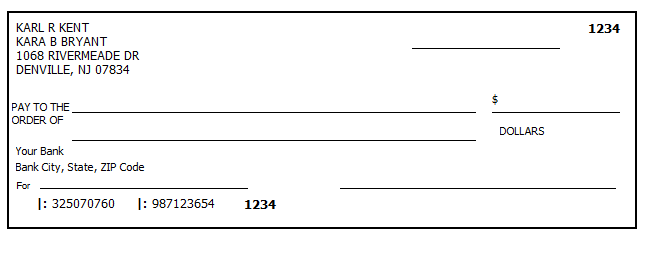
Step 34 Source: Notes 🡺 TWO Screen: Diagnostics

We should be done with the federal and New Jersey return entry. Before moving on to handle their Refund / Amount Due, we should check that there are no unresolved issues.

If Diagnostics shows any Errors, then they need to be fixed before proceeding.

Step 35 Source: Notes 🡺 TWO Screen:

The Kents said on their Intake Sheet that they wanted direct deposit for any federal refund. You confirm that this is still true and ask about their state refund and they say they would also like to use direct deposit. They show you a blank check from their local US bank so you can get their information.



**Reference**: 4012 K-14

Step 35a Source: Notes 🡺 TWO Screen: Main Info

[see Notes above]

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 78,650 | 4,974 | 18,996 | 2,207 | Hint: Enter Routing # (RTN) and Account # (DAN) about 2/3 the way down the Main Info worksheet |

Step 35b Source: Notes 🡺 TWO Screen: 1040 Pg 2, Line 76

[see Notes above]

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 78,650 | 4,974 | 18,996 | 2,207 | Hint: Enter Routing # (RTN), select Checking, and enter Account # (DAN) on Line 76 |

Step 35c Source: Notes 🡺 TWO Screen: NJ DD Wkt

[see Notes above]

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 78,650 | 4,974 | 18,996 | 2,207 | Hint: Read options under Direct Deposit and select appropriate one  Hint: Will need to answer about foreign bank |

Step 36a Source: Notes 🡺 TWO Screen: Diagnostics

We should be done with the federal and New Jersey return entry. Before wrapping up, we should check that there are no unresolved issues.

If Diagnostics shows any Errors, then they need to be fixed before proceeding.

Step 36b Source: Notes 🡺 TWO Screen: Diagnostics

When the Diagnostics check is clean, we should click the Create e-File(s) button. This runs an additional level of diagnostic checks and actually creates the e-Files which will be transmitted to CCH and then to the IRS and New Jersey.

Step 37 Source: Notes 🡺 TWO Screen: 1040 ACA Wkt

Karl and Carmen had Medicare all year.

Kara, Kendra, and Dave had health insurance through Kara’s employer all year.

Note: This step is out of order to allow separation of ACA instruction and to allow for an alternative ACA situation.

**Reference**: 4012 ACA Tab

**Reference**: ACA TaxWise Procedures (TY2014 version)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Refund Monitor** | | | | |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 78,650 | 4,974 | 18,996 | 2,207 | Hint: Everyone marked as Full |

Step 38 Source: Notes 🡺 TWO Screen: Diagnostics

Run Diagnostics (and Create e-File) – Resolve any issues (and don’t forget to celebrate finishing the Kent problem!!)

For a client return, the next step would be Quality Review…