



# 4491X

## VITA/TCE Training Supplement

Volunteer Income Tax Assistance (VITA) / Tax Counseling for the Elderly (TCE)

**2015 RETURNS**



Take your VITA/TCE training online at [www.irs.gov](http://www.irs.gov) (keyword: Link & Learn Taxes). Link to the Practice Lab to gain experience using tax software and take the certification test online, with immediate scoring and feedback.







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## Publication 4491X – 2015 Supplement

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## Introduction

This supplement contains changes, revisions, and additions to the printed versions of the VITA/TCE training publications.

**These changes impact all of the VITA/TCE courses.** VITA/TCE tax preparers must review this supplement before assisting taxpayers with tax law questions or preparing their returns. Quality reviewers must also review this document before performing quality reviews.

## Changes to the Training and Site Publications

The following changes have been made to the listed publications. You may:

1. Use this list to make pen-and-ink changes to your printed training publications, or
2. Print out the corrected pages that follow this list and replace the erroneous pages in your printed training publications. On the reverse side of each revised page is the continuing page.



### TIP

The answers to the comprehensive problems and exercises in Publication 4491W can be accessed under Other Technical Resources and Training Products on the Volunteer Training Resources page on [www.irs.gov](http://www.irs.gov).

### TIP

At the time this publication was produced, details about recently passed legislation on extenders was not yet available. A product alert will be sent in January with detailed information about these changes.

## 2015 Publication 4012, VITA/TCE Volunteer Resource Guide

7	No change.
8	Note 3 changed to: Limitation: Schedule C – Follow the Schedule C-EZ guidelines, except up to \$25,000 of expenses are allowed and more than one Schedule C can be prepared if the taxpayers have more than one business
9	Removed the check mark in the Basic column for line 46. (It is in scope for Advanced certification only)
10	Removed the check mark in the Basic column for line 69. (It is in scope for Advanced certification only)
EXT-5 and 6	Replaced. Print updated Publication 4731-A from this publication and replace.
ACA-1	Under the heading "Remember," the first bullet changed to: Each person in the tax household should be screened individually to determine in which months the person has coverage, is eligible for an exemption, or is subject to a shared responsibility payment.
ACA-2	No change.
ACA-3	No change.
ACA-4	Page replaced with new Minimum Essential Coverage chart.
ACA-5	No change.
ACA-6	Page replaced with new Coverage Exemptions chart.
ACA-9	Line A: Affordability threshold, fourth box changed to: The portion of required contribution for employer-sponsored coverage paid through a salary reduction arrangement and excluded from gross income (if applicable).

ACA-9	Line B Plan Cost, under "Yes there is an offer of coverage," middle column, last row changed to: Are all of the following true: (1) individual offers of self-only coverage are affordable (i.e., less than 8.05% of household income), BUT (2) their combined cost is greater than 8.05% of household income, AND (3) no family coverage is offered for less than 8.05% of household income?
ACA-10	No change.
ACA-11	Replaced page with new applicable figure chart.
ACA-12	No change.
ACA-13	2014 Poverty Lines for the 48 Contiguous States and the District of Columbia, amount for 6 persons, 100% Poverty Line changed to: \$31,970
ACA-13	2014 Poverty Lines for Hawaii, amount for 1 person, 400% Poverty Line changed to: \$53,680
ACA-14	Left side, 2nd gray box changed to: Flat dollar amount (cannot exceed \$975, which is 300% of applicable dollar amount for 2015)
ACA-15	Right side, 2nd box, 2nd paragraph changed to: SLCSP lookup tools are available at the state Marketplace websites or www.Healthcare.gov. If there was no APTC some states that don't provide tax tools are reporting an amount in this column that is based on all enrolled individuals and not only individuals in the coverage family. If not all enrolled individuals are in the coverage family and there is an amount in this column use the state Marketplace SLCSP tool, or if the Marketplace does not have a SLCSP tool, call the Marketplace to obtain a correct SLCSP premium.
ACA-16	Right side, 1st box changed to: Check here if taxpayer is Married Filing Separately but cannot file a joint return because of spousal abuse or abandonment in the last year. See Form 8962 Instructions for details.
ACA-16	Right side, 2nd box changed to: If a taxpayer is Married Filing Separately and is not eligible for relief, he/she must repay APTC, subject to the repayment limitation. Enter the APTC amounts in column F.
ACA-16	Right side, 6th box, 1st paragraph changed to: <b>Line 11 or Lines 12-23:</b> Complete line 11 if Form 1095-A shows the same monthly amounts for all 12 months and the taxpayer's SLCSP is the same for each month of the year. Otherwise, complete lines 12-23. Do not complete both.
ACA-16	Right side, 7th box changed to: Line 26: The net premium tax credit a taxpayer can claim (the excess of the taxpayer's premium tax credit over APTC).
ACA-16	Right side, 8th box, 1st paragraph changed to: The amount of excess APTC (amount by which APTC exceeds the taxpayer's premium tax credit) that needs to be repaid. Because there is a repayment limitation, all of the excess APTC may not have to be repaid.
ACA-17	Page replaced with new Shared Policy Allocation table.
ACA-18	Page replaced with new Alternative Calculation for Year of Marriage Eligibility table.

B-1	Footnote 5 changed to: You are considered unmarried for head of household purposes if your spouse was a nonresident alien at any time during the year and you do not choose to treat your nonresident spouse as a resident alien. However, your spouse is not a qualifying person for head of household purposes. You must have another qualifying person (use the table on page B-3) and meet the other tests to be eligible to file as a head of household.
B-2	Step 2, changed to: If NO, go to Step 3 <sup>2</sup>
B-2	Footnote 2 changed to: You are considered unmarried for head of household purposes if your spouse was a nonresident alien at any time during the year and you do not choose to treat your nonresident spouse as a resident alien. However, your spouse is not a qualifying person for head of household purposes. You must have another qualifying person (use the table on page B-3) and meet the other tests to be eligible to file as a head of household.
C-5	Footnote 2, 1st sentence, changed to: A child is considered to have lived with you during periods of time when one of you, or both, are temporarily absent due to special circumstances such as illness, education, business, vacation, military service, or detention in a juvenile facility.
C-6	No change.
D-13	No change.
D-14	Right side, last entry changed to: * Use the same criteria as Schedule C-EZ, except taxpayers can have expenses up to \$25,000, and more than one Schedule C can be prepared if the taxpayers have more than one business.
D-17	No change.
D-18	Number 1, last bullet changed to: Long term transactions with basis not reported to the IRS - categorized as "Box E."
D-19	Capital Gain or Loss Transactions Worksheet column (f) code changed to H.
D-20	No change.
D-33	Replaced. Print updated Publication 4731 from this publication and replace.
D-34	No change.
F-1	Persons Not Eligible for the Standard Deduction Interview Tips replaced.
F-2	No change.
G-1	Changed positions of arrows. Replace page.
G-2	No change.
G-5	No change.
G-6	Bottom of page, 4th bullet changed to: A contribution to a traditional or Roth IRA (including a myRA) qualifies for this credit, but may not appear on any taxpayer document. Remember to review the expenses section on page 2 of the Intake and Interview Sheet and ask taxpayers if they made any IRA contributions.
G-7	Note, 1st bullet changed to: Traditional or Roth IRAs (including myRAs)
G-8	Note added at the bottom of the page: Beginning 2015, if you claim the foreign earned income exclusion, the housing exclusion, or the housing deduction on Form 2555 or Form 2555-EZ, you can't claim the additional child tax credit.

K-11	No change.
K-12	3rd paragraph, changed URL to: <a href="https://secure.ssa.gov/RIL/SiView.do">https://secure.ssa.gov/RIL/SiView.do</a>
M-1	Note 1 changed to: Advise taxpayers that the amended return should not be filed until all original refunds have been received. A refund on an amended return cannot be direct deposited; a check is mailed to the taxpayer. If there is a balance due on the current year amended return, filing by the April due date will reduce penalties.
M-2	No change.
P-3	Add hyperlink below title ASL: Get Free Tax Help <a href="https://www.youtube.com/watch?v=A3B6nAYh4oU">https://www.youtube.com/watch?v=A3B6nAYh4oU</a> Add hyperlink below title ASL: What to Bring at Tax Time. <a href="https://www.youtube.com/watch?v=zJtvIMlb5ss">https://www.youtube.com/watch?v=zJtvIMlb5ss</a> Add hyperlink below title: ASL: Understanding Your Tax Return <a href="https://www.youtube.com/watch?v=ulgxP9u9YDQ">https://www.youtube.com/watch?v=ulgxP9u9YDQ</a>
P-4	No change.

**Print out the corrected pages that follow and replace the erroneous pages in your printed training publications. On the reverse side of each revised page is the continuing page.**

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## How to Use This Guide

This publication is designed to assist you in preparing an accurate paper or software-prepared return using TaxWise®.\*

The decision trees and interview tips are from your training materials and Publication 17, Your Federal Income Tax Guide (For Individuals). Use these tools during the dialogue with the taxpayer—“ask the right questions; get the right answers.” **Note: *Publication 17 can be linked and researched electronically via WWW.IRS.gov.***

Also available via **WWW.IRS.gov** is the Interactive Tax Assistant (ITA), which is an excellent tool to guide you through answers to tax law questions.

\*TaxWise® is a copyrighted software program owned by CCH Small Firm Services (CCH). The screen shots in this publication should not be extracted, copied, or distributed without written approval of the IRS.

Note:



1. TaxWise® screen shots in this guide may not be updated for current tax law. Generally, the screens depicted mirror the last year's version. However, there are some instances where there are embedded references to earlier tax years.
2. Not all forms are authorized for all volunteer programs. Forms intended specifically for the Military VITA Program will be annotated as such. Volunteers should only provide tax assistance based on their level of certification—basic, advanced, military, international, or Health Savings Accounts.

SPEC allows volunteers to use the IRS provided software to prepare and electronically file their own tax return and the returns of family and friends. Unlike VITA/TCE returns, these returns have no income or tax law limitations.

## Scope of Service

Volunteers are trained to assist in the filing of Form 1040 and certain schedules and forms. To be covered under the Volunteer Protection Act, volunteers must stay within the scope of the VITA/TCE programs and prepare returns for which they achieved certification. This chart covers limitations or expansion of scope of service for each certification level. The check mark indicates within scope for that level of certification. The light gray areas indicate tax law topics not covered under that certification level. Form 1040 line items omitted from this chart are out of scope. Within each line item, there are specific elements that are out of scope for the VITA/TCE programs as indicated in the training. This list is not all-inclusive.

VITA/TCE Hot Line Assistor's column has been added below. For more information see Publication 5220, VITA/TCE Volunteer Site Scope & Referral Chart.

Form 1040 Line #	Description	Information Reporting Document	 Basic	 Advanced	Can Hotline Assistors Address these Tax Law Topics with VITA/TCE Volunteer?*
<b>Filing Status</b>			See Note 1	See Note 1	
1	Single		✓	✓	Yes
2	Married filing jointly		✓	✓	Yes
3	Married filing separately		✓	✓	Yes
4	Head of household		✓	✓	Yes
5	Qualifying widow(er)		✓	✓	Yes
<b>Exemptions</b>					
6a - d	Exemptions		✓	✓	Yes
<b>Income</b>			See Note 2	See Note 2	
7	Wages, salaries, tips, etc.	W-2	✓	✓	Yes
8a - b	Taxable interest, tax-exempt interest	1099-INT, Sch K-1	✓	✓	Yes
9a - b	Ordinary dividends, qualified dividends	1099-DIV, Sch K-1	✓	✓	Yes
10	Taxable refunds, etc.	1099-G	✓	✓	Yes
11	Alimony received		✓	✓	Yes
12	Business income or (loss)	1099-MISC, Box 7		✓	No
13	Capital gain or (loss)	1099-B		✓	No
15a - b	IRA distributions, taxable amount	1099-R	✓ See Note 5	✓ See Note 3	Yes
16a - b	Pensions and annuities, taxable amount	1099-R, RRB 1099-R	✓ See Note 5	✓ See Note 4	Yes
17	Rental real estate (Military certification only)	1099-MISC, Box 1			No
17	Royalties	1099-MISC, Box 2 & Sch K-1		✓ See Note 6	No
19	Unemployment compensation	1099-G	✓	✓	Yes
20a - b	Social Security benefits, taxable amount	SSA-1099, RRB-1099	✓	✓	Yes

Note 1 • Limitation: Foreign Student certification only for taxpayers with F, J, M & Q visas

Note 2 • Limitation: Military certification only – Combat Zone, Incentive Pay, Re-Enlistment, Education Repayment, Recruitment Bonus



• Limitation: International certification only – Foreign Pay

Note 3 • Limitation: Schedule C – Follow the Schedule C-EZ guidelines, except up to \$25,000 of expenses are allowed and more than one Schedule C can be prepared if the taxpayers have more than one business



Note 4 • Limitation: Wash sales shown on Form 1099-B or brokerage statements only

Note 5 • Limitation: If taxable amount has been determined

Note 6 • Limitation: Only royalty income on Form 1099-MISC, Box 2 and Sch K-1

Form 1040 Line #	Description	Information Reporting Document	 Basic	 Advanced	Can Hotline Assistors Address these Tax Law Topics with VITA/TCE Volunteer?*
21	Other income - varies	1099-MISC, Box 3	✓ See Note 7	✓ See Note 7	Yes (COD is No)
<b>Adjusted Gross Income</b>					
23	Educator expenses	Extender	✓	✓	Yes
24	Certain business expenses of reservists (Military certification only)				No
25	Health savings account deduction (HSA certification only)	5498-SA, 1099-SA, W-2 (Box 12, Code W)	✓ See Note 7		No
26	Moving expenses (Military certification only)				Yes (Job related only)
27	Deductible part of self-employment tax			✓	Yes
30	Penalty on early withdrawal of savings	1099-INT	✓	✓	Yes
31a - b	Alimony paid, recipient's SSN		✓	✓	Yes
32	IRA deduction			✓	Yes
33	Student loan interest deduction	1098-E	✓	✓	Yes
34	Tuitions and fees	Extender	✓	✓	Yes
<b>Tax and Credits</b>					
39a	Check if: blind/born <1/2/1951 Total boxes checked		✓	✓	Yes
39b	If your spouse itemizes on a separate return		✓	✓	Yes
40	Standard deduction		✓	✓	Yes
40	Itemized deductions		✓	✓	Yes
42-44	Exemptions, Taxable income, Tax		✓	✓	Yes
46	Excess APTC repayment	1095-A		✓	Yes
48	Foreign tax credit	1099-INT or 1099-DIV	✓ See Note 8	✓ See Note 8	No
49	Credit for child and dependent care expenses	W-2 and/or Provider Statement	✓	✓	Yes
50	Education credits	1098-T	✓	✓	Yes
51	Retirement savings contributions credit	W-2, Box 12	✓	✓	Yes
52	Child tax credit		✓	✓	Yes
53	Residential energy credit	Extender		✓ See Note 9	No
54	Credit for the elderly or the disabled			✓	Yes

- Note 7 • Limitation: HSA certification only (requires Basic certification or higher) – HSA Distributions
- Limitation: COD for credit cards and home foreclosures (requires Advanced certification)
  - Limitation: International certification only – Foreign earned income exclusion
- Note 8 • Limitation: International certification only if Form 1116 needed
- Note 9 • See Publication 4491-X, current scope of Residential Energy Credits
- Note 10 • Basic certification: automatic calculation only
- Advanced certification or higher: to remove addition to tax

Form 1040 Line #	Description	Information Reporting Document	 Basic	 Advanced	Can Hotline Assistors Address these Tax Law Topics with VITA/TCE Volunteer?*
<b>Other Taxes</b>					
57	Self-employment tax			✓	Yes
58	Unreported social security and Medicare tax from Form 4137 only			✓	No
59	Additional tax on IRAs, other qualified retirement plans, etc.	1099-R	✓ See Note 10	✓ See Note 10	Yes
60b	First time homebuyer credit repayment			✓	Yes
61	Health care: individual responsibility		✓	✓	Yes
<b>Payments</b>					
64	Federal income tax withheld from	W-2 and 1099	✓	✓	No
65	2015 estimated tax payments and amount applied from 2014		✓	✓	Yes
66a	Earned income credit (EIC)		✓	✓	Yes
66b	Nontaxable combat pay election (Military certification only)	W-2, Box 12, Code Q			No
67	Additional child tax credit		✓	✓	Yes
68	American opportunity credit	1098-T	✓	✓	Yes
69	Net premium tax credit	1095-A		✓	Yes
70	Amount paid with request for extension		✓	✓	No
71	Excess social security and tier 1 RRTA	SSA-1099, RRB-1099	✓	✓	Yes
<b>Refund</b>					
75	Amount overpaid		✓	✓	No
76a-d	Bank account information		✓	✓	No
77	Amount you want applied to 2016 estimated tax		✓	✓	No
<b>Amount You Owe</b>					
78	Amount you owe		✓	✓	No
	Third Party Designee		✓	✓	No
	Identity Protection PIN section		✓	✓	No

\* If the VITA/TCE Hotline is unable to answer questions related to the tax law topic and you have performed your due diligence in seeking the answer, do not prepare the return. Please refer the taxpayer to a professional return preparer.



**Publication 4731-A**  
**Screening Sheet for Foreclosures/Abandonments and**  
**Cancellation of Debt**



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

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

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

**Part I – Home Mortgage Loan**

<p><sup>step</sup> <b>1</b></p>	<p>Did the taxpayer receive Form 1099-A, Acquisition or Abandonment of Secured Property, from their home mortgage lender?</p>	<p><b>YES</b> – Go to Step 2  <b>NO</b> – Advise the taxpayer to get the documentation from the home mortgage lender.</p>
<p><sup>step</sup> <b>2</b></p>	<p>Did the taxpayer ever use the home in a trade or business or as rental property?</p>	<p><b>YES</b> – Go to Step 6  <b>NO</b> – Go to Step 3</p>
<p><sup>step</sup> <b>3</b></p>	<p>Is box 5 of Form 1099-A checked indicating a recourse loan in which the taxpayer is personally liable?</p>	<p><b>YES</b> – The sales price is the lesser of box 2 (Balance of principal outstanding) or box 4 (Fair Market Value of Property) on Form 1099-A.  <b>NO</b> – The sales price is the amount in box 2 (Balance of principal outstanding) on Form 1099-A. The taxpayer is not personally liable (non-recourse loan).</p>
<p><sup>step</sup> <b>4</b></p>	<p>Ask the taxpayer for the cost or basis of the home.  Refer to Publication 523, Selling your Home, for further information, if needed.</p>	
<p><sup>step</sup> <b>5</b></p>	<p>Report the sale of the personal residence on Form 8949 and Schedule D.  If the disposition of the property results in a:  <b>Gain</b> – The taxpayer may qualify for the Section 121 exclusion (\$250,000 or \$500,000 if Married Filing Jointly) for a gain on the sale of a principal residence, if all requirements are met.  <b>Loss</b> – The taxpayer cannot claim a loss on the sale or disposition of a principal residence.  Refer to Publication 4012 (Tab EXT), “Examples: Capital Loss on Foreclosure,” for further information.</p>	
<p><sup>step</sup> <b>6</b></p>	<p>These tax issues are outside the scope of the volunteer program.  <b>Refer the taxpayer to:</b></p> <ul style="list-style-type: none"> <li>• www.irs.gov for the most up-to-date information.</li> <li>• The Taxpayer Advocate Service (TAS): 1-877-777-4778, TTY/TDD 1-800-829-4059. TAS may help if the problem cannot be resolved through normal IRS channels.</li> <li>• A professional tax preparer.</li> </ul>	<p><b>Additional Resources:</b></p> <ul style="list-style-type: none"> <li>• Publication 523, Selling your Home</li> <li>• Publication 525, Taxable and Nontaxable Income</li> <li>• Publication 4681, Canceled Debts, Foreclosures, Repossessions, and Abandonments</li> </ul>



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

**Part II – Home Mortgage Loan**

<p>step <b>1</b></p>	<p>Did the taxpayer receive Form 1099-C, Cancellation of Debt, from their home mortgage lender and is the information shown on the form correct?</p> <p><b>Note:</b> Answer “yes” if the taxpayer has received a Form 1099-A and Form 1099-C.</p>	<p><b>YES</b> – Go to Step 2  <b>NO</b> – Go to Step 6</p>
<p>step <b>2</b></p>	<p>Did the taxpayer ever use the home in a trade or business or as rental property?</p>	<p><b>YES</b> – Go to Step 6  <b>NO</b> – Go to Step 3</p>
<p>step <b>3</b></p>	<p>Does box 3 of Form 1099-C show any interest or does box 6 show code A indicating bankruptcy?</p> <p><b>Note:</b> If box 6 is not marked with code A but the taxpayer has subsequently filed bankruptcy, answer “yes.”</p>	<p><b>YES</b> – Go to Step 6  <b>NO</b> – Go to Step 4</p>
<p>step <b>4</b></p>	<p>Ask the following questions to determine if the discharged debt is “qualified principal residence indebtedness:”</p> <p>a. Was the mortgage taken out to buy, build, or substantially improve the taxpayer’s principal residence? (<b>Note:</b> A principal residence is generally the home where the taxpayer lives most of the time. A taxpayer can have only one principal residence at any one time.)</p> <p>b. Was the mortgage secured by the taxpayer’s principal residence?</p> <p>c. Was any part of the mortgage used to pay off credit cards, purchase a car, pay for tuition, pay for a vacation, pay medical/dental expenses, or used for any other purpose other than to buy, build, or substantially improve the principal residence?</p> <p>d. Was the mortgage amount more than \$2 million (\$1 million if Married Filing Separately)?</p>	<p>a. <b>YES</b> – Go to Step 4b  <b>NO</b> – Go to Step 6</p> <p>b. <b>YES</b> – Go to Step 4c  <b>NO</b> – Go to Step 6</p> <p>c. <b>YES</b> – Go to Step 6  <b>NO</b> – Go to Step 4d</p> <p>d. <b>YES</b> – Go to Step 6  <b>NO</b> – Go to Step 5</p>
<p>step <b>5</b></p>	<p>The discharged debt is “qualified principal residence indebtedness.”</p> <p>The Mortgage Forgiveness Debt Relief Act of 2007 allows for the exclusion of discharged qualified principal residence indebtedness canceled in 2007, 2008, and 2009; the Emergency Economic Stabilization Act of 2008 extended the exclusion for tax years 2010 through 2012; the American Taxpayer Relief Act of 2012 extended the exclusion to 12/31/2013; and, the Tax Increase Prevention Act of 2014 extended the exclusion to 12/31/2014.</p> <p>The volunteer should complete the applicable lines on Form 982, and file it with the taxpayer’s return. If the residence was disposed of, the taxpayer also may be required to report the disposition (sale) on Form 8949 and Schedule D.</p>	
<p>step <b>6</b></p>	<p>These tax issues are outside the scope of the volunteer program. The taxpayer may qualify to exclude all or some of the discharged debt. However, the rules involved in the mortgage debt relief exclusions are complex.</p> <p><b>Refer the taxpayer to:</b></p> <ul style="list-style-type: none"> <li>• www.irs.gov for the most up-to-date information.</li> <li>• The Taxpayer Advocate Service (TAS): 1-877-777-4778, TTY/TDD 1-800-829-4059. TAS may help if the problem cannot be resolved through normal IRS channels.</li> <li>• A professional tax preparer.</li> </ul>	<p><b>Additional Resources:</b></p> <ul style="list-style-type: none"> <li>• Publication 523, Selling your Home</li> <li>• Publication 525, Taxable and Nontaxable Income</li> <li>• Publication 4681, Canceled Debts, Foreclosures, Repossessions, and Abandonments</li> <li>• Publication 4705, Overview of Mortgage Debt Forgiveness</li> <li>• Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment) and Instructions</li> </ul>

# AFFORDABLE CARE ACT (ACA)

## Approaching the ACA

For each person in the tax household:

1

### Did this person have coverage all year?

If YES: In ACA Worksheet, check "Full" for that person. (See software image on next page)  
If "Full" is checked for every person on the return, TaxWise will check the box on Form 1040, page 2.

2

### Is this person eligible for an exemption for any month without coverage?

If YES: In ACA Worksheet, check "Exm" and complete Form 8965.

3

### Does this person have no coverage AND no exemption for any month during the year?

If YES: In ACA Worksheet, check each month with no coverage AND no exemption. A shared responsibility payment will be calculated for that person for that month.  
If this person has no coverage AND no exemption in EVERY month of the year, check "None."

4

### Did this person have qualifying health plan coverage purchased through the Marketplace?

If YES: In ACA Worksheet, check "Mkt" and complete Form 8962.

!

### Remember

- Each person in the tax household should be screened individually to determine in which months the person has coverage, is eligible for an exemption, or is subject to a shared responsibility payment.
- A tax return claiming zero personal exemptions (a dependent filing his or her own return) should not complete the ACA Worksheet. The dependent's coverage exemption or premium tax credit will be reported on the return of the taxpayer who properly claims his or her dependency exemption.



# TaxWise ACA Worksheet

**TaxWise Tip**

**ACA Worksheet** must be completed unless the return is being filed by a dependent.

## TaxWise ACA Worksheet

	Full	None	Mkt	Exm	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
JOHN SMITH Under age 18 at beginning of month	<input checked="" type="radio"/>	<input type="radio"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
JANE SMITH Under age 18 at beginning of month	<input type="radio"/>	<input type="radio"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
KATIE SMITH Under age 18 at beginning of month	<input type="radio"/>	<input checked="" type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Check to indicate if the individual had coverage all year.

Check to indicate if the individual had no coverage AND no exemption for all 12 months.

- Do not select "None" for a person who was born or died during the year. The coverage requirement applies only to FULL months alive.
- The coverage requirement for an adopted child applies only to the FULL months after the adoption occurs.
- Do not select "None" if a person had either coverage or an exemption for any month.

Check to indicate if the individual had coverage through the Marketplace for at least one month.  
**Also complete Form 8962 using Form 1095-A.**

Check to indicate if the individual qualifies for an exemption for at least one month.  
**Also complete Form 8965.**

**Caution!** Check only the months when the person had no coverage AND no exemption. These are the shared responsibility payment months.

TaxWise will check these boxes (based on date of birth) to indicate people under age 18, which affects the shared responsibility payment computation.

**Caution!** This page contains the 2014 TaxWise ACA Worksheet which is being revised. An updated page will be included in Publication 4491X if needed.



TaxWise ACA Worksheet Continued															
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Under age 18 at beginning of month	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Under age 18 at beginning of month	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Under age 18 at beginning of month	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Under age 18 at beginning of month	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The first 6 lines of the worksheet are calculated fields. Use the non-calculated lines of this worksheet to enter individuals who could be claimed as dependents but are not claimed on this return. Use the override function to check the "under 18" boxes if needed.

TaxWise ACA Worksheet Continued	
6 Sum of the number of boxes checked on line 1 above for the year	0
7 Household income Enter the total modified AGI for any dependent included in this return who is required to file a tax return - F3 if zero	0
8 Filing threshold	0
9 Subtract line 8 from line 7	0
10 Multiply line 9 by 1%	0
11 Is line 10 more than \$285? <input checked="" type="checkbox"/> Yes. Multiply line 10 by the number of months for which line 1 is more than zero. <input type="checkbox"/> No. Amount calculated based on the flat dollar amount worksheet	0
12 Divide line 11 by 12	0
13 Multiply line 6 by \$204	0
14 Smaller of line 12 or line 13	0

**Caution:** Enter dependent's MAGI only if the dependent has a tax filing requirement. Do not enter the MAGI of taxpayer or spouse as it is already included.

See page ACA-8 for dependents' filing threshold chart.

**Caution:** This is the Shared Responsibility Payment.

If everyone on the tax return has MEC or qualifies for an exemption for every month the amount on this line should be 0.

## Types of Minimum Essential Coverage

# DRAFT AS OF

Minimum essential coverage means health care coverage under any of the following programs. It does not, however, include coverage consisting solely of excepted benefits. Excepted benefits include stand-alone vision and dental plans (except pediatric dental coverage), workers' compensation coverage, and coverage limited to a specified disease or illness.

### Employer-sponsored coverage:

- Group health insurance coverage for employees under—
  - A governmental plan, such as the Federal Employees Health Benefit program
  - A plan or coverage offered in the small or large group market within a state
  - A grandfathered health plan offered in a group market
- A self-insured health plan for employees
- COBRA coverage
- Retiree coverage

### Individual health coverage:

- Health insurance you purchase directly from an insurance company
- Health insurance you purchase through the Marketplace
- Health insurance provided through a student health plan

### Coverage under government-sponsored programs:

- Medicare Part A coverage
- Medicare Advantage plans
- Most Medicaid coverage\*
- Most Children's Health Insurance Program (CHIP) coverage\*
- Most types of TRICARE coverage
- Comprehensive health care programs offered by the Department of Veterans Affairs
- Health coverage provided to Peace Corps volunteers
- Department of Defense Nonappropriated Fund Health Benefits Program
- Refugee Medical Assistance

### Other coverage:

- Certain foreign coverage
- Certain coverage for business owners
- Coverage recognized by HHS as minimum essential coverage.\*\*

\*Medicaid and CHIP programs that provide limited benefits generally don't qualify as minimum essential coverage; however, HHS will provide a hardship exemption to individuals with certain types of limited-benefit Medicaid and CHIP coverage.

\*\*Plans recognized as minimum essential coverage are listed at: [www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Market-Reforms/minimum-essential-coverage.html](http://www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Market-Reforms/minimum-essential-coverage.html), scroll down and click on the link for the list of approved plans.

No proof of coverage is needed. Oral statement from the taxpayer is acceptable, unless normal due diligence leads you to believe the taxpayer's statement is incorrect.

# Exemptions: Overview

## Exemptions: Where do I start?

**STEP 1**

### Does anyone in the tax household already have an exemption in hand from the Marketplace?

Marketplace exemptions require an *application*. If a person applied for an exemption through the Marketplace (or if they were granted an exemption automatically because they were denied Medicaid coverage in a state that did not expand Medicaid), they should have received an Exemption Certificate Number (ECN) from the Marketplace. It is a 6 or 7 digit alphanumeric code.

**STEP 2**

### Is household or gross income under the filing threshold?

If YES, check box 7a or 7b on Form 8965, Part II. Everyone on the tax return is exempt from the coverage requirement, and there is no need to consider additional exemptions. (See page ACA-7 for more information.)

**STEP 3**

### If the family does not qualify for an exemption under Step 2, does any individual qualify for an exemption that can be claimed directly on the tax return?

If YES, enter the exemption code on Form 8965, Part III. (See page ACA-9 for more information.)

**STEP 4**

### For any uninsured individual that does not qualify under Step 2 or 3, does any individual in the tax household qualify for an exemption from the Marketplace?

If YES, direct the person to the Marketplace for additional help. Enter "pending" on Form 8965, Part I, if the Marketplace has not processed the application for exemption before the return is filed. A tax return with a "pending" exemption can still be e-filed. The IRS will follow-up with a taxpayer directly on all Pending submissions if the Marketplace does not approve the exemption.

**Form 8965 in TaxWise**

**Part I: Marketplace-Granted Coverage Exemptions for Individuals**  
 If you and / or a member of your tax household have an exemption granted by the Marketplace, complete Part I. Please note that the lines below marked with \* are for e-filing only and will not be included on the printed form.

	a Name of individual	b SSN	c Exemption certificate number
1			
2			
3			
4			
5			
6			
*			
*			

**Part II: Coverage Exemptions for Your Household Claimed on Your Return**

Filing threshold 20300  
 Household income from ACA worksheet 20666  
 Estimated gross income entered in this return 20666

7a Are you claiming an exemption because your household income is below the filing threshold?  Yes  No  
 7b Are you claiming a hardship exemption because your gross income is below the filing threshold?  Yes  No

**Part III: Coverage Exemptions for Individuals Claimed on Your Return**  
 If you and / or a member of your tax household are claiming an exemption on your return, complete Part III. Please note that the lines below marked with \* are for e-filing only and will not be included on the printed form.

	a Name	b SSN	c Exemption type	d Full year	e Jan	f Feb	g Mar	h Apr	i May	j Jun	k Jul	l Aug	m Sep	n Oct	o Nov	p Dec
8																
9																
10																

**Part I:** Enter information in Part I only if the individual has an exemption from the Marketplace or is applying for one. Enter "pending" if the Marketplace has not processed the application for exemption before the return is filed.

**Part II and Part III:** Most exemptions will be entered in Parts II and III.

**TaxWise Tip**  
**Form 8965, Part III:** Multiple exemptions cannot be indicated on a single line. If a person is eligible for multiple exemptions covering different months, enter his or her name on multiple lines.

## Types of Coverage Exemptions

This chart shows all of the coverage exemptions available for 2015, including information about where the coverage exemptions can be obtained and the code for the coverage exemption that is to be used on Form 8965 when you claim the exemption. If your coverage exemption was granted by the Marketplace, you will need to enter the Exemption Certificate Number (ECN) provided by the Marketplace (see the instructions for *Part I*).

Coverage Exemption	Granted by Marketplace	Claimed on tax return	Code for Exemption
<b>Income below the filing threshold</b> —Your gross income or your household income was less than your applicable minimum threshold for filing a tax return.		✓	No Code See Part II
<b>Coverage considered unaffordable</b> —The minimum amount you would have paid for premiums is more than 8.05% of your household income.		✓	A
<b>Short coverage gap</b> —You went without coverage for less than 3 consecutive months during the year.		✓	B
<b>Citizens living abroad and certain noncitizens</b> —You were: <ul style="list-style-type: none"> <li>• A U.S. citizen or a resident alien who was physically present in a foreign country or countries for at least 330 full days during any period of 12 consecutive months;</li> <li>• A U.S. citizen who was a bona fide resident of a foreign country or countries for an uninterrupted period that includes an entire tax year;</li> <li>• A bona fide resident of a U.S. territory;</li> <li>• A resident alien who was a citizen or national of a foreign country with which the U.S. has an income tax treaty with a nondiscrimination clause, and you were a bona fide resident of a foreign country for an uninterrupted period that includes an entire tax year;</li> <li>• Not lawfully present in the U.S and not a U.S. citizen or U.S. national. For more information about who is treated as lawfully present in the U.S. for purposes of this coverage exemption, visit <a href="http://www.HealthCare.gov">www.HealthCare.gov</a>; or</li> <li>• A nonresident alien, including (1) a dual-status alien in the first year of U.S. residency and (2) a nonresident alien or dual-status alien who elects to file a joint return with a U.S. spouse. This exemption doesn't apply if you are a nonresident alien for 2015, but met certain presence requirements and elected to be treated as a resident alien. For more information see Pub. 519.</li> </ul>		✓	C
<b>Members of a health care sharing ministry</b> —You were a member of a health care sharing ministry.	✓	✓	D
<b>Members of Indian tribes</b> —You were either a member of a Federally-recognized Indian tribe, including an Alaska Native Claims Settlement Act (ANCSA) Corporation Shareholder (regional or village), or you were otherwise eligible for services through an Indian health care provider or the Indian Health Service.	✓	✓	E
<b>Incarceration</b> —You were in a jail, prison, or similar penal institution or correctional facility after the disposition of charges.	✓	✓	F
<b>Aggregate self-only coverage considered unaffordable</b> —Two or more family members' aggregate cost of self-only employer-sponsored coverage was more than 8.05% of household income, as was the cost of any available employer-sponsored coverage for the entire family.		✓	G
<b>Resident of a state that did not expand Medicaid</b> —Your household income was below 138% of the federal poverty line for your family size and at any time in 2015 you resided in a state that didn't participate in the Medicaid expansion under the Affordable Care Act.		✓	G
<b>Member of tax household born, adopted, or died</b> —During 2015 a child was added to your tax household by birth or adoption, or a member of your tax household died during the year, and you can't check the full-year coverage checkbox on your tax return.		✓	H
<b>Members of certain religious sects</b> —You are a member of a recognized religious sect.	✓		Need ECN See Part I
<b>Determined ineligible for Medicaid in a state that didn't expand Medicaid coverage</b> —You were determined ineligible for Medicaid solely because the state in which you resided didn't participate in Medicaid expansion under the Affordable Care Act.	✓		Need ECN See Part I
<b>General hardship</b> —You experienced a hardship that prevented you from obtaining coverage under a qualified health plan.	✓		Need ECN See Part I
<b>Coverage considered unaffordable based on projected income</b> —You didn't have access to coverage that is considered affordable based on your projected household income.	✓		Need ECN See Part I
<b>Unable to renew existing coverage</b> —You were notified that your health insurance policy was not renewable and you considered the other plans available to be unaffordable.	✓		Need ECN See Part I
<b>Certain Medicaid programs that are not minimum essential coverage</b> —You were (1) enrolled in Medicaid coverage provided to a pregnant woman that is not recognized as minimum essential coverage; (2) enrolled in Medicaid coverage provided to a medically needy individual (also known as Spend-down Medicaid or Share-of-Cost Medicaid) that is not recognized as minimum essential coverage; or (3) enrolled in Medicaid, and received minimum essential coverage for one or more months of the year by meeting a spend-down, but not in other months because the spend-down had not been met.	✓		Need ECN See Part I

### Hardship Exemptions Granted by the Marketplace

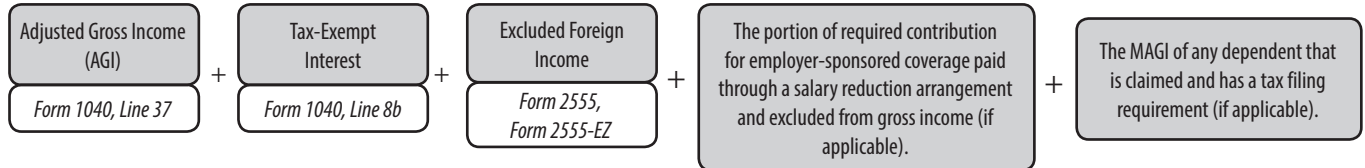
- Homelessness
- Eviction in the last 6 months or facing eviction or foreclosure
- Utility shut-off notice
- Domestic violence
- Recent death of a close family member
- Disaster that resulted in significant property damage
- Bankruptcy in the last 6 months
- Significant debt from medical expense in the last 24 months
- High expense caring for ill, disabled or aging relative
- Failure of another party to comply with a medical support order for a dependent child who is determined ineligible for Medicaid or CHIP
- Through an appeals process, determined eligible for a Marketplace QHP, PTC, or CSR but was not enrolled
- Determined ineligible for Medicaid because the state did not expand coverage
- Individual health insurance plan was cancelled and you believe Marketplace plans are considered unaffordable
- Other hardship in obtaining coverage

# Exemptions: Form 8965, Part III

## Insurance is Unaffordable, Code A or G

Coverage is unaffordable if it costs more than 8.05% of household income. To calculate eligibility for this exemption, the preparer must determine **affordability threshold** and **plan cost**.

### Line A: Affordability threshold =



**Affordability Worksheet Household Income X 8.05% = (A) Affordability Threshold**

### Affordability Worksheet

**(A) Affordability Threshold**

Enter 8.05% of your household income (see *Household income*). For this purpose, increase household income by the amount of any premium that is paid through a salary reduction arrangement and excluded from gross income.

### Line B Plan Cost:

**Does the person have an offer\* of coverage through an employer?\***

**YES there is an offer of employer coverage**

For the employee	Does the <u>lowest-cost self-only plan</u> offered by the employer cost more than 8.05% of income? (This may be reported on Form 1095-C, if available directly from the employer.) If there was no offer of self-only coverage, go to the next step.	If yes, enter Code A for each applicable month for the employee
For the employee's family	Does the <u>lowest-cost plan that covers everyone in the tax household</u> who is eligible for coverage and is not otherwise exempt cost more than 8.05% of income?	If yes, enter Code A for each applicable month for each member of the employee's tax household (excluding the employee)
If two or more members of the family have offers of employer coverage	Are all of the following true: (1) individual offers of self-only coverage are affordable (i.e., less than 8.05% of household income), BUT (2) <u>their combined cost</u> is greater than 8.05% of household income, AND (3) no family coverage is offered for less than 8.05% of household income?	If yes, enter Code G for the entire year for all members of the tax household.

**NO there is not an offer of employer coverage**

\*COBRA is not considered an offer of employer sponsored coverage if the individual did not enroll in the coverage. If the individual enrolled in the COBRA coverage, s/he has MEC for that month and does not need an exemption.

\*\*If you or another member of your tax household has an offer of employer sponsored coverage for only part of the year, see Form 8965 Instructions for the Annualized Premium Worksheet.

# Marketplace Coverage Affordability Worksheet


**TIP**

If the **lowest cost bronze plan (LCBP)** costs less than 8.05% of income (above), there is an affordable offer of coverage. No Code A exemption is available. (The Marketplace presented affordable coverage and the marketplace affordability exemption does not apply)

**LCBP:** Go to the taxpayer's Marketplace, such as [www.healthcare.gov](http://www.healthcare.gov).

**NOTE:** The look up tool asks about tobacco use. **Tobacco use** is the use of a tobacco product 4 or more times per week within no longer than the past 6 months by legal users of tobacco products (generally those 18 and older).

The LCBP quote will be for all individuals on the return that did not have an offer of employer coverage and who did not qualify for another exemption. That means that the LCBP would include, for example, the taxpayer and spouse who are on Medicare or Medicaid.



Do not complete this worksheet unless you were instructed to do so in the Affordability Worksheet.

1. Enter the monthly premium for the lowest cost bronze plan that covers everyone in your tax household for whom a personal exemption deduction is claimed, who is not eligible for employer coverage, and who does not qualify for another coverage exemption for the month. To find the lowest cost bronze plan go to the Marketplace for your area	
2. Enter your household income (see <a href="#">Household income</a> )	
3. Enter the total of all nontaxable social security benefits received by you, your spouse, and each claimed dependent who must file a tax return*	
4. Add lines 2 and 3	
5. Enter the federal poverty line for the number of individuals in your tax household less any dependents not claimed. See the instructions for Form 8962, line 4	
6. Divide line 4 by line 5. If the result (without rounding) is less than 1.0 or more than 4.0, skip lines 7 through 10 and enter -0- on line 11.	
7. Multiply line 6 by 100 and round to the nearest whole number. Enter the applicable figure for the result from the table in the instructions for Form 8962, line 7	
8. Multiply line 4 by line 7	
9. Divide line 8 by 12.0	
10. Enter the monthly premium for the second lowest cost silver plan premium that covers everyone in your tax household for whom a personal exemption deduction is claimed, who is not eligible for minimum essential coverage (other than coverage in the individual market), and who does not qualify for another coverage exemption for the month. To find the second lowest cost silver plan go the Marketplace for your area	
11. Subtract line 9 from line 10. If zero or less, enter -0-	
12. Subtract line 11 from line 1. If zero or less, enter -0-. This is the individual's required contribution for the month	
13. Is the individual eligible for this coverage for every month of the year? <input type="checkbox"/> <b>Yes.</b> Multiply line 12 by 12.0. This is the annualized premium. Enter this amount in the space for every month on the <a href="#">Affordability Worksheet</a> <input type="checkbox"/> <b>No.</b> Use the Annualized Premium Worksheet to determine what the annualized premium would be for each month the individual was eligible for the coverage being tested. Enter the annualized premium in the space for the appropriate months on the <a href="#">Affordability Worksheet</a>	

\*If the individual filed Form 1040, figure the nontaxable social security benefits received by that individual by subtracting Form 1040, line 20b from Form 1040, line 20a. If the individual filed Form 1040A, figure the nontaxable social security benefits received by that individual by subtracting Form 1040A, line 14b from Form 1040A, line 14a. If the individual filed Form 1040EZ, he or she should have received a Form SSA-1099 or Form RRB-1099 showing the social security benefits received by that individual, all of which were nontaxable.

For this line on this worksheet, use tax household MAGI for Form 8962 purposes (adjusted gross income + tax exempt interest + excluded foreign earned income). Include MAGI of any claimed dependents with a filing requirement.

Enter the appropriate amount on the Affordability Worksheet as directed. This worksheet will compare the annualized premium to the affordability threshold.

If the annualized premium costs less than 8.05% of income, no exemption applies.

If the annualized premium costs more than 8.05% of income, Code A applies.

**Second lowest cost silver plan (SLCSP):** Go to the Marketplace at: [healthcare.gov/taxes/tools](http://healthcare.gov/taxes/tools).

Do not include individuals in your tax household that are eligible for other employer sponsored or government sponsored MEC, or who are otherwise exempt.

That means that the SLCSP cost would NOT INCLUDE, for example, the taxpayer and spouse who are enrolled in or eligible for Medicare or Medicaid. (This is different from line 1).



# Applicable Figure - used for Line 7 of Marketplace Affordability Worksheet



If the amount on line 5 is less than 133, your applicable figure is 0.0201. If the amount on line 5 is between 300 through 400, your applicable figure is 0.0956.

IF Form 8962, line 5 is ...	ENTER on Form 8962, line 7 ...	IF Form 8962, line 5 is ...	ENTER on Form 8962, line 7 ...	IF Form 8962, line 5 is ...	ENTER on Form 8962, line 7 ...	IF Form 8962, line 5 is ...	ENTER on Form 8962, line 7 ...
less than 133	0.0201	175	0.0518	218	0.0697	261	0.0842
133	0.0302	176	0.0523	219	0.0701	262	0.0845
134	0.0308	177	0.0527	220	0.0704	263	0.0848
135	0.0314	178	0.0532	221	0.0708	264	0.0851
136	0.0320	179	0.0537	222	0.0711	265	0.0854
137	0.0326	180	0.0541	223	0.0715	266	0.0857
138	0.0331	181	0.0546	224	0.0718	267	0.0860
139	0.0337	182	0.0550	225	0.0722	268	0.0863
140	0.0343	183	0.0555	226	0.0726	269	0.0865
141	0.0349	184	0.0560	227	0.0729	270	0.0868
142	0.0355	185	0.0564	228	0.0733	271	0.0871
143	0.0361	186	0.0569	229	0.0736	272	0.0874
144	0.0367	187	0.0574	230	0.0740	273	0.0877
145	0.0373	188	0.0578	231	0.0743	274	0.0880
146	0.0378	189	0.0583	232	0.0747	275	0.0883
147	0.0384	190	0.0588	233	0.0750	276	0.0886
148	0.0390	191	0.0592	234	0.0754	277	0.0889
149	0.0396	192	0.0597	235	0.0757	278	0.0892
150	0.0402	193	0.0602	236	0.0761	279	0.0895
151	0.0407	194	0.0606	237	0.0764	280	0.0898
152	0.0411	195	0.0611	238	0.0768	281	0.0901
153	0.0416	196	0.0615	239	0.0771	282	0.0903
154	0.0421	197	0.0620	240	0.0775	283	0.0906
155	0.0425	198	0.0625	241	0.0778	284	0.0909
156	0.0430	199	0.0629	242	0.0782	285	0.0912
157	0.0434	200	0.0634	243	0.0785	286	0.0915
158	0.0439	201	0.0638	244	0.0789	287	0.0918
159	0.0444	202	0.0641	245	0.0792	288	0.0921
160	0.0448	203	0.0645	246	0.0796	289	0.0924
161	0.0453	204	0.0648	247	0.0799	290	0.0927
162	0.0458	205	0.0652	248	0.0803	291	0.0930
163	0.0462	206	0.0655	249	0.0806	292	0.0933
164	0.0467	207	0.0659	250	0.0810	293	0.0936
165	0.0472	208	0.0662	251	0.0813	294	0.0938
166	0.0476	209	0.0666	252	0.0816	295	0.0941
167	0.0481	210	0.0669	253	0.0819	296	0.0944
168	0.0486	211	0.0673	254	0.0822	297	0.0947
169	0.0490	212	0.0676	255	0.0825	298	0.0950
170	0.0495	213	0.0680	256	0.0828	299	0.0953
171	0.0499	214	0.0683	257	0.0830	300 thru 400	0.0956
172	0.0504	215	0.0687	258	0.0833		
173	0.0509	216	0.0690	259	0.0836		
174	0.0513	217	0.0694	260	0.0839		

## Affordability Worksheet (continued)

### (B) Required Contribution Amount

For each member of your tax household, enter in the columns provided the annual premium for the first option below that applies to that person. If the monthly premium is the same for the whole year, enter the annual premium in the space for each month. If the premiums cover only part of the year, use the [Annualized Premium Worksheet](#) to determine what the annualized premium would be for each month. Once you have figured the annualized premium, enter it in the space for each month.

Options (use the first that applies to each member of your tax household, including you, for each month):

1. The lowest cost self-only policy offered to each member of your tax household by his or her employer.
2. The lowest cost family policy\* offered by your employer or your spouse's employer (if you are filing a joint return).
3. The amount from the Marketplace Coverage Affordability Worksheet.

For each individual, coverage is unaffordable and the individual is exempt if (B), the Required Contribution Amount, is greater than (A), the Affordability Threshold.

Members of your tax household (enter one name per column):						
Premium for:						
January						
February						
March						
April						
May						
June						
July						
August						
September						
October						
November						
December						

Use annualized figures for each month in order to compare to the affordability threshold, which is calculated on an annual basis.

\*The policy must cover everyone in your tax household:  
 \* for whom a personal exemption deduction is claimed on your tax return,  
 \* who is not eligible for employer coverage, and  
 \* who does not qualify for another coverage exemption.



# Federal Poverty Lines

See <http://aspe.hhs.gov/2014-poverty-guidelines>.

For purposes of the premium tax credit, eligibility for a certain year is based on the most recently published set of poverty lines. As a result, the tax credit for 2015 will be based on the 2014 federal poverty lines.

<b>2014 Poverty Lines for the 48 Contiguous States and the District of Columbia</b>			
For families/households with more than 8 persons, add \$4,060 for each additional person (100% Poverty Line)			
Persons in family/household	100% Poverty Line	138% Poverty Line	400% Poverty Line
1	\$11,670	\$16,105	\$46,680
2	\$15,730	\$21,707	\$62,920
3	\$19,790	\$27,310	\$79,160
4	\$23,850	\$32,913	\$95,400
5	\$27,910	\$38,516	\$111,640
6	\$31,970	\$44,119	\$127,880
7	\$36,030	\$49,721	\$144,120
8	\$40,090	\$55,324	\$160,360

<b>2014 Poverty Lines for Alaska</b>			
For families/households with more than 8 persons, add \$5,080 for each additional person (100% Poverty Line)			
Persons in family/household	100% Poverty Line	138% Poverty Line	400% Poverty Line
1	\$14,580	\$20,120	\$58,320
2	\$19,660	\$27,131	\$78,640
3	\$24,740	\$34,141	\$98,960
4	\$29,820	\$41,152	\$119,280
5	\$34,900	\$48,162	\$139,600
6	\$39,980	\$55,172	\$159,920
7	\$45,060	\$62,183	\$180,240
8	\$50,140	\$69,193	\$200,560

<b>2014 Poverty Lines for Hawaii</b>			
For families/households with more than 8 persons, add \$4,670 for each additional person (100% Poverty Line).			
Persons in family/household	100% Poverty Line	138% Poverty Line	400% Poverty Line
1	\$13,420	\$18,520	\$53,680
2	\$18,090	\$24,964	\$72,360
3	\$22,760	\$31,409	\$91,040
4	\$27,430	\$37,853	\$109,720
5	\$32,100	\$44,298	\$128,400
6	\$36,770	\$50,743	\$147,080
7	\$41,440	\$57,187	\$165,760
8	\$46,110	\$63,632	\$184,440

# Shared Responsibility Payment

The taxpayer will pay a shared responsibility payment for any month that someone in the tax household does not have Minimum Essential Coverage (MEC) AND does not qualify for a coverage exemption.

First, calculate:

$$\text{Excess Income Amount} = \left[ \text{Household Income} - \text{Filing threshold (for primary taxpayer or joint filers)} \right] \times \text{Income percentage (2\% for 2015)}$$

And

$$\text{Flat dollar amount (cannot exceed \$975, which is 300\% of applicable dollar amount for 2015)} = \left[ \text{Sum of applicable dollar amounts for all nonexempt individuals without MEC in a given month (\$325 per adult and \$162.50 per child for 2015)} \right] \times \text{Number of months nonexempt individuals do not have MEC}$$

Next, compare:

$$\text{Monthly penalty amount} = \text{1/12 of Excess income amount OR Flat dollar amount (whichever is greater)}$$

Finally, determine:

$$\text{Annual SRP} = \text{Sum of monthly penalty amounts OR Sum of monthly national average bronze plan premiums (whichever is lesser)}$$

**Note:** The annual SRP amount cannot be greater than the sum of monthly national average bronze plan premiums for coverage appropriate for nonexempt family members without MEC in a given month. The IRS publishes guidance setting forth the monthly national average bronze plan premium and the maximum monthly national average bronze plan premium for each year.

# Premium Tax Credit: Overview

## See Form 8962 Instructions

### Premium Tax Credit: Where do I start?

**STEP 1**

Indicate on the TaxWise ACA Worksheet if any taxpayer or dependent had coverage through the Marketplace.  
Then go to Form 8962.

**STEP 2**

**Did the taxpayer receive one or more Forms 1095-A?**  
If YES, see the instructions for Form 8962 to determine the amounts from Form 1095-A to enter on Form 8962.  
If NO, the taxpayer must call the Marketplace or obtain the information from their online account.

*Marketplace call center:  
1-800-318-2596 (TTY: 1-855-889-4325)  
For states not using Healthcare.gov, look up state Marketplace at healthcare.gov*

**Caution:** Differences between the individuals covered on Form 1095-A and those being claimed on the return may require a shared policy allocation which is out of scope for the VITA/TCE programs. See page ACA-17 to determine if this situation applies.

## Form 1095-A

Form **1095-A** Health Insurance Marketplace Statement OMB No. 1545-2232  
 Department of the Treasury Internal Revenue Service Information about Form 1095-A and its separate instructions is at [www.irs.gov/form1095a](http://www.irs.gov/form1095a).  CORRECTED **2014**

**Part I Recipient Information**

1 Marketplace identifier 2 Marketplace-assigned policy number 3 Policy issuer's name  
 4 Recipient's name 5 Recipient's SSN 6 Recipient's date of birth  
 7 Recipient's spouse's name 8 Recipient's spouse's SSN 9 Recipient's spouse's date of birth  
 10 Policy start date 11 Policy termination date 12 Street address (including apartment no.)  
 13 City or town 14 State or province 15 Country and ZIP or foreign postal code

**Part II Coverage Household**

A. Covered Individual Name	B. Covered Individual SSN	C. Covered Individual Date of Birth	D. Covered Individual Start Date	E. Covered Individual Termination Date
16				
17				
18				
19				
20				

**Part III Household Information**

Month	A. Monthly Premium Amount	B. Monthly Premium Amount of Second Lowest Cost Silver Plan (SLCSP)	C. Monthly Advance Payment of Premium Tax Credit
21 January			
22 February			
23 March			
24 April			
25 May			
26 June			
27 July			
28 August			
29 September			
30 October			
31 November			
32 December			
33 Annual Totals			

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 607030 Form 1095-A (2014)

**Monthly Premium (column A):** These are the total monthly enrollment premiums for the policy in which the individuals are covered. This amount may be lower than the total premiums if the plan includes "extra" benefits (like adult dental). However enrollment premiums reported here may be MORE than the total premiums for the primary coverage if a family member is enrolled in a standalone dental plan that provides pediatric coverage.

**SLCSP (column B):** If this column is blank, use the SLCSP tool to find the SLCSP that covers all the members of the coverage family in the plan. In some cases, the state will send a table with the information.

**SLCSP** lookup tools are available at the state Marketplace websites or [www.Healthcare.gov](http://www.Healthcare.gov). If there was no APTC some states that don't provide tax tools are reporting an amount in this column that is based on all enrolled individuals and not only individuals in the coverage family. If not all enrolled individuals are in the coverage family and there is an amount in this column use the state Marketplace SLCSP tool, or if the Marketplace does not have a SLCSP tool, call the Marketplace to obtain a correct SLCSP premium.

The amounts in this column are entered on Form 8962, column F (see following page)

**Tips**  
 If someone received the benefit of advance payments of the premium tax credit (APTC), you cannot prepare the return without Form(s) 1095-A.  
 To obtain an original or corrected Form 1095-A the taxpayer can:

- log into his or her online account, or
- call the Marketplace call center.

# Premium Tax Credit: Form 8962

## Form 8962 in TaxWise

US 8962 Premium Tax Credit 2014

Name: [REDACTED] SSN: [REDACTED]

Check here if applying for relief (see instructions)  
 married filing separately and not applying for relief, complete lines 1 through 5, skip lines 6 through 8b, and complete lines 9 and 10. When completing lines 11 or 12 through 23, complete only Column F to determine how much you must repay.

**Part 1: Annual and Monthly Contribution Amount**

1 Family size 1  
 2a Modified AGI 0  
 b Enter total of your dependents' modified AGI 0  
 3 Household income 0  
 4 Federal poverty line - check the appropriate box for the state you resided in. If you moved during 2014 and you lived in Alaska and / or Hawaii, or if filing jointly and you and your spouse lived in different states, check all of the boxes that apply. The table that results in the highest income will be used.  
 Alaska  Hawaii  Other 48 states and DC 0  
 5 Household income as a percentage of Federal poverty line 0 %  
 6 Is the result on line 5 less than or equal to 400%? See instructions if result is less than 100%.  
 Yes. Continue to line 7.  
 No. You are not eligible to receive the PTC. If you received advance payment of PTC, skip lines 7 and 8 and go to line 9. If you did not receive any advance payment of PTC, stop here.  
 If the percentage on line 5 is less than 100%, did the taxpayer qualify for the PTC under the requirements in the instructions?  Yes.  No.  
 7 Applicable figure from the table in the instructions 0.0000  
 8a Annual contribution for health care - multiply line 3 by line 7 0  
 b Monthly contribution for health care - divide line 8a by 12 0

**Part 2: Premium Tax Credit Claim and Reconciliation of Advance Payment of Premium Tax Credit**

9 Did you share a policy with another taxpayer or get married during the year and want to use the alternative calculation? (see instructions)  
 Yes. Skip to Part 4, Shared Policy Allocation, or Part 5, Alternative Calculation for Year of Marriage of Marriage  
 No. Continue to line 10.

10 Do all Forms 1095-A for your tax household include coverage for January through December with no changes in monthly amounts shown in lines 21 - 32, columns A and B?

**Annual Calculation**

	A Premium amount Form 1095-A line 33A	B Annual premium amount of SLCSP Form 1095-A line 33B	C Annual contribution amount Line 8A	D Annual maximum premium assistance	E Annual premium tax credit allowed	F Annual advance payment of PTC Form 1095-A line 33C
11 Annual totals	0	0	0	0	0	0

**Monthly Calculation**

	A Monthly premium amount Form 1095-A lines 21 - 32, column A	B Monthly premium amount of SLCSP Form 1095-A lines 21 - 32, column B	C Monthly contribution amount Line 8B or alternative marriage contribution	D Monthly maximum premium assistance	E Monthly premium tax credit allowed	F Monthly advance payment of PTC Form 1095-A lines 21 - 32, column C
12 January	0	0	0	0	0	0
13 February	0	0	0	0	0	0
14 March	0	0	0	0	0	0
15 April	0	0	0	0	0	0
16 May	0	0	0	0	0	0
17 June	0	0	0	0	0	0
18 July	0	0	0	0	0	0
19 August	0	0	0	0	0	0
20 Sept	0	0	0	0	0	0
21 October	0	0	0	0	0	0
22 Nov	0	0	0	0	0	0
23 Dec	0	0	0	0	0	0
24 Total premium tax credit					0	
25 Advance payment of PTC						0
26 Net premium tax credit						0

**Part 3: Repayment of Advance Payment of the Premium Tax Credit**

27 Excess advance payment of PTC 0  
 28 Repayment limitation 0  
 29 Excess advance payment premium tax credit repayment 0

Check here if taxpayer is Married Filing Separately but cannot file a joint return because of spousal abuse or abandonment in the last year. See Form 8962 Instructions for details.

If a taxpayer is Married Filing Separately and is not eligible for relief, he/she must repay APTC, subject to the repayment limitation. Enter the APTC amounts in column F.

**Line 2b:** Enter dependents' MAGI ONLY (not taxpayer or spouse) IF dependents' gross income is above the filing threshold. See page ACA-8 for dependents' filing threshold chart.

For purposes of Form 8962, MAGI includes dependents' AGI, Social Security benefits not included in income, tax-exempt interest, and excluded foreign earned income.

**Line 6:** Even if income is below 100% FPL, check YES if:  
 (1) Taxpayer or an individual in taxpayer's tax family enrolled in a qualified health plan through the marketplace and  
 (2) APTC was paid for coverage for one or more months, and  
 (3) The Marketplace estimated at the time of enrollment that the taxpayer's household income would be between 100%-400% of the FPL for the family size for year of coverage.  
 —OR—  
 (1) Taxpayer or an individual in taxpayer's tax family enrolled in a qualified health plan through the Marketplace, and the enrolled individual is a lawfully present individual ineligible for Medicaid due to immigration status.

**Line 9:** If the following situations apply, a shared policy allocation may be required and the return is out of scope:

- The 1095-A lists a covered person who is not on this tax return or,
- A person on the tax return was enrolled in another taxpayer's Marketplace coverage. (The person is listed on someone else's Form 1095-A)

If the following situation applies, an Alternative Calculation for Year of Marriage may be elected. If the taxpayer elects this option, the return is out of scope.

- Taxpayers got married during the year and are filing a joint return, and taxpayers were both unmarried as of December 31, 2014
- A member of the taxpayers' tax family was enrolled in a qualified health plan for which APTC was paid for months prior to the first full month of marriage, and
- Taxpayers have excess APTC that must be repaid

**Line 11 OR Lines 12-23:** Complete line 11 if Form 1095-A shows the same monthly amounts for all 12 months and the taxpayer's SLCSP is the same for each month of the year. Otherwise, complete lines 12-23. Do not complete both.

**Caution:** Complete only column F if the household income is above 400% of the FPL or if the taxpayer is using filing status married filing separately and an exception does not apply. (F3 in columns A and B to remove red if necessary).

**Line 26:** The net premium tax credit a taxpayer can claim (the excess of the taxpayer's premium tax credit over APTC).

**Line 27:** The amount of excess APTC (amount by which APTC exceeds the taxpayer's premium tax credit) that needs to be repaid. Because there is a repayment limitation, all of the excess APTC may not have to be repaid.

Income (as % of FPL)	Repayment Limitation on APTC	
	SINGLE Taxpayers Repayment Limitation:	OTHER Taxpayers Repayment Limitation:
Under 200%	\$300	\$600
At least 200% but less than 300%	\$750	\$1,500
At least 300% but less than 400%	\$1,250	\$2,500
400% and above	Full repayment	Full repayment

**TIP:** In certain situations where a taxpayer's income is slightly above an income repayment threshold, such as over 400% of FPL, consider any adjustments to gross income that the taxpayer may be eligible to claim (e.g. deductible IRA contribution) that may reduce income below the 400% threshold.

**TIP:** In certain rare circumstances it will be beneficial to file MFS if the spouse's separate income will be below 400% of FPL and will benefit from the repayment limitation.

# Shared Policy Allocation

**Caution:** If this situation applies, the return is out of scope.

**Table 3. Shared Policy Allocation—Line 9**

Follow Steps 1–3 below to determine which allocation rule to use in [Part IV—Shared Policy Allocation](#), later, to allocate the policy amounts for each qualified health plan identified in the instructions to line 9. For each such policy, if your answer directs you to Part IV, skip directly to the section of the Part IV instructions identified — you do not need to complete the remaining steps below.

STEP 1
<p><b>If</b></p> <ul style="list-style-type: none"><li>You divorced or legally separated from a spouse in 2015; and</li><li>The policy covered at least one individual in your tax family <b>AND</b> at least one individual in your former spouse's tax family...</li></ul> <p><b>Then</b> allocate using the rules in <a href="#">Allocation Situation 1. Taxpayers divorced or legally separated in 2015</a> in <a href="#">Part IV—Shared Policy Allocation</a>. Otherwise, continue to Step 2.</p>
STEP 2
<p><b>If</b></p> <ul style="list-style-type: none"><li>You were married at the end of 2015 but are filing a separate return from your spouse; and</li><li>The policy covered at least one individual in your tax family <b>AND</b> at least one individual in your spouse's tax family*...</li></ul> <p><b>Then</b> allocate using the rules in <a href="#">Allocation Situation 2. Taxpayers married at year end but filing separate returns</a> in <a href="#">Part IV—Shared Policy Allocation</a>. Otherwise, continue to Step 3.</p> <p><small>*Also follow these instructions if you meet the rules in <a href="#">Exception 1—Certain married persons living apart</a> or <a href="#">Exception 2—Victim of domestic abuse or spousal abandonment</a> under <a href="#">Married taxpayers</a>, earlier, and a policy covered at least one individual in your tax family <b>AND</b> at least one individual in your spouse's tax family.</small></p>
STEP 3
<p><b>If</b></p> <ul style="list-style-type: none"><li>No APTC was paid for the policy...</li></ul> <p><b>Then</b> allocate using the rules in <a href="#">Allocation Situation 3. No APTC</a> in <a href="#">Part IV—Shared Policy Allocation</a>. Otherwise, allocate using the rules in <a href="#">Allocation Situation 4. Other situations where a policy is shared between two tax families</a> in <a href="#">Part IV—Shared Policy Allocation</a>.</p>

# Alternative Calculation for Year of Marriage Eligibility

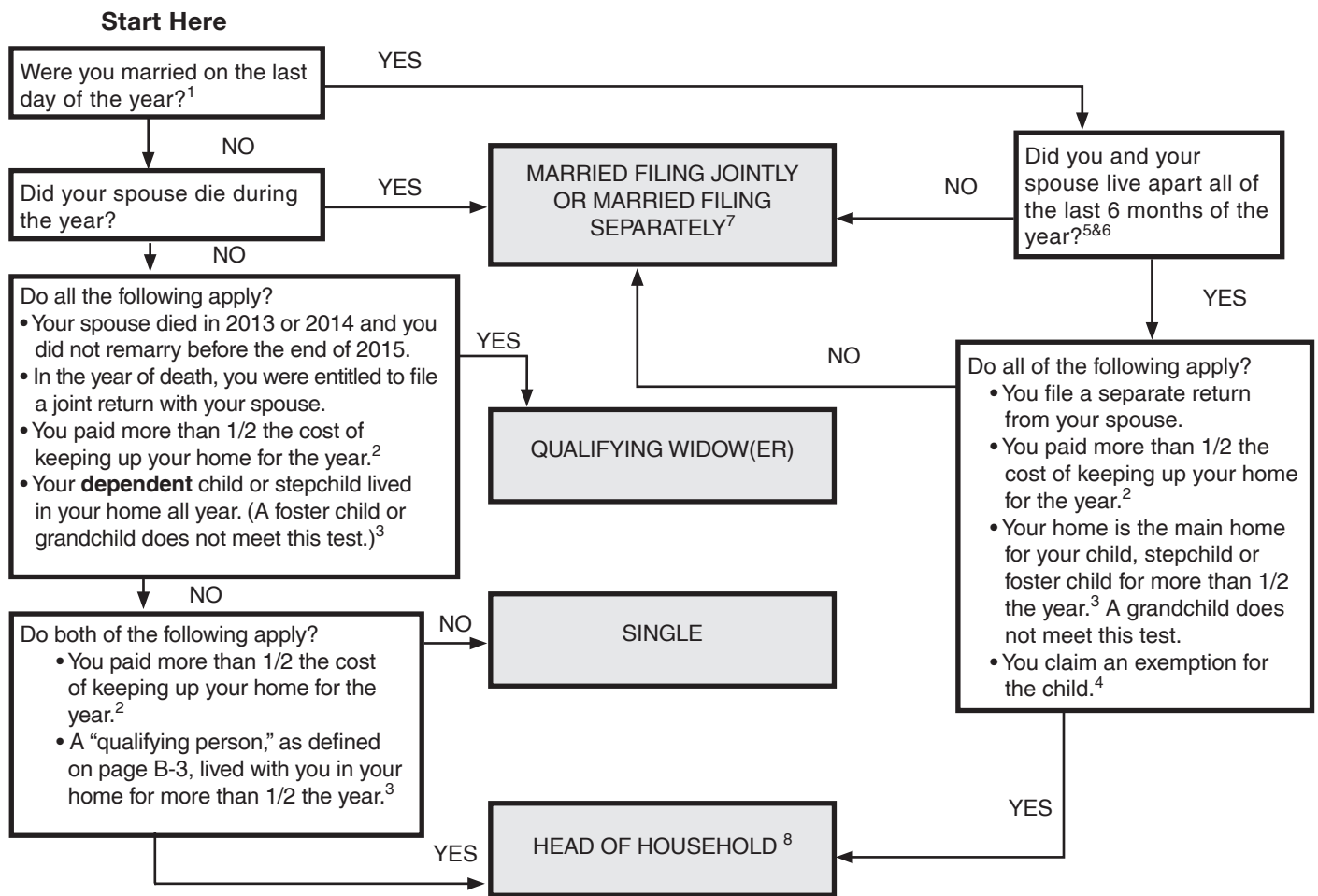
**Table 4. Alternative Calculation for Year of Marriage Eligibility**

Answer questions 1–5 below to determine whether you may be eligible to elect the alternative calculation for year of marriage.	
<b>1</b>	Were you and your spouse each unmarried on January 1, 2015? <input type="checkbox"/> <b>Yes.</b> Continue to the next question in this table. <input type="checkbox"/> <b>No.</b> You are not eligible to elect the alternative calculation. Check the “ <b>No</b> ” box on Form 8962, line 9, and continue to line 10.
<b>2</b>	Were you married on December 31, 2015? <input type="checkbox"/> <b>Yes.</b> Continue to the next question in this table. <input type="checkbox"/> <b>No.</b> You are not eligible to elect the alternative calculation. Check the “ <b>No</b> ” box on Form 8962, line 9, and continue to line 10.
<b>3</b>	Are you filing a joint return with your spouse for 2015? <input type="checkbox"/> <b>Yes.</b> Continue to the next question in this table. <input type="checkbox"/> <b>No.</b> You are not eligible to elect the alternative calculation. Check the “ <b>No</b> ” box on Form 8962, line 9, and continue to line 10.
<b>4</b>	Was anyone in your tax family enrolled in a qualified health plan before your first full month of marriage? (For example, if you got married on July 15, your first full month of marriage was August.) <input type="checkbox"/> <b>Yes.</b> Continue to the next question in this table. <input type="checkbox"/> <b>No.</b> You are not eligible to elect the alternative calculation. Check the “ <b>No</b> ” box on Form 8962, line 9, and continue to line 10.
<b>5</b>	Was APTC paid for anyone in your tax family during 2015? <input type="checkbox"/> <b>Yes.</b> Continue to Worksheet 3 next to determine whether excess APTC was paid during 2015. If excess APTC was paid, you are eligible to elect the alternative calculation. If the amount you entered on Form 8962, line 5, is 401, do not complete Worksheet 3. See <i>Alternative Calculation for Year of Marriage</i> in Pub. 974 to determine if electing the alternative calculation reduces your repayment amount. <input type="checkbox"/> <b>No.</b> You are not eligible to elect the alternative calculation. Do not complete Part V. If you did not complete Part IV, check the “ <b>No</b> ” box on line 9 and continue to line 10. If you completed Part IV, check the “ <b>No</b> ” box on line 10, skip line 11, and continue to <a href="#">Lines 12 through 23—Monthly Calculation</a> , later.

**Caution:** Taxpayers may choose to file MFJ or MFS without the alternative calculation, which remains in scope. If the taxpayer is eligible for and elects this alternative calculation, the return is out of scope.



# Determination of Filing Status – Decision Tree



## Footnotes:

1. Answer "NO" to this question if, on the last day of the year, you were legally separated from your spouse under a divorce or separate maintenance decree. Answer "NO" for individuals who have entered into a registered domestic partnership, civil union, or other similar relationship that is not called a marriage under state (or foreign) law. Answer YES if taxpayer is married regardless of where the spouse lives.
2. Include in the cost of upkeep expenses such as rent, mortgage interest, real estate taxes, insurance on the home, repairs, utilities and food eaten in the home. See "Cost of Keeping Up a Home" worksheet on page B-4.
  - Payments received under TANF or other public assistance programs used to pay the costs of keeping up the home cannot be counted as money you paid. These payments must be included in the total cost of keeping up the home to figure if you paid over 1/2 the cost.
  - Amounts paid out of funds received from SSA in the child's or qualifying person's name, or funds received as governmental assistance are considered to be paid by others, not by you.
3. See Publication 17, *Filing Status*, for rules applying to birth, death, or temporary absence during the year.
4. Unless the child's other parent claims him or her under rules for children of divorced or separated parents or parents who lived apart.
5. You are considered unmarried for head of household purposes if your spouse was a nonresident alien at any time during the year and you do not choose to treat your nonresident spouse as a resident alien. However, your spouse is not a qualifying person for head of household purposes. You must have another qualifying person (use the table on page B-3) and meet the other tests to be eligible to file as a head of household.
6. Your spouse is considered to live in your home even if he or she is temporarily absent due to illness, education, business, vacation or military service.
7. If the taxpayer wants to file MFS, emphasize the advantages to Married Filing Jointly and the possibility of filing Form 8379, Injured Spouse Claim & Allocation (if appropriate). See *Pub 17, Filing Status, MFS Special Rules* for list of disadvantages. Respect a taxpayer's decision to file MFS. If domiciled in a community property state see Pub 555.
8. Generally, only one taxpayer in a home can claim Head of Household filing status. Just because each person has their own children living in a home does not mean they have a separate "household" for this filing status purpose.

Note: If one spouse dies and the other remarries in the same year, the deceased spouse files Married Filing Separately.



# Filing Status

interview tips

Probe/Action: Ask the taxpayer:

<p>step <b>1</b></p>	<p>Were you married on December 31 of the tax year? (Answer yes if state common law rules were met; or if your spouse died during the year and you did not remarry by the end of the year; answer no for individuals who have entered into a registered domestic partnership, civil union, or other similar relationship that is not called a marriage under state (or foreign) law.)</p>	<p>If YES, go to Step 2. If NO, go to Step 4.</p>
<p>step <b>2</b></p>	<p>Do you and your spouse wish to file a joint return?</p>	<p>If YES, STOP. Your filing status is <b>married filing jointly</b>. If NO, go to Step 3.<sup>2</sup></p>
<p>step <b>3</b></p>	<p>Do all the following apply?</p> <ul style="list-style-type: none"> <li>■ You file a separate return from your spouse</li> <li>■ You paid more than half the cost of keeping up your home for the year<sup>1</sup></li> <li>■ Your spouse did not live in your home during the last 6 months of the tax year<sup>3</sup></li> <li>■ Your home was the main home of your child, stepchild, or foster child for more than half the year (a grandchild does not meet this test)</li> <li>■ You claim an exemption for the child (unless the noncustodial parent claims the child under rules for divorced or separated parents or parents who live apart)</li> </ul>	<p>If YES, STOP. You are considered unmarried and your filing status is <b>head of household</b>. If NO, STOP. Your filing status is <b>married filing separately</b><sup>5</sup>.</p>
<p>step <b>4</b></p>	<p>Did your spouse die in 2013 or 2014?</p>	<p>If YES, go to Step 5. If NO, go to Step 6.</p>
<p>step <b>5</b></p>	<p>Do all the following apply?</p> <ul style="list-style-type: none"> <li>■ You were entitled to file a joint return with your spouse for the year your spouse died</li> <li>■ You did not remarry before the end of this tax year</li> <li>■ You have a child or stepchild for whom you can claim an exemption and who lived with you all year, except for temporary absences. Do not include a grandchild or foster child.</li> <li>■ You paid more than half the cost of keeping up the home for the year<sup>1</sup></li> </ul>	<p>If YES, STOP. Your filing status is <b>qualifying widow(er) with dependent child</b>. If NO, go to Step 6.</p>
<p>step <b>6</b></p>	<p>Do all the following apply?</p> <ul style="list-style-type: none"> <li>■ You paid more than half the cost of keeping up the home for the year<sup>1</sup></li> <li>■ A "qualifying person," as defined on page B-3, lived with you in your home for more than 1/2 the year<sup>4</sup></li> </ul>	<p>If YES, STOP. Your filing status is <b>head of household</b>.<sup>4</sup> If NO, STOP. Your filing status is <b>single</b>.</p>

### Footnotes

- <sup>1</sup> Include in the cost of upkeep expenses such as rent, mortgage interest, real estate taxes, insurance on the home, repairs, utilities and food eaten in the home. See "Cost of Keeping Up a Home" worksheet on page B-4.
- Payments received under TANF or other public assistance programs used to pay the cost of keeping up the home cannot be counted as money you paid. These payments must be included in the total cost of keeping up the home to figure if you paid over 1/2 the cost.
  - Amounts paid out of funds received from SSA in the child's or qualifying person's name or funds received as government assistance are considered to be paid by others, not by you.
- <sup>2</sup> You are considered unmarried for head of household purposes if your spouse was a nonresident alien at any time during the year and you do not choose to treat your nonresident spouse as a resident alien. However, your spouse is not a qualifying person for head of household purposes. You must have another qualifying person (use the table on page B-3) and meet the other tests to be eligible to file as a head of household.
- <sup>3</sup> Your spouse is considered to live in your home even if he or she is temporarily absent due to illness, education, business, vacation or military service.
- <sup>4</sup> You cannot use head of household filing status based on any person who is your dependent only because he or she lived with you for the entire year (for example, a companion or a friend).
- <sup>5</sup> If filing a MFS return in a Community Property state, allocate income and expense according to state law. May be treated as out of scope.





interview  
tips

## Table 1: Dependency Exemption

**Begin with this table for both Qualifying Child and Qualifying Relative dependents.**

Probe/Action: Ask the taxpayer:

step <b>1</b>	Can you or your spouse (if filing jointly) be claimed as a dependent on someone else's tax return this year?	If <b>YES</b> : If you can be claimed as a dependent by another person, you may not claim anyone else as your dependent. If <b>NO</b> : Go to Step 2
step <b>2</b>	Was the person married as of December 31, 2015?	If <b>YES</b> : Go to Step 3 If <b>NO</b> : Go to Step 4
step <b>3</b>	Is the person filing a joint return for this tax year? ( <i>Answer "NO" if the person is filing a joint return only to claim a refund of income tax withheld or estimated tax paid.</i> )	If <b>YES</b> : You cannot claim this person as a dependent. If <b>NO</b> : Go to Step 4
step <b>4</b>	Was the person a U.S. citizen, U.S. resident alien, U.S. national, or a resident of Canada or Mexico? ( <i>Answer "YES" if you are a U.S. citizen or U.S. national and you adopted a child who lived with you as a member of your household all year.</i> )	If <b>YES</b> : Go to Step 5 If <b>NO</b> : You cannot claim this person as a dependent.
step <b>5</b>	Was the person your son, daughter, stepchild, eligible foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them (i.e., your grandchild, niece, or nephew)?	If <b>YES</b> : Go to Step 6 If <b>NO</b> : This person is not your qualifying child. Go to Table 2: Dependency Exemption for Qualifying Relative
step <b>6</b>	Was the person: -under age 19 at the end of the year and younger than you ( <i>or your spouse, if filing jointly</i> ) OR -under age 24 at the end of the year, a full-time student (see definition on page C-1) and younger than you ( <i>or your spouse, if filing jointly</i> ) OR -any age if permanently and totally disabled <sup>1</sup> at any time during the year?	If <b>YES</b> : Go to Step 7 If <b>NO</b> : This person is not your qualifying child. Go to Table 2: Dependency Exemption for Qualifying Relative
step <b>7</b>	Did the person live with you as a member of your household, except for temporary absences <sup>2</sup> , for more than half the year? ( <i>Answer "YES" if the child was born or died during the year.</i> )	If <b>YES</b> : Go to Step 8 (Use Table 3 to see if the exemption for children of divorced or separated parents or parents who live apart applies.) If <b>NO</b> : This person is not your qualifying child. Go to Table 2: Dependency Exemption for Qualifying Relative
step <b>8</b>	Did the person provide more than half of his or her own support <sup>3</sup> for the year?	If <b>YES</b> : You cannot claim this person as a dependent If <b>NO</b> : Go to Step 9
step <b>9</b>	Is the person a qualifying child of any other person?	If <b>YES</b> : Go to the chart: Qualifying Child of More Than One Person If <b>NO</b> : You can claim this person as a dependent

### Footnotes:

<sup>1</sup> A person is permanently and totally disabled if he or she cannot engage in any substantial gainful activity because of a physical or mental condition, AND a doctor determines the condition has lasted or can be expected to last continuously for at least a year or can lead to death.

<sup>2</sup> A child is considered to have lived with you during periods of time when one of you, or both, are temporarily absent due to special circumstances such as illness, education, business, vacation, military service or detention in a juvenile facility. In most cases a child of divorced or separated parents is the qualifying child of the custodial parent. See Table 3: Children of

Divorced or Separated Parents or Parents Who Live Apart to see if an exception applies. There is an exception for kidnapped children. See Publication 17, Personal Exemptions and Dependents

<sup>3</sup> A worksheet for determining support is included later in this section. If a child receives social security benefits and uses them toward his or her own support, those benefits are considered as provided by the child. Benefits provided by the state to a needy person (welfare, food stamps, housing, SSI) are generally considered support provided by the state.

## Table 2: Dependency Exemption for Qualifying Relative



interview tips

**You must start with Table 1.** (To claim a qualifying relative dependent, you must first meet the Dependent Taxpayer, Joint Return and Citizen or Resident Tests in steps 1-4 of Table 1)

Probe/Action: Ask the taxpayer:

<p>step <b>1</b></p>	<p>Is the person your qualifying child or the qualifying child of any other taxpayer? A child is not the qualifying child of any other taxpayer if the child's parent (or any other person for whom the child is defined as a qualifying child) is not required to file a U.S. income tax return or files an income tax return only to get a refund of income tax withheld.</p>	<p>If <b>YES</b>, the person is not a qualifying relative. (See Qualifying Child Interview Tips.) If <b>NO</b>, go to Step 2.</p>
<p>step <b>2</b></p>	<p>Was the person your son, daughter, stepchild, foster child, or a descendant of any of them (i.e., your grandchild)? OR Was the person your brother, sister, half-brother, half-sister, or a son or daughter of any of them? OR Was the person your father, mother, or an ancestor or sibling of either of them? OR Was the person your stepbrother, stepsister, stepfather, stepmother, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law?<sup>1</sup></p>	<p>If <b>NO</b>, go to Step 3. If <b>YES</b>, go to Step 4. <b>Note:</b> The relatives listed in Step 2 are considered "Relatives who do not have to live with you"</p>
<p>step <b>3</b></p>	<p>Was the person any other person (other than your spouse) who lived with you all year as a member of your household?<sup>2</sup></p>	<p>If <b>NO</b>, you cannot claim this person as a dependent. If <b>YES</b>, go to Step 4. <b>Note:</b> There are exceptions for kidnapped children; a child who was born or died during the year; certain temporary absences—school, vacation, medical care, etc.</p>
<p>step <b>4</b></p>	<p>Did the person have gross income of less than \$4,000 in 2015?<sup>3</sup></p>	<p>If <b>NO</b>, you cannot claim this person as a dependent. If <b>YES</b>, go to Step 5.</p>
<p>step <b>5</b></p>	<p>Did you provide more than half the person's total support for the year?<sup>4</sup></p>	<p>If <b>YES</b>, you can claim this person as your qualifying relative dependent. (Use Table 3 to see if the exception for children of divorced or separated parents or parents who live apart applies.) If <b>NO</b>, go to Step 6.</p>

continued on next page

### Footnotes:

<sup>1</sup> Any of these relationships that were established by marriage are not ended by death or divorce.

<sup>2</sup> A person does not meet this test if at any time during the year the relationship between you and that person violates local law.

<sup>3</sup> For purposes of this test, the gross income of an individual who is permanently and totally disabled at any time during the year does not include income for services the individual performs at a sheltered workshop.

Gross income means all income the person received in the form of money, goods, property and services, that is not exempt from tax. Do not include social security benefits unless the person is married filing a separate return and lived with their spouse at any

time during the tax year or if 1/2 the social security benefits plus their other gross income and tax exempt interest is more than \$25,000 (\$32,000 if MFJ).

<sup>4</sup> A worksheet for determining support is included at the end of this section.

See Table 3 for the exception to the support test for children of divorced or separated parents or parents who live apart.

If a child receives social security benefits and uses them toward his or her own support, those benefits are considered as provided by the child. Benefits provided by the state to a needy person (welfare, food stamps, housing, SSI), or for a foster child are generally considered support provided by the state.

# Schedule C-EZ Business Income

Only one Sch. C-EZ is allowed per taxpayer.

<b>US Schedule CEZ</b>		<b>Net Profit from Business</b>	
This business or profession is owned by the: <input type="checkbox"/> Taxpayer <input checked="" type="checkbox"/> Spouse			
Name of proprietor: _____		SSN: <u>209-11-1111</u>	
<b>Part I: General Information</b>			
<b>You may use this form</b>			
if you	<ul style="list-style-type: none"> <li>• Had business expenses of \$5,000 or less.</li> <li>• Use the cash method of accounting.</li> <li>• Did not have an inventory at any time during the year.</li> <li>• Did not have a net loss from this business.</li> <li>• Had only one business as either a sole proprietor, qualified joint venture, or statutory employee.</li> </ul>	and you	<ul style="list-style-type: none"> <li>• Had no employees during the year.</li> <li>• Are not required to file Form 4562, Depreciation and Amortization, for this business. See Schedule C, line 13, instructions.</li> <li>• Do not deduct expenses for business use of your home.</li> <li>• Do not have prior year unallowed passive activity losses from this business.</li> </ul>
<b>A</b> Principal business or profession, including product or service _____		<b>B</b> Business code _____ <u>0</u>	
<b>C</b> Business name. If no separate business name, leave blank. _____		<b>D</b> Employer ID number (EIN) _____	
<b>E</b> Business address including suite or room number. Not required if the same as the tax return address . _____ Zip code, city or town, and state . . . . . _____			
<b>F</b> Did you make any payments in 2013 that would require you to file Form(s) 1099? . . . . . <input type="checkbox"/> Yes <input type="checkbox"/> No			
<b>G</b> If "Yes", did you or will you file all required Forms 1099? . . . . . <input type="checkbox"/> Yes <input type="checkbox"/> No If filing Form 1040NR, check here if the taxpayer is required to pay self-employment tax on this income . . . . . <input type="checkbox"/>			
<b>Part II: Figure Your Net Profit</b> If you are a minister who can only claim a portion of their expenses, F9 on line 2 for the worksheet for allowable deductions. Do not mix statutory employee income and non-employee income on the same Schedule C-EZ.			
<b>1</b> Gross receipts . . . . . _____		0.	
If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, check here . . . . . <input type="checkbox"/>			
<b>2</b> Total expenses. If more than \$5,000, use Schedule C . . . . . _____		0.	
<b>3</b> Net profit. If less than -0-, you MUST use Schedule C . . . . . _____		0.	
<b>Part III: Information on Your Vehicle</b> Complete this part only if you are claiming vehicle expenses.			
<b>4</b> When did you place your vehicle in service for business purposes? . . . . . _____			
<b>5</b> Of the total number of miles you drove your vehicle during the year, enter the number of miles you used your vehicle for			
<b>a</b> Business: _____		<b>b</b> Commuting: _____	
		<b>c</b> Other: _____	
Business miles at the standard mileage rate of . . . <u>56.5¢</u>			
Include this amount with any other expenses you list on line 2 above . . . . . _____		Yes	No
		<input type="checkbox"/>	<input type="checkbox"/>
<b>6</b> Was your vehicle available for use during off-duty hours? . . . . . <input type="checkbox"/> Yes <input type="checkbox"/> No			
<b>7</b> Do you (or your spouse) have another vehicle available for personal use? . . . . . <input type="checkbox"/> Yes <input type="checkbox"/> No			
<b>8a</b> Do you have evidence to support your deduction? . . . . . <input type="checkbox"/> Yes <input type="checkbox"/> No			
<b>b</b> If "Yes", is the evidence written? . . . . . <input type="checkbox"/> Yes <input type="checkbox"/> No			

**Tip:**  
Businesses with inventory, employees, depreciation, business use of the home, or a net loss are out of scope.

Select Schedule C-EZ for Taxpayer or Spouse

Sch C-EZ can be used only if these statements are true. See Note below.

For a list of Business Codes, go to help in TaxWise®, then search for "Business Codes."

If taxpayer does not have an EIN, leave blank.

If answer to question F is yes, then the return is out of scope.

Add the mileage amount to any other expenses on line 2.

Any Form 1099-MISC with nonemployee compensation (box 7) for a trade or business must be entered on line 1 by linking to Form 1099-MISC. A separate TaxWise® Form 1099-MISC must be completed for each Form 1099-MISC that the taxpayer provides. For cash payments link to a scratch pad and enter the business income. All Forms 1099 and scratch pad income will be totaled on line 1.

Self-employment tax and the adjustment of the deductible portion of the self-employment tax are automatically calculated and carried to the appropriate forms.

**Note:** See the Deduction tab for information on the type of business expenses that are allowed.

# Schedule C–Business Income, Page 1

(In-scope limited to Schedule C-EZ criteria\*)

US Schedule C Profit or Loss from Business	
This business or profession is owned by the: <input checked="" type="checkbox"/> Taxpayer <input type="checkbox"/> Spouse	
Name of proprietor: _____	SSN: _____
A Principal business or profession, including product or service _____	B Business code _____
C Business name. If no separate business name, leave blank. _____	D Employer ID number (EIN) _____
E Business address including suite or room number _____ Zip code, city or town, and state _____	
F Accounting method (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) _____	
G Did you "materially participate" in the operation of this business during this year? If "No", losses may be limited <input type="checkbox"/> Yes <input type="checkbox"/> No	
H If you started or acquired this business this year, check here <input type="checkbox"/>	
I Did you make any payments in 2014 that would require you to file Form(s) 1099? <input type="checkbox"/> Yes <input type="checkbox"/> No	
J If "Yes", did you or will you file all required Forms 1099? <input type="checkbox"/> Yes <input type="checkbox"/> No For state purposes, check if this business is an LLC <input type="checkbox"/> If filing Form 1040NR, check here if the taxpayer is required to pay self-employment tax on this income <input type="checkbox"/>	
<b>Part I: Income</b> F9 on line 1 to use Form 1099-MISC.	
1 Gross receipts or sales _____	0.
If this income was reported to you on Form W2 and the "Statutory employee" box on that form was checked, check here <input type="checkbox"/>	
2 Returns and allowances (see instructions) _____	0.
3 Subtract line 2 from line 1 _____	0.
4 Cost of goods sold from line 42 on page 2 _____	0.
5 Gross profit. Subtract line 4 from line 3 _____	0.
6 Other income, including Federal and state gasoline or fuel tax credit or refund _____	0.
7 Gross income. Add lines 5 and 6 _____	0.
<b>Part II: Expenses</b> If you are a minister who can only claim a portion of their expenses, F9 on line 27a for the worksheet for allowable deductions.	
8 Advertising _____	0.
9 Car and truck expenses _____	0.
10 Commissions and fees _____	0.
11 Contract labor _____	0.
12 Depletion _____	0.
13 Depreciation and section 179 expense deduction _____	0.
14 Employee benefit programs (other than on line 19) _____	0.
15 Insurance, other than health _____	0.
16 Interest	
a Mortgage (paid to banks, etc.) _____	0.
b Other _____	0.
17 Legal and professional services _____	0.
18 Office expense _____	0.
19 Pension and profit-sharing plans _____	0.
20 Rent or lease	
a Vehicles, machinery, and equipment _____	0.
b Other business property _____	0.
21 Repairs and maintenance _____	0.
22 Supplies not included in Part III _____	0.
23 Taxes and licenses: _____ less Form 8846 credits: _____	0.
24 Travel, meals, and entertainment	
a Travel _____	0.
Meals and entertainment: _____ at 50% _____ at 80% - DOT hours of service _____ at 100% - See instructions.	
Total meals and entertainment _____	0.
Nondeductible amount _____	0.
b Deductible meals and entertainment _____	0.
25 Utilities _____	0.
26 Wages: _____ less employment credits: _____	0.
27 a Other expenses from line 48 _____	0.
b Reserved for future use _____	

For a list of Business Codes, go to TaxWise® help, then search for "Business Codes."

If taxpayer does not have an EIN, leave blank.

**Note:**

If taxpayer answers yes to questions I or J, return is out of scope.

If taxpayer has Form 1099-MISC for nonemployee compensation, link from line 1 and select New Miscellaneous Income from 1099-MISC. For cash payments, link and select New Scratch Pad.

The deduction for business miles is automatically entered from Part IV.

Only standard mileage is in scope, not actual expenses.

**Note:**

Any taxpayer that receives less than \$600 may not receive a Form 1099-MISC but must still report the income.

Following are some of the types of expenses that are in scope for volunteer prepared returns:

Advertising, car and truck (standard mileage), commissions and fees, insurance, interest, legal and professional services, office, rent or lease, repairs and maintenance, supplies, taxes and licenses, travel, and utilities.

See **Deductions Tab** for information on transportation, travel and entertainment expenses.

Expenses that are **not** deductible include:

Bribes and kickbacks; charitable contributions; demolition expenses or losses; and, dues to business, social, athletic, luncheon, sporting, airline, and hotel clubs.

\* Use the same criteria as Schedule C-EZ, except taxpayers can have expenses up to \$25,000, and more than one Schedule C can be prepared if the taxpayers have more than one business.

# How To Complete Cap Gn Wkt, Columns (f) and (g) — TY2015

For most transactions, you do not need to complete columns (f) and (g) and can leave them blank. You may need to complete columns (f) and (g) if you got a Form 1099-B or 1099-S (or substitute statement) that is incorrect, if you are excluding or postponing a capital gain, if you have a disallowed loss, or in certain other situations. Details are in the table below. If you enter more than one code (on the same row) in column (f) enter them in alphabetical order and enter the net adjustment in column (g).

IN SCOPE  IF . . .	THEN enter this code in column (f) . . .	AND . . .
You received a Form 1099-B (or substitute statement) and the basis shown in box 3 is incorrect . . . . .	B	<ul style="list-style-type: none"> <li>If the worksheet 1099 column code is B, enter the correct basis in column (e), and enter -0- in column (g).</li> <li>If the worksheet 1099 column code is A, enter the basis shown on Form 1099-B (or substitute statement) in column (e), even though that basis is incorrect. Correct the error by entering an adjustment in column (g). To figure the adjustment needed, see the <i>Worksheet for Basis Adjustments in Column (g)</i>. Also see <i>Example 4—adjustment for incorrect basis</i> in the instructions for column (h) in Form 8949 instructions.</li> </ul>
You received a Form 1099-B or 1099-S (or substitute statement) for a transaction and there are selling expenses or option premiums that are not reflected on the form or statement an adjustment to either the proceeds or basis shown . . . . .	E	Enter in column (d) the proceeds shown on the form or statement you received. Enter in column (e) any cost or other basis shown on Form 1099-B (or substitute statement). In column (g), enter as a negative number (use a minus sign) any selling expenses and option premium that you paid (and that are not reflected on the form or statement you received) and enter as a positive number any option premium that you received (and that is not reflected on the form or statement you received).
You received a Form 1099-B (or substitute statement) and the type of gain or loss (short term or long term) shown in box 1c is incorrect . . . . .	T	Enter -0- in column (g).
You sold or exchanged your main home at a gain, must report the sale or exchange on Part II of Form 8949 (as explained in <i>Sale of Your Home</i> in the Instructions for Schedule D (Form 1040)), and can exclude some or all of the gain . . . . .	H	Report the sale or exchange on Cap Gn Wkt as you would if were not taking the exclusion. Then enter the amount of excluded (nontaxable) gain as a negative number (use a minus sign) in column (g). See the example in the instructions for column (g).
You have a nondeductible loss other than a loss indicated by code W . . . . .	L	Report the sale or exchange on Cap Gn Wkt and enter the amount of the nondeductible loss as a positive number in column (g). See <i>Nondeductible Losses</i> in the Instructions for Schedule D (Form 1040).
Your report multiple transactions on a single row as described in <i>Exception to reporting each transaction on a separate row</i> . . . . .	M	See Exception to reporting each transaction on a separate row. Enter -0- in column (g) unless an adjustment is required because of another code.
You have an adjustment not explained earlier in this column . . . . .	O	Enter the appropriate adjustment amount in column (g). See the instructions for column (g).
You have a nondeductible loss from a wash sale . . . . .	W	Report the sale or exchange on Cap Gn Wkt and enter the amount of the nondeductible loss as a positive number in column (g).
None of the other statements in this column apply . . . . .		Leave columns (f) and (g) blank.



# How To Complete Cap Gn Wkt, Columns (f) and (g) — TY2015

OUT OF SCOPE  IF...	THEN enter this code in column (f)...
You received a Form 1099-B or 1099-S (or substitute statement) as a nominee for the actual owner of the property .....	N
You sold or exchanged qualified small business stock and can exclude part of the gain .....	Q
You can exclude all or part of your gain under the rules explained in the Schedule D instructions for DC Zone assets or qualified community assets .....	X
You are electing to postpone all or part of your gain under the rules explained in the Schedule D instructions for any rollover of gain (for example, rollover of gain from QSB stock or publicly traded securities) .....	R
You had a loss from the sale, exchange, or worthlessness of small business (section 1244) stock and the total loss is more than the maximum amount that can be treated as an ordinary loss .....	S
You disposed of collectibles (see the Schedule D instructions) .....	C

## Exception to Entering Each Transaction on a Separate Row

When a taxpayer's Form 1099-B includes so many transactions that it is not practical to enter each one into TaxWise®, use the following procedure.

1. Divide the transactions into four categories:
  - Short term transactions with basis reported to the IRS - categorized as "Box A."
  - Short term transactions with basis not reported to the IRS - categorized as "Box B."
  - Long term transactions with basis reported to the IRS - categorized as "Box D."
  - Long term transactions with basis not reported to the IRS - categorized as "Box E."
2. Enter the total of each category on one line on the capital gain worksheet with Code M in column (f). Make sure that TaxWise® correctly reflects short term or long term for each line.
3. If any of the transactions requires an adjustment to the reported basis, enter the adjustment code and adjustment amount in columns (f) and (g) of the line that includes that transaction. In this case, there will be more than one adjustment code in column (f). Enter the codes in alphabetical order in column (f), with no spaces or commas.
4. If there are transactions with basis not reported to the IRS, the broker's list of transactions must be submitted as an attachment to the tax return. Check the appropriate box at the top of Schedule D in TaxWise® and submit the document using either of the following two methods.
  - Hardcopy: Make a photocopy and attach it to Form 8453 to be mailed to Austin.
  - Electronic: Scan the pages and save as a pdf. Attach the pdf to the electronic return prior to creating the e-file.

# Example: Applying Section 121 Exclusion to Capital Gains on Sale of Main Home

US Schedule D		Capital Gain or Loss Transactions Worksheet							2012	
1099 column: Enter "A" for transactions reported on Form 1099-B with the basis reported to the IRS, enter "B" for transactions reported on Form 1099-B but the basis is not reported to the IRS, enter "C" for transactions for which you cannot enter A or B.										
* Check if 28% rate gain or (loss).										
(a) Description of property	1 0 9 9	T S * J	(b) Date acquired	(c) Date sold	(d) Sales price	(e) Cost or other basis	(f) Code	(g) Adjustments to gain or loss	(h) Gain or loss	S / L
MAIN HOME	C		05/15/2003	10/01/2013	200000	125000	H	-75000	0	L
					0	0		0	0	
					0	0		0	0	
					0	0		0	0	
					0	0		0	0	

**TIP:** A fully excludable gain must be reported only if the taxpayer received a Form 1099-S.

## Capital Loss Carryover and Capital Gain and Loss From Schedule K-1

Link to a scratch-pad and list short term capital gains from K-1 on line 5.

Link to a scratch-pad and list long term capital gains from K-1 on line 12.

4	Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824	4	
5	Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1	5	
6	Short-term capital loss carryover. Enter the amount, if any, from line 8 of your <b>Capital Loss Carryover Worksheet</b> in the instructions	6	( )
7	<b>Net short-term capital gain or (loss).</b> Combine lines 1a through 6 in column (h). If you have any long-term capital gains or losses, go to Part II below. Otherwise, go to Part III on the back	7	
<b>Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year</b>			
See instructions for how to figure the amounts to enter on the lines below. This form may be easier to complete if you round off cents to whole dollars.		(d) Proceeds (sales price)	(e) Cost (or other basis)
8a	Totals for all long-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 8b		
8b	Totals for all transactions reported on Form(s) 8949 with <b>Box D</b> checked		
9	Totals for all transactions reported on Form(s) 8949 with <b>Box E</b> checked		
10	Totals for all transactions reported on Form(s) 8949 with <b>Box F</b> checked		
11	Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824		11
12	Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1		12
13	Capital gain distributions. See the instructions		13
14	Long-term capital loss carryover. Enter the amount, if any, from line 13 of your <b>Capital Loss Carryover Worksheet</b> in the instructions		14 ( )

Enter capital loss carryovers from prior year return on line 6 or 14. Be sure to use the right-hand column.

# 1099-R Pension and Annuity Income

## Form 1099 Alert

All 1099-R entries in this section must be an exact match of the paper Form(s) 1099-R.

US 1099-R Distributions from Profit-Sharing, Retirement Plans, IRA's, etc.		
This 1099-R is for the: <input type="checkbox"/> Taxpayer <input type="checkbox"/> Spouse		
Recipient's name: _____		Recipient's SSN: <u>209-11-1111</u>
<input type="checkbox"/> Check if this 1099-R is handwritten, altered, or appears not to be a true 1099-R. <input type="checkbox"/> Corrected		
<input type="checkbox"/> Check if this is the taxpayer's address shown on the 1099-R or <input type="checkbox"/> Check and make changes to the U.S. address or foreign address below.		
U.S. address _____ Zip code, city, and state _____ Foreign street address _____ Foreign city _____ Foreign province / state _____ Foreign Zip code _____ Foreign country code _____		
Payer's ID: _____ Name code: _____	<b>1</b> Gross (RRB line 7) _____ 0.	Taxable amount not determined <input type="checkbox"/>
Payer's name _____	<b>2</b> Taxable amount _____ 0.	Total distribution <input type="checkbox"/> Elect 10 averaging <input type="checkbox"/>
Payer's U.S. address _____	<b>3</b> Capital gain in line 2 _____ 0.	<b>4</b> Federal tax withheld _____ 0.
Payer's Zip code, city, and state _____	<b>5</b> Employee contributions, designated Roth contributions or insurance premiums _____ 0.	<b>6</b> Net unrealized appreciation in employer's securities _____ 0.
Payer's foreign address _____	<b>7</b> Codes IRA /SEP/ Simple <input type="checkbox"/>	<b>8</b> Other <u>0.0</u> % _____ 0.
Payer's foreign city _____	Check if disability and the taxpayer is disabled <input type="checkbox"/> Check to force Form 5329 <input type="checkbox"/>	
Payer's foreign province / state _____	<b>9a</b> Percentage of total distribution _____ 0.0 %	<b>9b</b> Total employee contributions _____ 0.
Payer's Zip code and country code _____		

Complete TaxWise® version of 1099-R using information from taxpayer's Form 1099-R.

Box 2: Enter the amount shown on 1099-R. If zero or blank or the "taxable amount not determined" box is checked, see "Variations" on D-23. **DO NOT ENTER ANY AMOUNT IN BOX 2 EXCEPT WHAT IS ON THE 1099-R.**

Review box 4 and box 12 to ensure tax withheld was entered and is correct.

Check if Code 3 is in box 7—and the taxpayer is on disability but under the minimum retirement age of the employer plan. This makes the amount go to Wages, line 7 on Form 1040, rather than the pension line.

See Other Taxes Tab, for details on Form 5329.

### 1099-R Dollar Value Boxes

**Box 2:** No amount is entered if the Simplified Method is used. If no amount is in box 2 of Form 1099-R, do not make an entry here. The entire Box 1 will be taxable unless an amount is calculated/entered in the Exclusion Worksheet or Simplified Method sections on the lower section of this screen.

**Box 3:** Capital Gain will be shown for a Charitable Gift Annuity (Code F). The difference between the Distribution shown in Box 1 and the capital gain shown in Box 3 will appear on Line 15 of the 1040. A schedule D must be completed to report the Capital gain. Describe as "FROM 1099-R". The Gain should be the amount from Box 3 and the gain is Long Term.

**Box 4:** Review Box 4 and Box 12 to ensure tax withheld was entered and is correct.

**Box 5:** If Box 5 is the same as Box 1, none of the distribution is taxable. Enter the amount from Box 5 in Line 5 of the Exclusion Worksheet. If the payer has calculated the taxable amount of the pension in Box 2, generally the difference between Boxes 1 and 2 will appear in Box 5. If Box 5 is the amount of health insurance premiums, (typically only on a CSA 1099-R) you must MANUALLY carry the amount to the Schedule A.

**Box 7:** Take care to enter the code shown on the 1099-R. See next page for codes..

**Box 9b:** This information may alternatively appear in Box 5 although you cannot tell if it was "employee contribution" or "health insurance premiums" unless it states so on the 1099-R. If an amount appears in this box and a taxable amount is not shown in Box 2, the taxable amount box "2" remains blank and red until you complete the "Simplified Method" section of this form, described below (this will also "get the red out").





Publication 4731  
**Screening Sheet for Nonbusiness Credit Card Debt  
Cancellation**



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

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

---

**Credit Card Debt**

---

**step 1** Did the taxpayer receive Form 1099-C, Cancellation of Debt, or other documentation (if less than \$600) from a creditor and is the information shown on the form or document correct? **YES** – Go to Step 2  
**NO** – Go to Step 6

**Note:** The creditor is not required to issue a Form 1099-C if the canceled debt is under \$600. However, the taxpayer may be required to report the canceled debt as income regardless of the amount.

---

**step 2** Was the credit card debt related to a business? **YES** – Go to Step 6  
**NO** – Go to Step 3

---

**step 3** Does box 3 of Form 1099-C show any interest or was box 6 checked to indicate bankruptcy? **YES** – Go to Step 6  
**NO** – Go to Step 4

**Note:** If the bankruptcy box is not checked but the taxpayer has subsequently filed bankruptcy, answer “yes.”

---

**step 4** Was the taxpayer insolvent immediately before the cancellation of debt? **YES** – Go to Step 6  
Use the Insolvency Determination Worksheet in Publication 4012 and interview the taxpayer to determine if the taxpayer was insolvent immediately before the cancellation of debt. **NO** – Go to Step 5

---

**step 5** The cancellation of nonbusiness indebtedness or cancellation of debt (the amount in box 2 of Form 1099-C or an amount less than \$600 provided in other documentation) must be reported as ordinary income on Form 1040, line 21 (Other Income). No additional supporting forms or schedules are required for reporting income from canceled credit card debt.

---

**step 6** This tax issue is outside the scope of the volunteer programs. The taxpayer may qualify to exclude all or some of the discharged debt. However, the rules involved are complex.

**Refer the taxpayer to:**

- [www.irs.gov](http://www.irs.gov) for the most up-to-date information.
- The Taxpayer Advocate Service (TAS): 1-877-777-4778, TTY/TDD 1-800-829-4059. TAS may help if the problem cannot be resolved through normal IRS channels.
- A professional tax preparer.



# Insolvency Determination Worksheet



Assets (FMV)	
Homes	\$
Cars	
Recreational vehicles, etc.	
Bank accounts	
IRAs, 401Ks, etc.	
Jewelry	
Furniture	
Clothes	
Misc.	
Other assets	
<b>Total Assets:</b>	\$

Liabilities	
Mortgages	\$
Home equity loans	
Vehicle loans	
Personal signature loans	
Credit card debts	
Past-due mortgage interest, real estate taxes, utilities, and child care costs	
Student loans	
Other liabilities	
<b>Total Liabilities:</b>	\$

**Total Assets minus Total Liabilities = \$**

(Negative amount equals insolvency)

(Positive amount equals solvency)



## Exhibit 1 – Standard Deduction for Most People\*

This table provides the standard deduction amounts for tax year 2015.

If the taxpayer's filing status is...	Your standard deduction is ...
Single or married filing separate return	\$6,300
Married filing joint return or qualifying widow(er) with dependent child	\$12,600
Head of household	\$9,250

\*Do not use this chart if the taxpayer was born before January 2, 1951, or is blind, or if someone else can claim an exemption for the taxpayer (or their spouse if married filing jointly).



## Persons Not Eligible for the Standard Deduction

Your standard deduction is zero and you should itemize any deductions you have if:

- Your filing status is married filing separately, and your spouse itemizes deductions on his or her return,
- You are filing a tax return for a short tax year because of a change in your annual accounting period, or
- You are a nonresident or dual-status alien during the year. You are considered a dual-status alien if you were both a nonresident and resident alien during the year.

If you are a nonresident alien who is married to a U.S. citizen or resident alien at the end of the year, you can choose to be treated as a U.S. resident. (See Publication 519, U.S. Tax Guide for Aliens.) If you make this choice, you can take the standard deduction.

*If an exemption for you can be claimed on another person's return (such as your parents' return), your standard deduction may be limited.*

### Standard Deduction Chart for People Born Before January 2, 1951, or Who are Blind

Check the correct number of boxes below. Then go to the chart.

**You:** Born before January 2, 1951  Blind

**Your spouse, if claiming spouse's exemption:** Born before January 2, 1951  Blind

**Total number of boxes checked**

IF your filing status is...	AND the number in box above is...	THEN your standard deduction is...
<b>Single</b>	1	\$7,850
	2	9,400
<b>Married filing jointly or Qualifying widow(er) with dependent child</b>	1	\$13,850
	2	15,100
	3	16,350
	4	17,600
<b>Married filing separately</b>	1	\$7,550
	2	8,800
	3	10,050
	4	11,300
<b>Head of household</b>	1	\$10,800
	2	12,350

\*If someone else can claim you (or your spouse if filing jointly) as a dependent, use standard deduction worksheet for dependents.

### Standard Deduction Worksheet for Dependents

Use this worksheet only if someone else can claim you (or your spouse if filing jointly) as a dependent.

Check the correct number of boxes below. Then go to the worksheet.

**You:** Born before January 2, 1951  Blind

**Your spouse, if claiming spouse's exemption:** Born before January 2, 1951  Blind

**Total number of boxes checked**

1. Enter your earned income (defined below). If none, enter -0-.	1. _____
2. Additional amount.	2. _____ \$350
3. Add lines 1 and 2.	3. _____
4. Minimum standard deduction.	4. _____ \$1,050
5. Enter the larger of line 3 or line 4.	5. _____
6. Enter the amount shown below for your filing status. <input type="checkbox"/> Single or Married filing separately—\$6,300 <input type="checkbox"/> Married filing jointly—\$12,600 <input type="checkbox"/> Head of household—\$9,250	6. _____
7. <b>Standard deduction.</b> <b>a.</b> Enter the smaller of line 5 or line 6. If born after January 1, 1951, and not blind, stop here. This is your standard deduction. Otherwise, go on to line 7b. <b>b.</b> If born before January 2, 1951, or blind, multiply \$1,550 (\$1,250 if married) by the number in the box above. <b>c.</b> Add lines 7a and 7b. This is your standard deduction for 2015.	7a. _____ 7b. _____ 7c. _____

*Earned income includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed. It also includes any amount received as a scholarship that you must include in your income.*

# Nonrefundable Credits

47	Add lines 44, 45, and 46		0
<b>Nonrefundable Credits</b>			
48	Foreign tax credit. Form 1116, if required		0
49	Credit for child and dependent care expenses. Form 2441		0
50	Education credits. Form 8863		0
51	Retirement savings contributions credit. Form 8880		0
52	Child tax credit. Schedule 8812		0
53	Residential energy credits. Form 5695		0
54	Other credits from Form <input type="checkbox"/> 3800 <input type="checkbox"/> 8801 <input type="checkbox"/>		0
55	<b>Total credits.</b> Add lines 48 through 54		0

Link to **Form 1116, Foreign Tax Credit** page 1, if required.

Link to **Form 2441, page 1.**

Link to **Form 8863. See Education Benefits tab.**

Link to **Form 8880.**

See **Child Tax Credit Tip and Interview Tips, later.**

Link to **Sch R, Credit for the Elderly or Disabled.**

*Hint: Remember, the nonrefundable credits cannot exceed the taxpayer's federal income tax.*

## Form 8863

Link to Form 8863 Education Credits. Enter each student's name, SSN, and qualified expenses in the appropriate section of Form 8863. TaxWise® does the calculations. You can enter the total amount of qualifying expenses for each student; TaxWise® will apply the limitations. For complete education credit information refer to Tab J- Education Benefits.

**Caution:** When completing the worksheet for an Education Credit, TaxWise® helps you create an accurate claim, however, TaxWise® will not catch other errors, such as taking more than one benefit for the same student.

## Schedule R

If taxpayer qualifies for the credit for the elderly or the disabled, link to Schedule R. If the taxpayer is permanently and totally disabled, check the box in Part II. Otherwise, complete Part III by entering the amount of pensions, annuities or disability benefits that are excluded from income. Refer to the Elderly or Disabled Decision Tree on the last page of this tab.

## Residential Energy Credits

For information on the nonbusiness energy property credit, see the Extenders tab.

# Form 1116 – Foreign Tax Credit

**US 1116 Foreign Tax Credit**

Name: \_\_\_\_\_ SSN: \_\_\_\_\_

**Simplified Limitation Election**  
 The simplified method cannot be used if you file Form 4563 or exclude income from Puerto Rico. If ALL of your foreign source income is from dividends and interest and all of that income is reported to you on Forms 1099-DIV or 1099-INT and your qualified foreign taxes are not more than \$300 (\$600 if married filing jointly), you do not need to fill out this form. You can enter the foreign tax amount here: \_\_\_\_\_ or directly on Forms 1040 or 1040NR. By making this election, you forego any carryover of excess foreign taxes to or from a taxable year to which this election applies and this election applies to all later tax years and can only be revoked with IRS consent. Enter the amount of foreign income on Schedules B, as applicable and also on line 16 of Form 1116AMT.

Check only one box. Use a separate Form 1116 for each category of income.

a  Passive category income    c  Section 901(j) income    e  Lump sum distributions  
 b  General category income    d  Income re-sourced by treaty

f Resident of (name of country): \_\_\_\_\_ Country code: \_\_\_\_\_

**Part I: Taxable Income or Loss from Sources Outside United States for Category Above**

g Name of country or possession and country code. Limit to 10 characters for printing. \_\_\_\_\_

	A	B	C	Total
<b>1a</b> Gross income from sources within country shown above. Type: _____ Income other than capital gains	0	0	0	0
<b>b</b> Check if line 1a is compensation for personal services as an employee, your total compensation from all sources is \$250,000 or more, and you used an alternative basis to determine its source <input type="checkbox"/>				
Foreign source qualified dividends above, if adjustment is required.	0	multiplied by 0.3788. Include		0
Foreign capital gain. F9 on column A amount below for foreign Schedule D worksheet. The result of the calculation based on the foreign Schedule D will appear in the total and A columns. Enter amounts, if any, in columns B and C.				

ONLY the Simplified Limitation Election section of Form 1116 is in scope for Advanced certification. If qualified foreign taxes are \$300 (\$600 if MFJ) or less, all foreign source income is passive category (such as interest and dividends) and taxpayer meets the other requirements as explained in the Form 1116 Instructions, enter the exact amount of foreign tax paid here. Do not complete the rest of the form.

**Note:** For the Simplified Limitation Election, link to Form 1116 from Form 1040, and complete the box at the top of the form. TaxWise® will automatically include this amount but will not include Form 1116 with the tax return unless it's required.

## FOR INTERNATIONAL CERTIFICATION ONLY:

If the taxpayer does not meet the requirements for the Simplified Limitation Election, complete Form 1116 as follows:

- Top portion: Only report one type of income on each Form 1116. Income from up to three foreign countries may be reported on the same form as long as it is the *same type* of income.
- Part I, line 1a: Enter all foreign income that is taxable by both the foreign country and the U.S.
- Part I, line 3a: If the taxpayer is not itemizing deductions on Schedule A, enter the standard deduction amount on line 3a. If the taxpayer itemizes, refer to Form 1116 instructions for the amounts to include on this line. The tax software will not automatically enter this field.
- Part II: Check the appropriate box, (h) or (i), to indicate whether the foreign tax was actually paid during the tax year ("paid") or if the tax was billed in one year but paid in another ("accrued"). A taxpayer using the cash basis can choose to use either the cash or accrual method to determine the foreign tax credit. However, if the accrual method is chosen, the taxpayer must continue to use the accrual method for the foreign tax credit on all future returns.
- Part II, column j: Enter the date taxes were paid or accrued.
- Part II, columns k-n: Amounts are entered in foreign currency; columns o-r: amounts are entered in U.S. dollars; and column s: total U.S. dollar amounts only. See Form 1116 Instructions for information about conversion rates.
- Part III: Figure the credit in this section. If the taxpayers have a carryback or carryover, refer them to a professional tax preparer, as this is **out of scope**.
- Part IV: Only needed if the taxpayer files more than one Form 1116 to report more than one type of income or report funds from more than three countries.
- TaxWise® performs the calculations in Parts III and IV.



# Form 2441 – Credit for Child and Dependent Care Expenses

**US 2441 Credit for Child and Dependent Care Expenses**

Name:  SSN:

**Part I: Persons or Organizations Who Provided the Care**  
 If you need to list more than 2 providers, link from the total field below to the Additional Care Providers and Qualifying Children worksheet.

1(a) Care provider's name	(b) Street address Zip code, city, and state	(c) ID number SSN or EIN	(d) Amount paid
Code: _____	_____	EIN Type: <input type="checkbox"/> _____	_____ 0.
Code: _____	_____	EIN Type: <input type="checkbox"/> _____	_____ 0.
Total of the line 1 amounts			_____ 0.

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

**2 Information about your qualifying person(s).**  
 To qualify the persons must have shared the same home with you in 2013. If you received dependent care benefits from your employer, fill in page 2 of this form.  
 Only list below those expenses not excluded on page 2. Total not excluded on page 2 . . . \_\_\_\_\_ 0.

If you need to list more than 2 qualifying persons, link from the total field below to the Additional Care Providers and Qualifying Persons worksheet.

(a) Qualifying person's name	(b) Social security number	(c) Qualified expenses * See below.
First name Last name		
_____	_____	_____ 0.
_____	_____	_____ 0.
* Qualified expenses are those you incurred and PAID in 2013.		
Total of the line 2 amounts		_____ 0.

**Important:** Make sure the "DC" column is checked on the Main Information Sheet for the applicable dependents.

When the taxpayer has more than two care providers link to the "Providers - Form 2441 Line 1a and 1b."

Line 1 should be total paid for all qualifying care.

Complete part III of 2441 before part II if TP rec'd dependent care benefits on W2.

Line 2 should be total paid minus any dependent care benefits on W-2, or other reimbursement.

If more than 2 children with dependent care expenses, link to new Qualifying Form 2441, line 2 and complete all fields for each qualifying person.

**3** Smaller of line 2, \$3,000 for 1 qualifying person, or \$6,000 for 2 or more persons.  
 If you completed Part III, amount from line 31 . . . . . \_\_\_\_\_ 0.

**4** Your earned income . . . . . \_\_\_\_\_ 0.

**5** If married filing jointly, your spouse's earned income is entered. If you or your spouse was a student or disabled, see the worksheet below. All others, amount from line 4 . . . . . \_\_\_\_\_ 0.

**6** Smallest of lines 3, 4, or 5 . . . . . \_\_\_\_\_ 0.

**7** Amount from Form 1040, line 38, Form 1040A, line 22, or Form 1040NR, line 37 . . . . . \_\_\_\_\_ 0.

**8** Amount applicable to the amount on line 7 . . . . . 0.35

If you paid 2012 dependent care expenses in 2013, F9 here to complete the prior year expense worksheet . . . . . \_\_\_\_\_ 0.

**9** Multiply line 6 by the decimal amount on line 8, plus prior year amounts shown above . . . . . \_\_\_\_\_ 0.

**10** Tax liability limit . . . . . \_\_\_\_\_ 0.

**11 Credit for child and dependent expenses.** Smaller of line 9 or line 10 . . . . . \_\_\_\_\_ 0.

Line 3 should equal total qualified expenses up to the maximum allowable minus any dependent care benefit on W-2.

Link out to scratch pad to subtract any amount earned while incarcerated or on work release.

Note - Foreign earned income and housing exclusion, and Medicaid Waiver payments must be subtracted from the wages listed on Line 7 when figuring the credit.

**Worksheet for Income Considered Earned by Disabled or Student Spouse**

If you have 1 qualifying person \$250 x <u>0</u> months spouse was a student or disabled \$ _____ 0.	If you have two or more qualifying persons \$500 x <u>0</u> months spouse was a student or disabled \$ _____ 0.
---	--

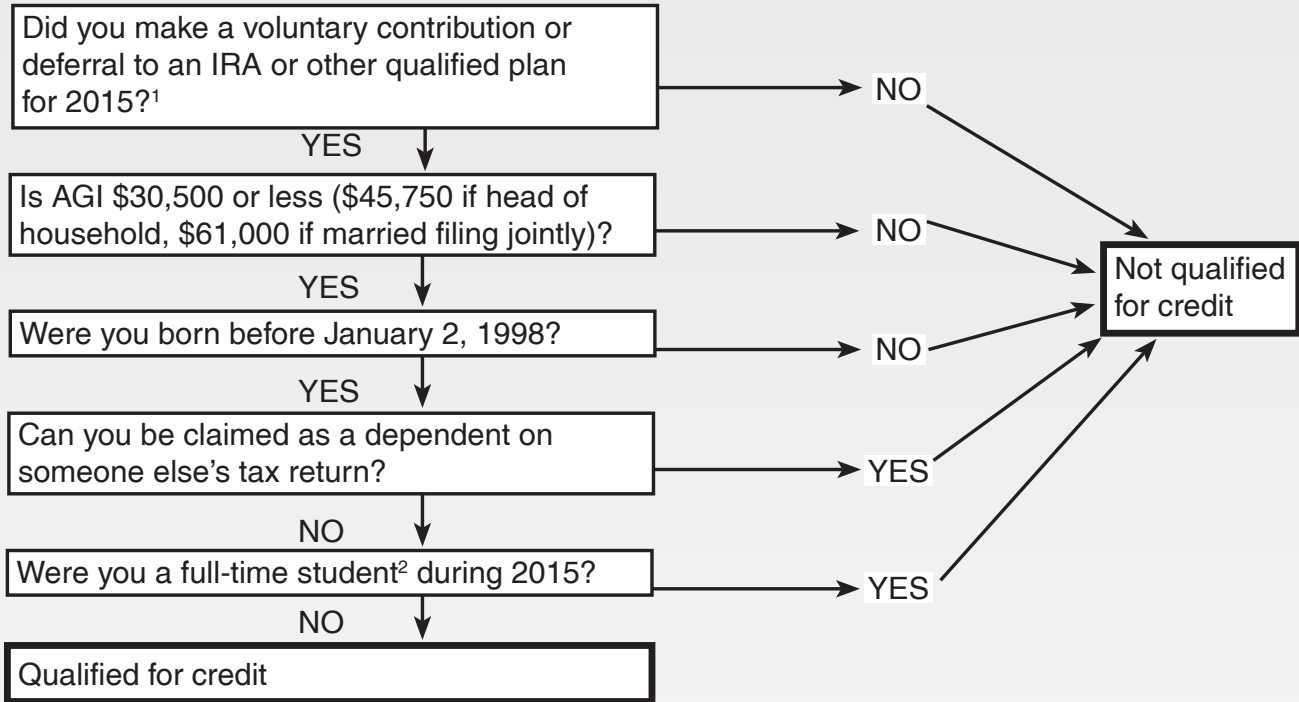
Check if the care listed above was for a disabled spouse

**Important:** If either spouse is disabled or full-time student, enter the number of months.



# Retirement Savings Contributions Credit – Decision Tree

To determine if a taxpayer qualifies for the Credit for Qualified Retirement Savings Contributions, review the return information and ask the taxpayer the following:



<sup>1</sup> Plans that qualify are listed in the Other Credits chapter of Publication 17. Answer yes if the taxpayer will make a qualifying IRA contribution for tax year 2015 by April 18, 2016.

<sup>2</sup> See Publication 17 for definition of full-time student.

## Important Reminders for Retirement Savings Contributions Credit

- Be sure to look at the taxpayer's Form(s) W-2. An entry in box 12 or an "X" in the Retirement box is an indicator that the taxpayer may be eligible for this credit. A full description of all codes used in box 12 can be found in Instructions for Forms W-2 and W-3.
- An entry in box 14 on the W-2 may also indicate a contribution to a state retirement system. Caution: If these are treated as employer contributions they are not eligible for the credit. See Form W-2 Instructions.
- When using tax software, remember to key in all entries as they appear on the Form W-2.
- A contribution to a traditional or Roth IRA (including a myRA) qualifies for this credit, but may not appear on any taxpayer document. Remember to review the expenses section on page 2 of the Intake and Interview Sheet and ask taxpayers if they made any IRA contributions.
- Some distributions reduce the eligible contributions for this credit. In addition to distributions for the current year as shown on Forms 1099-R, be sure to ask about distributions in the prior two years and up to the due date of the return.
- See the next page for a list of distributions that do not reduce the eligible contributions for this credit.
- Complete Form 8880 to claim this credit.

# Retirement Savings Contributions Credit

TaxWise® will automatically insert Form 8880, *Credit for Qualified Retirement Savings Contributions*, if the taxpayer meets eligibility criteria and any of the following are true:

1. A traditional IRA or ROTH IRA contribution is entered on IRA worksheet after linking from Form 1040, line 32.
2. The taxpayer or spouse's Form W-2 includes box 12 entries of D, E, F, G, H, S, AA, BB, or box 14 amounts are marked as "Qualifies for Form 8880".

Form 8880 will have a red exclamation mark and will need to be completed prior to return completion.

Verify total contribution amounts with the taxpayer.

## Form 8880 - Credit for Qualified Retirement Savings Contributions

The screenshot shows Form 8880 for 2014. It includes a 'Caution' section with eligibility rules. The main table has two columns: (a) Taxpayer and (b) Spouse. Lines 1-3 cover traditional and elective deferrals. Line 4 is for Roth IRA distributions. Lines 5-7 show adjustments. Line 8 is the federal adjusted gross income plus excluded amounts. Line 9 is the applicable decimal amount (0.5). Line 10 is the credit calculation. Line 11 is the limitation based on tax liability. Line 12 is the final credit for qualified retirement savings contributions.

When Form W-2 shows contributions to a qualified plan and is entered into TaxWise® correctly and completely, Form 8880 will appear in red on the forms tree and will need to be completed. TaxWise® will do the credit calculation.

Enter any distributions in the appropriate section.

**Note:** Certain distributions received after 2012 and before the due date (including extensions) of your 2015 tax return from any of the following types of plans must be entered on Form 8880, line 4:

- Traditional or Roth IRAs (including myIRAs)
- 401(k), 403(b), governmental 457, 501(c)(18)(D), SEP, or SIMPLE plans
- Qualified retirement plans (including the federal Thrift Savings Plan).

Distributions from the 3 prior years and current year normal distributions must be entered manually on this form. TaxWise® does not automatically carry-over this information from the Form 1099-R to the Form 8880. If taxpayer took no distributions during the testing period, press F3 to eliminate the red in box 4.

### Do not include any:

- Military pensions
- Distributions not taxable as the result of a rollover or a trustee-to-trustee transfer
- Distributions from your IRA (other than a Roth IRA) rolled over or converted to your Roth IRA
- Loans from a qualified employer plan treated as a distribution
- Distributions of excess contributions or deferrals (and income allocable to such contributions or deferrals)
- Distributions of contributions made during a tax year and returned (with any income allocable to such contributions) on or before the due date (including extensions) for that tax year
- Distributions of dividends paid on stock held by an employee stock ownership plan under section 404(k)
- Distributions that are taxable as the result of an in-plan rollover to your designated Roth account
- Distributions from an inherited IRA by a nonspousal beneficiary

If you filed a joint return in the year of distribution, both spouse's amounts will total in both columns.



## Child Tax Credit

This is a credit intended to reduce the tax. This part of the credit is not refundable. The credit is up to \$1,000 per qualifying child.

### Qualifying child:

1. Under age 17 at the end of the tax year.
2. A U.S. citizen or U.S. national\* or resident alien of the United States. See the ITIN Returns tab.
3. Claimed as your dependent.\*\*
4. Your:
  - a. son or daughter, adopted child, stepchild, eligible foster child, or a descendant of any of them
  - b. brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them (for example, your niece or nephew)
5. Did not provide over half of his or her own support.
6. Lived with the taxpayer for more than half of the tax year. (See **Interview Tips for Child Tax Credit** for **Exception to Time Lived with You** section if the child did not live with the taxpayer for more than half the year.)

\* National is an individual who, although not a U.S. citizen, owes his or her allegiance to the United States. U.S. nationals include American Samoans and Northern Mariana Islanders who chose to become U.S. nationals instead of U.S. citizens.

\*\*Refer to the tables on page C-3 for the rules governing who may be claimed as a dependent.

**Caution:** If the taxpayer is able to claim the dependent under the rules for divorced and separated parents, he or she is the only parent entitled to claim the child tax credit or additional child tax credit.



## Additional Child Tax Credit – General Eligibility

The child tax credit is generally a nonrefundable credit; however, certain taxpayers may be entitled to a refundable additional child tax credit.

- Taxpayers with more than \$3,000 of taxable earned income may be eligible for the additional child tax credit if they have at least one qualifying child.
- Taxpayers with three or more children may also be eligible for additional child tax credit regardless of their income.

Schedule 8812 is used to calculate the allowable additional child tax credit.

See Tab C, Exemptions/Dependents & Main Info, and the worksheet in the instruction booklet for additional information (including definitions and special rules relating to an adopted child, foster child, or qualifying child of more than one person).

**Note:** You must claim the child as a dependent on your return to qualify for the Child Tax Credit

**Note:** Beginning 2015, if you claim the foreign earned income exclusion, the housing exclusion, or the housing deduction on Form 2555 or Form 2555-EZ, you can't claim the additional child tax credit.

# Main Information Screen (continued)

**Third Party Designee**  
 Do you want to allow another person to discuss this return with the IRS? . . . . .  Yes  No

Designee's name \_\_\_\_\_ Designee's telephone \_\_\_\_\_ Designee's PIN (cannot be 00000) \_\_\_\_\_  
 0

---

**Preparer Information** Check to bill as a self-prepared return:

Preparer's ID: \_\_\_\_\_ Date: \_\_\_\_\_  
 Preparer's name: \_\_\_\_\_ Print as signature:   
 PTIN: \_\_\_\_\_ 0 EIN: \_\_\_\_\_  
 Firm name: \_\_\_\_\_ Check if also ERO:   
 Address: \_\_\_\_\_ Check if self-employed:   
 Zip code: \_\_\_\_\_ Phone: \_\_\_\_\_  
 Email address: \_\_\_\_\_ Fax: \_\_\_\_\_  
 Non-paid indicator: \_\_\_\_\_ IRS only:

---

**Time in this return:** \_\_\_\_\_ minutes Tax bracket: 10.0 Price: \_\_\_\_\_ 0.00

Information below is for the preparer. It will print and proforma. Notes to the client should be listed on the Summary Sheet.

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

Usually check No.  
 Cannot be volunteer preparer.  
 The PTIN field should have an entry by default and the **IRS only** box should be checked. If not, please contact your site manager. Do not enter any other information in Preparer Information.  
 Preparer's name field may be required for State e-filing.

Check information on the Main Information Sheet for accuracy and complete any required fields.  
**Note:** Preparer Use Fields are for site's use and are defined by the site coordinator.

US Preparer Use Form

Check here if using this form:   
 Only answers are stored in the database.

Name: \_\_\_\_\_ SSN: \_\_\_\_\_

**Preparer Use Fields**

	Question	Answer
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11	Other than English what language is spoken in your home.	
12	Do you or any member of your household have a disability	
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

**Taxpayer Reminders**

\_\_\_\_\_

Use these fields for information that is helpful to your site. For example, these fields could be used to enter the preparer's name and/or new versus returning taxpayers. These fields are used by the military to report rank, grade, enlisted/retired, etc.  
 After the end of the tax season a custom report can be created.

## Determining the Last Name of Taxpayer

A name control is a sequence of letters derived from a taxpayer's last name that is used by IRS in processing the tax return filed by the taxpayer. It is important that the combination of name control and taxpayer identification number (TIN) provided on an electronically filed return match IRS's record of name controls and TINs.

In e-file, a taxpayer's TIN and name control must match the data in the IRS database. If they do not match, the e-filed return will reject and generate an Error Reject Code.

Individuals may create a mySocialSecurity account at <https://secure.ssa.gov/RIL/SiView.do> to see how their information shows up on Social Security Administration records.

### Name Controls for Individual Tax Returns

1. Primary Name Control (SEQ 0050) of Form 1040/1040A/1040EZ must equal the first significant characters of the primary taxpayer's last name. No leading or embedded spaces are allowed. The first left-most position must contain an alpha character. Omit punctuation marks, titles and suffixes within last name field.

Examples:

Individual Name Primary/Secondary Name Control

Individual Name on SSN/ITIN Card(s)	Enter in TaxWise		IRS Database Primary/Secondary Name Control
	First Name Field	Last Name Field	
John Brown	John	Brown	BROW
Walter Di Angelo	Walter	Di Angelo	DIAN
Ronald En, Sr.	Ronald	En	EN
Thomas LeaSmith	Thomas	Lea-Smith	LEA-
Joseph Corn & Mary Smith	Joseph	Corn	CORN
	Mary	Smith	SMIT
Roger O'Neil	Roger	O'Neil	ONEI
Kenneth McCarty	Kenneth	McCarty	MCCA
FNU Smith (First Name Unknown)	FNU	Smith	SMIT
Smith (No First Name)		Smith	SMIT

# Amended Returns

Amended returns must be paper filed; they cannot be e-filed. To prepare an amended return, you **must** have an electronic or paper copy of the original return. If the original return is already in TaxWise®, start with step 2, below. Otherwise start with step 1.

1. Using taxpayer's paper copy of their original return, enter the tax data in TaxWise® to create a return that matches the copy. If the return was previously adjusted by the IRS, modify the original you entered to match the IRS changes before opening Form 1040X, *Amended Return*.
2. Open the original return in TaxWise®. If the return was previously adjusted by the IRS, modify the original return to match the changes the IRS made before opening Form 1040X.
3. Using the process for adding a form, select 1040X Pg 1 from the list and open the state amended return forms if the taxpayer is amending that return as well.
4. On the Form 1040X and the state's amended return form, if applicable, check the box at the top to override the original refund or balance due before making changes to any forms.
5. Starting with the Main Information Sheet, confirm the address, filing status and exemptions from the original return and make the appropriate changes such as adding or removing dependents. Add additional Forms W-2, other income documents or credit information as if you are preparing the original return.
6. TaxWise® will complete the Form 1040X Part I based on changes to the tax return. In Part III, provide an explanation for filing Form 1040X such as receiving another Form W-2 after filing the original return or forgetting to claim the child tax credit. Identify the line numbers that changed in Part I as well. In the state amendment, press on the space bar on each line of the explanation to copy the explanation from the federal amendments.
7. Review the forms tree on the left for any red marks and resolve any outstanding issues.
8. Have the return quality reviewed.
9. Secure the taxpayer's signature on Form 1040X and provide them with the appropriate mailing address from the Form 1040X Instructions. Follow the same process for state tax returns, if applicable.
10. When mailing the return to the IRS, do not attach a copy of the original return. However, you will need to attach certain forms, statements, etc. For example: a previously missing Form W-2 or 1099 showing tax withheld, or a new or changed Schedule C & SE.
11. Taxpayers should receive a copy of the return as filed and all documents to retain for their records.

**Note 1:** Advise taxpayers that the amended return should not be filed until all original refunds have been received. A refund on an amended return cannot be direct deposited; a check is mailed to the taxpayer. If there is a balance due on the current year amended return, filing by the April due date will reduce penalties.

**TaxWise® Hint:** To Open the original read-only version of the return, click on [File, Return Version]. You can then close the current version (as revised) or a previous version by date completed.

**Note 2:** Individuals who were in same-sex marriages may, but are not required to, file original or amended returns choosing to be treated as married for federal tax purposes for one or more prior tax years still open under the statute of limitations.

**Note 3:** A Taxpayer who previously filed with an ITIN (or ITINs if MFJ) and now has a valid SSN may amend open years to claim EIC (if otherwise eligible). After locking the return, change the TIN used on the Main Info Sheet to the new SSN(s).

**Tip:** Open both the Form 1040X and the state amended return and check the override boxes on both before making any changes.



# Prior Year Returns

## Who can prepare prior year returns?

Sites are encouraged to prepare prior year returns if they have the required technical resources described below. VITA/TCE volunteers may only prepare returns within the scope defined for their level of training. Similarly, prior year returns may only be prepared when the tax issues come within the scope of the volunteer's current level of training and certification.

Taxpayers seeking assistance outside the scope of the volunteers' certification should be referred to a professional tax preparer.

Determining the certification level of the return is described below in Getting Started.

## Getting started:

- A **current** year Form 13614-C must be completed for each prior year and will be used to determine the scope and certification level of each return.
- Taxpayers with out-of-scope returns should be advised to seek assistance from a professional tax preparer.
- Assign prior year returns to experienced volunteers if at all possible.
- Both tax preparer and quality reviewer should meet or exceed the certification level of the return on the basis of their IRS-tax law certifications for the **current** year. They need not have been certified in the actual prior year.
- Some tax law provisions have expired for the current year but are still in effect for prior year returns. For those returns, the volunteer must be certified to the Advanced level.

## Technical resources:

The SPEC relationship manager and [www.irs.gov](http://www.irs.gov) (keyword search: prior year returns) are critical resources for administrative and technical resources. Use the following tools:

- Prior year return tax preparation software (Required). If your site uses TaxWise® Online (TWO), you may access the prior year software using the following URLs:
  - <https://twonline.taxwise.com/14>
  - <https://twonline.taxwise.com/13>
  - <https://twonline.taxwise.com/12>
- Applicable Publications 17 and 4012 (available in the tax software) and volunteer quality alerts/volunteer tax alerts (available on [www.irs.gov](http://www.irs.gov)) (Required).
- Forms 13614-C from prior years are helpful and sites should keep copies after tax filing seasons.
- Taxpayer's Wage and Income Transcripts from IRS records are extremely useful.

**Note:** Taxpayers may order transcripts using the Get Transcript by Mail service. To use **Get Transcript by Mail**, taxpayers need their Social Security Number (SSN) or Individual Tax Identification Number (ITIN), date of birth, and address from their latest tax return. In addition, taxpayers can request a transcript via the 4506-T, or call 1-800-908-9946. The IRS2Go mobile app is also available for ordering either of these transcripts.

- Prior year tax form instructions and publications are available on [www.irs.gov](http://www.irs.gov).
- Interactive Tax Assistance (ITA) is an online tool that provides answers to a limited number of current and prior year tax law questions using a probe and response process. ITA is available on [www.irs.gov](http://www.irs.gov).

## Whether to e-file or mail prior year returns:

Only 2012 and subsequent tax returns can be e-filed. Other prior year returns must be mailed. Refer taxpayers to the Form 1040 Instructions for the appropriate address to mail their tax return. Also, see the information about balance due returns in this Volunteer Resource Guide (Preparing the Return tab).

## Expired Tax Topics and Other Issues Applicable to Prior Years:

Refer to the Publication 17 for the applicable tax year and review the "What's New" section.

## What if a site cannot prepare a requested prior year return?

If possible, refer taxpayers to other VITA/TCE sites that offer prior year return service. Otherwise, advise them to seek assistance from a professional tax preparer. (**Note:** do not refer taxpayers to their local IRS Tax Assistance Center because they no longer prepare tax returns for individuals.)



# Information for Assisting People with Disabilities

It is important to read and understand Publication 5192 *Ten Key Points for Communicating with People with Disabilities* (refer to the link below) because there are many misconceptions (often benevolent but misguided) about interacting with people with disabilities. Therefore, if one wants to show concern and respect for a person with a disability, it is worth considering the guidelines in Publication 5192.

<http://www.irs.gov/pub/irs-pdf/p5192.pdf> - Ten Key Points for Communicating with People with Disabilities

The following videos describe the taxpayer experience at free tax preparation sites and explain basic information about the return preparation process. This information is beneficial for the volunteers who serve as American Sign Language interpreters at the sites across the country and useful for anyone who wants to better understand the tax preparation process.

1. **ASL: Get Free Tax Help** – provides an introduction to the free tax preparation services available to qualified taxpayers. <https://www.youtube.com/watch?v=A3B6nAYh4oU>
2. **ASL: What to Bring at Tax Time** – focuses on the process of completing the Intake/Interview & Quality Review Sheet, and documents necessary for taxpayers to bring to VITA/TCE sites. <https://www.youtube.com/watch?v=zJtvIMlb5ss>
3. **ASL: Understanding Your Tax Return** – provides information on completing the tax form 1040 and goes through the free tax return preparation process at VITA/TCE sites. <https://www.youtube.com/watch?v=ulgxP9u9YDQ>

## Veterans Crisis Line

The Veterans Crisis Line connects Veterans in crisis and their families and friends with qualified, caring Department of Veterans Affairs responders through a confidential toll-free hotline, online chat, or text. Veterans and their loved ones can call 1-800-273-8255 and Press 1, chat online, or send a text message to 838255 to receive confidential support 24 hours a day, 7 days a week, 365 days a year. Support for deaf and hard of hearing individuals is available. For more information go to [www.veteranscrisisline.net](http://www.veteranscrisisline.net)

## IRS Taxpayer Assistance Center - Appointment Service

The IRS offers appointments at 44 Taxpayer Assistance Center (TAC) locations throughout the United States. Taxpayers will call a new toll-free number to make an appointment for face-to-face service. Taxpayers requiring an appointment at a TAC location should call 1-844-545-5640.

# Identity Theft Job Aid for Volunteers

Being sensitive towards victims of identity theft is critical to assisting taxpayers through a confusing and frustrating situation. Remember victims of identity theft are:

- Victimized by identity thieves-mostly through no fault of their own, and

- Trying to comply with tax laws– file tax return and pay their fair share of taxes

Every December, the IRS Identity Protection Specialized Unit (IPSU) mails Notice CP01A to taxpayers previously identified as identity theft victims. The notice includes a 6-digit Identity Protection Personal Identification Number (IP PIN) to be entered on the tax return. Taxpayers are mailed Notice CP01A every year as long as the identity theft indicator remains on their account (usually 3 years) Use the most recent IP PIN regardless of the tax year.

When assisting taxpayers who are victims or may be victims of identity theft at VITA/TCE site:

If...	Then...
Identity Protection PIN (IP) PIN was issued to primary and/or secondary taxpayer	Ensure the IP PIN is input correctly on the tax return.
Taxpayer received an IP PIN but did not bring it with them	<ol style="list-style-type: none"> <li>1. Complete a tax return for the taxpayer.</li> <li>2. Provide taxpayer with a complete copy of the tax return. (Provide two copies if the taxpayer will mail the tax return.)</li> <li>3. Refer to Replacing Lost or Missing IP PIN below.</li> <li>4. If taxpayer wants to e-file, arrange for the taxpayer to provide the IP PIN by returning to the site or via telephone.</li> </ol>
Taxpayer received an IP PIN but misplaced or lost it	<ol style="list-style-type: none"> <li>1. Complete a tax return for the taxpayer.</li> <li>2. Provide taxpayer with a complete copy of the tax return. (Provide two copies if the taxpayer will mail the tax return.)</li> <li>3. Refer to Replacing Lost or Missing IP PIN below.</li> <li>4. If the taxpayer receives original or a replacement IP PIN and wants to e-file, arrange for the taxpayer to provide the IP PIN by returning to the site or via telephone.</li> </ol>
Taxpayer did not receive IP PIN but IRS rejected the e-filed tax return because the IP PIN was not entered.	<ol style="list-style-type: none"> <li>1. Refer to Replacing Lost or Missing IP PIN below.</li> <li>2. Provide taxpayer with two complete copies of the tax return.</li> <li>3. If the taxpayer receives the original or a replacement IP PIN and taxpayer wants to e-file, advise the taxpayer to provide the IP PIN by returning to the site or via telephone.</li> <li>4. If IPSU doesn't provide the IP PIN, advise taxpayer to follow IPSU instructions in mailing the tax return. There may be processing delays as IRS verifies the taxpayer's identity.</li> </ol>
IRS rejected the taxpayer's tax return because the taxpayer's primary/secondary SSN was previously used.	<ol style="list-style-type: none"> <li>1. Advise the taxpayer to contact the IPSU for assistance. If required, the IPSU will advise the taxpayer to complete Form 14039 and to mail it with their tax return to the IRS.</li> <li>2. Provide the taxpayers two copies of their tax return.</li> </ol>

## Replacing a Lost or Missing IP PIN

If a taxpayer did not receive his/her new IP PIN or the taxpayer misplaced it, the taxpayer has two options:

1. A taxpayer can register and create a user profile to get his/her current IP PIN at <http://irs.gov/uac/Get-An-Identity-Protection-PIN>. The registration process will require the taxpayer to provide specific personal information and answer a series of questions to validate his/her identity.
2. Contact IPSU at 1-800-908-4490, to receive a replacement IP PIN if the taxpayer is unable or unwilling to create an account on IRS.gov. **CAUTION:** Using a replacement IP PIN will cause a delay in processing the tax return and the issuance of any refund the taxpayer may be entitled to.

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## 2015 Publication 4491, Link & Learn Taxes

Course Introduction	
1-1	No change.
1-2	1st gray box, insert a "Caution" icon.

Dependency Exemptions	
7-3	Exceptions to the Residency Test, 1st paragraph changed to: The child is considered to have lived with the taxpayer during periods of time when either the child or the taxpayer is temporarily absent due to illness, education, business, vacation, military service, or detention in a juvenile facility.
7-4	No change.

Income – Business; Form 1040, Line 12	
10-1	Second paragraph, Schedule C expense limit changed to \$25,000 In the What do I need? box, Optional section add: <ul style="list-style-type: none"> <li>• Form 1099-K</li> <li>• Form 1099-K Instructions</li> </ul> Under the heading Where do I get business income information?, for the 4th bullet delete the phrase (out of scope for VITA/TCE programs)
10-2	No Change.
10-3	No Change.
10-4	Under the heading "Who can use Schedule C for purposes of the VITA/TCE programs?": Schedule C expense limit changed to \$25,000
10-15	Under the heading "What situations are out of scope for the VITA/TCE programs?" second bullet changed to: Expenses over \$25,000 Delete the last bullet on the page: Business income from Form(s) 1099-K, Merchant Card and Third Party Payments
10-16	Answer 3 changed to: Yes. Ellen's business expenses are under \$25,000.

Adjustments to Income	
18-5	First example, last sentence changed to: If Gene and Sue file jointly, they can contribute up to \$6,500 to Sue's IRA even though her own compensation was just \$1,500.
18-6	No change.

Child Tax Credit	
26-5	TIP added: The child tax credit is not refundable for taxpayers electing to exclude foreign earned income from tax.
26-6	No change.

<b>Miscellaneous Credits</b>	
27-1	No change.
27-2	<p>What are eligible contributions for the purpose of the retirement savings contributions credit?, 1st bullet changed to:</p> <ul style="list-style-type: none"> <li>• Traditional or Roth IRA (including a myRA) contributions (other than rollover contributions)</li> </ul> <p>Under the heading What may reduce an eligible contribution for purposes of the credit?, 1st bullet changed to:</p> <p>Traditional or Roth IRAs (including myRAs)</p>

**Print out the corrected pages that follow and replace the erroneous pages in your printed training publications. On the reverse side of each revised page is the continuing page.**

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## Course Introduction



### Welcome

We're glad you decided to take advantage of this challenging, yet rewarding experience as an important player in the tax administration process. This training material will introduce you to the major components of the Volunteer Income Tax Assistance and Tax Counseling for the Elderly (VITA/TCE) return preparation process.

Your course instructor will provide all the available technical publications and forms required for this course. If any of the suggested forms and publications are not available in the classroom or at the site, they can be viewed or downloaded at [www.irs.gov](http://www.irs.gov).

### Objectives

At the end of this lesson you will be able to describe:

- The various course levels and certification process
- The responsibilities of a VITA/TCE volunteer, including due diligence
- The critical components involved in the return preparation process
- The resources available to assist you
- The procedures for helping a taxpayer with identity theft

### What will I learn?

To successfully assist taxpayers in satisfying their tax responsibilities, you must understand tax law and the tools available to assist you in preparing and filing accurate tax returns – Forms 1040EZ, 1040A, and 1040. A tax return is accurate when tax law is applied correctly and it is free from error based on the taxpayer's interview and supporting documentation, and a completed Form 13614-C, Intake/Interview & Quality Review Sheet.

The VITA/TCE return preparation process consists of several critical components that will be taught in your training class or taken through Link & Learn Taxes:

- VITA/TCE Volunteer Standards of Conduct – Ethics Training
- Tax law training – understanding and applying tax law
- Research skills – using references, resources, and tools including return preparation software
- Intake/Interview and Quality Review Training
- Tax return preparation (screening and interviewing taxpayers)

#### TIP

Volunteer Standards of Conduct training and test are located in Publication 4961, VITA/TCE Volunteer Standards of Conduct – Ethics Training, and on Link & Learn Taxes. The Intake/Interview and Quality Review Training (Publication 5101) can be found on VITA/TCE Central. Form 6744, VITA/TCE Volunteer Assistor's Test/Retest, contains both the Volunteer Standards of Conduct and Intake/Interview and Quality Review tests.

#### What do I need?

- Publication 17
- Publication 4012, Volunteer Resource Guide
- Publication 4491
- Publication 4491-W
- Publication 5101
- Form 6744
- Intake and Interview Sheet
- Form 13614-C Job Aid in Publication 4012
- Form 13615

#### Optional:

- Publication 3
- Publication 596
- Publication 972
- Publication 4299
- Publication 4403
- Publication 4575
- Internet Access (optional but highly recommended)

Unlike most classes, there is no need to memorize a lot of information. You can use information from [irs.gov](http://irs.gov), your course materials, and other print and electronic sources to gain the knowledge and insights you need to serve the taxpayers you assist.

At the completion of your course of study, you will fully understand how to apply critical aspects of each component of the process and complete an accurate return for each taxpayer you assist.

Thank you for your interest in helping the IRS achieve its mission of providing America's taxpayers with top quality service by helping them understand their tax responsibilities and by applying the tax law with integrity and fairness to all.

Let's get started!

## How is the course structured?

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Due to the production schedule for this training guide, draft forms may be used in illustrations. The draft forms should never be used for actual tax preparation. Final forms are available on [www.irs.gov](http://www.irs.gov), in the tax preparation software, in the instruction booklet (e.g., Form 1040 Instructions), or in other publications.

There are two tax law certification paths and two optional specialty courses presented in this publication, each representing a level of certification. The first six lessons apply to all levels of certification. Beginning with the Income lessons, the course levels for the subject being covered will be indicated by the following icons:



Basic covers the completion of wage earner type returns.



Advanced covers the completion of the full scope of VITA/TCE returns.



Military covers topics applicable to members of the Armed Forces, Reserve, and National Guard.



International covers topics applicable to military and nonmilitary taxpayers living outside the United States.

Volunteers wishing to certify in Military or International must follow the Advanced certification path and should also review the applicable specialty course.

Health Savings Accounts (HSA) is an optional specialty course available electronically. Volunteers wishing to certify can follow the Basic or higher certification path.



The Affordable Care Act (ACA), or health care law, contains health insurance coverage and financial assistance options for individuals and families. The IRS administers the tax provisions included in the law. Refer to the Affordable Care Act (ACA) lesson presented in this publication for information on the advanced premium tax credit, the premium tax credit, and the individual shared responsibility payment.

At the beginning of each lesson, icons are displayed after the lesson title. If a section of a lesson is associated with only one certification level, the corresponding icon is displayed at the beginning of that section. If no icons are displayed in a section, all icons displayed after the lesson title apply.

### example

Joan, who is a U.S. citizen, adopted an infant boy from Cambodia who lived with her for the entire tax year. Even though Joan's child is not yet a U.S. citizen or resident, he meets the citizen or resident test because he was a member of Joan's household for the entire year.

## What are the tests for qualifying children?

The next step to determine if the taxpayer has a dependent is to apply the rules for a qualifying child. If these tests are not met, see if the tests for a qualifying relative are met. Remember, a person must meet the requirements of either a qualifying child or a qualifying relative to be claimed as a dependent. While reading about these tests, follow steps 5-9 in the Volunteer Resource Guide, Exemptions/Dependency tab, Table 1 Interview Tips.

### Relationship

To meet this test, the child must be:

- The taxpayer's son, daughter, stepchild, foster child (placed by an authorized placement agency), or a descendant (for example, a grandchild) of any of them
- The taxpayer's brother, sister, half-brother, half-sister, stepbrother, stepsister, or a descendant (for example, niece or nephew) of any of them

An adopted child is treated the same as a natural child. This includes a child who was lawfully placed with the taxpayer for legal adoption.

### Age

To meet this test, the child must be:

- Under age 19 at the end of the tax year and younger than the taxpayer (or the taxpayer's spouse, if filing jointly), or
- A full-time student under the age of 24 at the end of the year and younger than the taxpayer (or spouse, if filing jointly), or
- Any age if permanently and totally disabled at any time of the year

#### TIP

Attending an on-the-job training course, correspondence school, or a school offering courses only through the Internet, does not qualify the child as a student.

### Residency

To meet this test, the child must have lived with the taxpayer for more than half the year. The taxpayer's home is any location where they regularly live; it does not need to be a traditional home. For example, a child who lived with the taxpayer for more than half the year in one or more homeless shelters meets the residency test.

#### *Exceptions to the Residency Test*

The child is considered to have lived with the taxpayer during periods of time when either the child or the taxpayer is temporarily absent due to illness, education, business, vacation, military service or detention in a juvenile facility.

A child who was born (or died) during the year is treated as having lived with the taxpayer all year, if the taxpayer's home was the child's home for the entire time he or she was alive.

Taxpayers may claim an exemption for a child who was born or died, or was kidnapped, during the year, as long as the other dependency tests are met.

#### TIP

In the case of a child who was born and died during the year, a SSN is not required but the return cannot be e-filed. The tax return must be mailed. Refer to Publication 17 for specific rules for these rare situations.

#### example

Hugh's daughter died on January 15 of the tax year. If she met all the dependency tests up until her death, Hugh can claim an exemption for her on his return.

A taxpayer may *not* claim dependency exemptions for a stillborn child.

In most cases, because of the residency test, a child is the qualifying child of the custodial parent. However, special rules apply to divorced or separated parents or parents who live apart, which are covered later in this lesson.

### Support

To meet this test, the child cannot have provided more than half of his or her own support during the tax year. This test is different from the support test for qualifying relative. A person's own funds are not support unless they are actually spent for support. If the taxpayer is unsure whether the child provided more than half of his or her own support, review the Worksheet for Determining Support in the Volunteer Resource Guide together.

#### example

Bob, 22, is a full-time student and lives with his parents when he is not in the dorm. He worked part-time, but did not pay over half of his total support. Bob meets the relationship, age, and support tests. If he meets the rest of the tests for a qualifying child, he can be claimed as a dependent by his parents.

#### example

Doris, a U.S. citizen, is 8 years old and had a small role in a television series. She made \$60,000 during the tax year, but her parents put all the money in a trust fund to pay for college. She lived with her parents all year. Doris meets the relationship, age, and residency tests. Doris also meets the support test since the \$60,000 in earnings were not used for her own support. Since she meets the tests for a qualifying child, she can be claimed as a dependent by her parents.

State benefits provided to a person in need, such as welfare, food stamps or housing, are considered support provided by the state. However, if a child receives Social Security benefits, and uses them toward their own support, the benefits are considered to be provided by the child.

### Can the child be a qualifying child of more than one person?

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Although a child could meet the conditions to be the qualifying child of more than one person, only one taxpayer can claim the child as a qualifying child for the following six tax benefits (exception: if the special rule for children of divorced or separated parents or parents who live apart applies):

- Dependency exemption
- Child tax credit
- Head of Household filing status
- Credit for child and dependent care expenses
- Exclusion from income for dependent care benefits
- Earned income credit

See the Volunteer Resource Guide, Qualifying Child of More Than One Person chart.



## Income – Business; Form 1040, Line 12



### Introduction

This lesson will help you prepare an accurate return for taxpayers who have business income, including self-employment income. Form 1040, line 12, is used to report income from a business or profession operated as a sole proprietor or independent contractor.

Preparation of tax returns with Schedule C are in scope for VITA/TCE under certain limited conditions and with expenses of \$25,000 or less.

This lesson covers recordkeeping requirements for taxpayers with business income and expenses. Refer to Publication 583, *Starting a Business and Keeping Records*, for more information. You will learn how business income affects eligibility for certain tax credits.

### Objectives

At the end of this lesson, using your resource materials, you will be able to:

- Determine how to report business income
- Determine when to complete Schedule C-EZ or C
- Determine what business expenses are within the scope for the VITA/TCE programs
- Identify “red flags” when preparing a Schedule C return with earned income credit (EIC)
- Determine what records to maintain

### Where do I get business income information?

Business income information may come from the following:

- Forms 1099-MISC, Miscellaneous Income, box 7, Nonemployee Compensation
- Forms W-2, Wage and Tax Statement with Statutory Employee checked in box 13
- Taxpayer’s books and records
- Forms 1099-K, Merchant Card and Third Party Payments

Based on your interview and the completion of the taxpayer’s intake and interview sheet, you may discover that the taxpayer or spouse had business income from being self-employed or working as an independent contractor. Taxpayers are self-employed if they carry on an unincorporated trade or business as a sole proprietor or independent contractor. These taxpayers may not have income statements for their business income and expenses. The information to prepare their tax return comes from their records.

Carefully review the intake and interview sheet and ask follow-up questions to determine if the taxpayer or spouse had business income. Taxpayers may not think of themselves as “self-employed” if they have a small home business or work part-time as an independent contractor.

#### What do I need?

- Intake and Interview Sheet
- Publication 4012, Volunteer Resource Guide
- Publication 17
- Publication 463
- Publication 4491-W
- Form 1099-MISC
- Schedule C
- Schedule C Instructions
- Schedule C-EZ
- Schedule SE
- Optional**
- Publication 535
- Publication 583
- Form 1099-K
- Form 1099-K Instructions

## Cash Income

Some taxpayers may indicate that they received cash income for self-employment activity. This income must be reported, unless excluded by law.

If taxpayers do not have adequate records of the cash income they received, you may be able to assist them with simple record reconstruction. See the section on reconstructing records later in this lesson.

### TIP

Income received from all sources in a self-employed taxpayer's business must be reported, unless excluded by law.

## Form 1099-MISC, Miscellaneous Income

Taxpayers who are independent contractors should receive Form 1099-MISC showing the income they earned from payers who are required to file Forms 1099. The amount from Form(s) 1099-MISC, along with any other business income payments, are reported on their tax return.

A taxpayer does not have to conduct regular full-time business activities to be self-employed. Having a part-time business in addition to a regular job or business may be self-employment. Ask for any Form(s) 1099-MISC that document this income. Subcontractors or individuals who receive less than \$600 may not receive Form 1099-MISC, but still must report all cash income. Also ask for documentation of any business income that was not reported on Form W-2 or Form 1099-MISC (e.g., payments received from individual clients who do not need to file Form 1099).

### example

Tim works as an independent contractor for ABC Construction Company. The company sent Tim a Form 1099-MISC that shows he received \$15,000 for the work he did for them. He also received cash payments of \$4,000 from several different individuals for the work he completed. He did not receive Forms 1099-MISC for the \$4,000. Tim must include the \$4,000 cash payments as self-employment income along with the \$15,000 from Form 1099-MISC.

## Qualified Medicaid Waiver Payments

Qualified Medicaid waiver payments are treated as difficulty of care payments and are **excludable from gross income**. Medicaid payments for in-home care are classified as Medicaid waiver payments when the care provider and the care recipient reside in the same home.

If the taxpayer received payments described in Notice 2014-7 on or after January 3, 2014, that are excludable from gross income as difficulty of care payments, then the taxpayer must exclude the income under section 131 as provided in Notice 2014-7 for 2014 and later years.

When the care provider and the care recipient do not live together in the same home, the Medicaid payments are fully taxable.

The taxpayer may file a Form 1040X, Amended U.S. Individual Income Tax Return, if they received payments described in Notice 2014-7 in an earlier year if the time for claiming a credit or refund is still open. Generally, for a credit or refund, the taxpayer must file Form 1040X within three years (including extensions) after the date the taxpayer filed their original return or within two years after the date they paid the tax, whichever is later.

In Part III of Form 1040X, the taxpayer should explain that the payments are excludable under Notice 2014-7. Excluding payments described in the notice in an earlier year may affect deductions or credits that were claimed for the earlier year, as well as other tax items for the earlier year.

For more information, go to [irs.gov](http://irs.gov) and search for Certain Medicaid Waiver Payments.

### TIP

Excluded Medicaid waiver payments are not earned income for the earned income credit, for the dependent care credit, nor the additional child tax credit.



## How is business income reported?

### *Form 1040*

Form 1040, line 12, is used to report income from a business operated or a profession practiced as a sole proprietor. Schedule C-EZ or Schedule C shows the income and expenses and the net amount is carried to Form 1040, line 12. An activity qualifies as a business if the primary purpose for engaging in the activity is for income or profit and the taxpayer is involved in the activity with continuity and regularity. For example, a sporadic activity or a hobby does not qualify as a business. A hobby is an activity typically undertaken for pleasure during leisure time.

To report income from an activity not for profit, see the instructions for Form 1040, line 21, and Publication 17, Other Income. This topic is out of scope. Refer any taxpayers with not-for-profit activity to a professional tax preparer.

Form 1040, line 12, is also used to report wages and expenses the taxpayer had as a statutory employee or certain income shown on Form 1099-MISC, Miscellaneous Income.

### *Schedule C-EZ and Schedule C*

Business income is reported on either:

- Schedule C-EZ, Net Profit From Business, or
- Schedule C, Profit or Loss From Business

If preparing Schedule C, Part I, the following are out of scope for VITA/TCE programs: return and allowances, cost of goods sold (involves inventory), and other income. Taxpayers with these items should be referred to a professional tax preparer.

Figure the net profit or loss by subtracting the business expenses from business income. The total profit or loss is then transferred to Form 1040, line 12.

The net profit or loss will be reported on Form 1040, line 12. The net profit will also need to be shown on Schedule SE in order to calculate the self-employment tax. Schedule SE will be covered in a later lesson.



**Tax Software Hint:** The tax software calculates net profit after income and expense entries are made. Next, the software transfers the net profit to the applicable line on Schedule SE to compute the self-employment tax. Amounts are then transferred to the applicable lines of Form 1040.

The following terms are used in the preparation of business returns:



Some employers misclassify workers as independent contractors and report their earnings on Form 1099-MISC. Taxpayers who believe they have been misclassified should contact the IRS and ask for help.



Volunteer tax preparers who have Advanced certification can assist with preparation of Schedule C-EZ and the limited Schedule C.

<b>Definition of Terms</b>	
Business expenses	Business expenses are amounts that are ordinary and necessary to carry on the business.
Cash method of accounting	The cash method of accounting reports all income when received and deducts all expenses when paid.
Inventory	Inventory is the items the taxpayer buys or makes for resale to others.
Depreciation	The cost of items that are expected to last more than a year should be spread over a period of years rather than deducted in the year of purchase. If the taxpayers have such a cost, they should be referred to a professional tax preparer.
Asset write-off	An election is available to immediately write off qualifying assets. Taxpayers who wish to write off assets should be referred to a professional tax preparer.

### **Who can use Schedule C-EZ?**

There are a number of conditions taxpayers must meet in order to use Schedule C-EZ. Taxpayers can use Schedule C-EZ only if they:

- Have less than \$5,000 in business expenses
- Use the cash method of accounting
- Have no inventory at any time during the year
- Did not have a net loss from the business
- Operate only one business as a sole proprietor during the tax year (each spouse on a joint return may use a separate Schedule C-EZ to report business income from separately owned sole-proprietor businesses if other conditions for filing Schedule C-EZ are met)
- Have no employees during the year
- Are not required to file Form 4562, Depreciation and Amortization, for this business (depreciation and asset write-offs are out of scope for the VITA/TCE programs)
- Do not deduct expenses for business use of a home
- Do not have prior year unallowed passive activity losses from this business

In the interview, if you discover taxpayers have issues that fall outside the scope of the VITA/TCE programs, refer them to a professional tax preparer.

### **Who can use Schedule C for purposes of the VITA/TCE programs?**

Volunteers can assist taxpayers who have returns that require Schedule C with certain limits. Use the same criteria as Schedule C-EZ, except taxpayers can have expenses up to \$25,000, and more than one Schedule C can be prepared if the taxpayers have more than one business. If taxpayers have a Schedule C that falls outside these parameters, refer them to a professional tax preparer.

## **Taxpayer Interview and Tax Law Application**

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As you review the intake and interview sheet with taxpayers, ask questions to determine if they have any self-employment income, their accounting method, and their business expenses, as shown in this sample interview:

## Summary

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This lesson explained:

- Where to get business income and expense information
- Cash income must be reported
- Subcontractors or individuals who receive less than \$600 may not receive Form 1099-MISC, but still must report all cash income
- Additional inquiries about the taxpayer's income and expenses may be necessary to ensure an accurate return
- Certain situations involving Schedule C and EIC should raise "red flags"
- How business income or loss is reported
- What business expenses are within scope for the VITA/TCE programs
- Who can use Schedule C-EZ
- How to complete Schedule C-EZ
- How to complete Schedule C
- How to determine what records to maintain
- How to complete simple record reconstruction

### **What situations are out of scope for the VITA/TCE programs?**

The following are out of scope for this lesson. While this list may not be all inclusive, it is provided for your awareness only.

Schedule C with:

- Hobby income or not-for-profit activity
- Expenses over \$25,000
- Return and allowances
- Cost of goods sold
- Other income
- Expenses for employees
- Business use of home
- Casualty losses
- Vehicle expenses reported as actual expenses
- Depreciation or asset write-offs
- Rental or lease expenses – vehicle, machinery, and equipment leases of more than 30 days
- Accounting methods other than the cash method
- Net losses
- A "No" response that indicates the taxpayer does not meet any of the tests of material participation, or is uncertain about materially participating in a business
- Taxpayers who receive any credit card or similar payments that are not includible in income
- A "Yes" response indicating there is a requirement to file Form(s) 1099



In other words, as long as they file a joint return, married taxpayers' combined IRA contributions cannot exceed their combined compensation, and neither spouse can contribute more than the spousal IRA limit to their own IRA.

**example**

Gene and Sue are married and are both over 50 years old. Gene earned \$70,000 and Sue earned \$1,500. During the tax year, Gene contributed \$3,500 to his traditional IRA and \$2,000 to a Roth IRA, making his total contributions \$5,500. To figure the maximum contribution to Sue's IRA, use a total compensation of \$66,000 (i.e., \$71,500 – \$5,500). If Gene and Sue file jointly, they can contribute up to \$6,500 to Sue's IRA even though her own compensation was just \$1,500.

Although a person may have IRA accounts with several different financial institutions, the tax law treats all of their traditional IRA accounts as one single IRA.

**example**

Bill is 29. He has a traditional IRA account at City Home Savings Bank and another traditional IRA account through his stockbroker. He also opened a Roth IRA through his stockbroker. Bill can contribute to any or all of his accounts this year, but the combined contributions for the tax year cannot exceed the ceiling amount.



**EXERCISES** (continued)

**Question 2:** Stan, an unmarried college student working part time, earned \$4,500 during the tax year. He contributed \$1,000 to a Roth IRA. What is the maximum he can contribute?

- A. \$1,000
- B. \$3,500
- C. \$4,500
- D. \$2,000

**Question 3:** Bob and Carol are married and both are 55 years old. They both work and each has a traditional IRA. During the tax year, Bob earned \$2,000, and Carol earned \$50,000. If they file separate returns, what is the maximum that Bob can contribute to his IRA? \$ \_\_\_\_\_

**Are there special rules for certain military personnel?**

Current or former members of the Armed Forces may qualify for additional retirement benefits. Under the Heroes Earned Retirement Opportunities (HERO) Act, taxpayers can count tax-free combat pay as compensation when determining whether they qualify to contribute to either a Roth or traditional IRA. Before this change, members of the Armed Forces whose earnings came entirely from tax-free combat pay were generally barred from using IRAs to save for retirement.

**When can IRA contributions be deducted?**

Deductions cannot be taken for contributions to other types of IRAs. The taxpayer's deduction for IRA contributions may be "phased out" (i.e., reduced or eliminated) depending on their income, filing status, and whether the taxpayer is covered by a retirement plan at work. The difference between the permitted contributions and the IRA deduction, if any, is the taxpayer's nondeductible contribution. Form 8606, Nondeductible IRAs, must be completed for any nondeductible traditional IRA contributions.

If taxpayers do not report nondeductible contributions, all of the contributions to a traditional IRA will be treated as having been deducted. This means all distributions will be taxed when withdrawn unless the taxpayer can show, with satisfactory evidence, that nondeductible contributions were made.

Form 8606 requires basis information in IRAs from prior years and can be complex. If Form 8606 is required, refer the taxpayer to a professional tax preparer.

### How do I determine the deduction amount?

The factors that affect whether traditional IRA contributions are deductible include:

- Whether the taxpayer (or spouse, if filing a joint return) is covered by a retirement plan at work.
- The taxpayer's Modified Adjusted Gross Income (MAGI) before taking the deduction. If the taxpayer or spouse is covered by a retirement plan, the deduction amount will be reduced or eliminated if the MAGI on the tax return is above a certain limit. Use the IRA Deduction Worksheet from Form 1040 Instructions to figure their MAGI without the deduction.

### How do I complete the IRA Deduction Worksheet?

If the taxpayer and spouse meet the general eligibility requirements, continue the interview by using the IRA Deduction Worksheet, in the tax software, as your guide.

#### *Retirement coverage at work*

Ask if the taxpayer and/or spouse were covered by a retirement plan at work at any time during the tax year. If so, their deduction may be limited. Employees covered by a retirement plan will have box 13 on Form W-2 checked.


#### *Filing status and income*

If the taxpayer or spouse is covered by a retirement plan, the worksheet will show the income limits for deducting IRA contributions, based on the filing status of the return. The worksheet will also help you calculate the MAGI, by subtracting certain other adjustments to income from the total income on the return. Notice that the income limitation amount may be different for each spouse on a joint return, but that the MAGI computation is the same. This is because if one spouse is covered by a retirement plan but the other is not, the noncovered spouse will have a higher income limit before their IRA deduction is phased out.

If the MAGI is greater than the income limits, the deduction cannot be taken. If this is the case, explain to the taxpayers and answer any questions they may have about why the deduction cannot be taken. The contribution may still be made, it is just not deductible.

If the deduction is allowed, continue the calculation to determine if the taxpayer is entitled to a full deduction or a partial deduction.

Enter the total contributions to traditional IRAs that were made (or will be made) for each spouse (on a joint return) by the due date of the return. The worksheet in the tax software calculates the amount that can be deducted from income.



**CAUTION**

If the taxpayers' IRA contribution is more than the general limit or their compensation, advise the taxpayers that their excess contributions (and all related earnings) should be withdrawn from the IRA before the due date. If the excess contributions are not withdrawn, an additional tax will be assessed. This tax on excess contributions is discussed in the lesson on Other Taxes.

### How do I report the IRA deduction?

Report the deduction in the adjustment section of Form 1040.



**Tax Software Hint:** To review information related to the software, go to the Volunteer Resource Guide, Adjustments tab, Adjustments to Income.

## What is the amount of the credit?

Like the child tax credit, the additional child tax credit allows eligible taxpayers to claim up to \$1,000 for each qualifying child after subtracting the allowable amount of child tax credit. For taxpayers with earned income over \$3,000, the credit is based on the lesser of:

- 15% of the taxpayer's taxable earned income that is over \$3,000 or
- The amount of unused child tax credit (caused when tax liability is less than allowed credit)

## Who can take the additional child tax credit?

Taxpayers who do not get the full \$1,000 of the child tax credit may qualify for the additional child tax credit. Review the Additional Child Tax Credit Tip in the Volunteer Resource Guide, Nonrefundable Credits tab to see the requirements to claim the credit.

### example

Remember May and Bob who have two qualifying children, a MAGI of \$86,000, and a tax liability of \$954? Because their tax liability is less than the full amount of the credit (in their case \$2,000), they may be able to take the additional child tax credit of up to \$1,046 (\$2,000 – \$954).

There is another method to compute the additional child tax credit for taxpayers with three or more qualifying children. These taxpayers may benefit if they:

- Had Social Security or Medicare taxes withheld from their pay
- Were self-employed and paid self-employment tax
- Paid tax on tips not reported to their employer
- Did not receive the maximum available child tax credit



The child tax credit is not refundable for taxpayers electing to exclude foreign earned income from tax.

The amount of the taxpayer's earned income credit is a factor in this calculation on Schedule 8812.

## How do I calculate the additional child tax credit?

Schedule 8812, Child Tax Credit, is used to calculate the credit, which is entered on the additional child tax credit line of the Payment section of Form 1040.



**Tax Software Hint:** If you are using the tax software, the system will automatically calculate the credit and place that entry on the appropriate line of the payment section.



Taxpayers must use Part I to document each child for whom an IRS Individual Taxpayer Identification Number (ITIN) was entered on the return.



## EXERCISES (continued)

**Question 4:** Jose and Yolanda Alameda are Married Filing Jointly and have five dependent children under the age of 17. Jose and Yolanda both have valid SSNs. Their children have Individual Taxpayer Identification Numbers (ITINs). The children are qualifying children for purposes of the child tax credit but not the earned income credit. Jose and Yolanda's earned income is \$8,850, and their tax liability is \$0. Are they eligible to take the additional child tax credit?  Yes  No



## How do I avoid common errors?

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When considering the child tax credit, it is critical to interview the taxpayer thoroughly to correctly identify eligible children.



**Tax Software Hint:** Once the birth date and dependency information is entered on the Main Information Sheet for dependents, the CTC box will check automatically, and the software will compute the amount of the credit.

## Summary

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The child tax credit is a nonrefundable credit that allows qualifying taxpayers to reduce their tax liability to the lesser of the amount of the credit or their adjusted tax liability.

If a taxpayer is not able to benefit from the maximum \$1,000 per qualifying child, the taxpayer may be eligible for the additional child tax credit, which is a refundable tax credit.



### TAX LAW APPLICATION USING THE WORKBOOK

To gain a better understanding of the tax law, complete the comprehensive problem or practice exercise(s) for your course of study in Publication 4491-W.

For practice using the tax preparation software, complete the scenarios using the Practice Lab on L&LT.



### EXERCISE ANSWERS

**Answer 1:** A. Paul and Marie's MAGI is over the threshold limit for their filing status. They are not eligible to claim a full child tax credit. They can use the Child Tax Credit Worksheet in the Form 1040 Instructions to calculate the credit.

**Answer 2:** Yes. Jack is a qualifying child for the child tax credit because he was under the age of 17 at the end of the current tax year; he meets the relationship requirement, lived with Laura for at least six months of the year; and he did not provide more than half of his support.

**Answer 3:** C. Nick may be able to take the full \$1,000 credit for each of his qualifying children because his MAGI is not affected by the threshold limit for his single filing status. In addition, his tax liability of \$5,000 is more than the amount of \$1,000 per child for the credit.

**Answer 4:** Yes. Jose and Yolanda qualified for the initial child tax credit. However, they could not benefit from it because their tax liability (0) was less than their allowable child tax credit (\$5,000). Since their earned income is more than \$3,000, they are eligible for the additional child tax credit.



## Miscellaneous Credits



### Introduction

This lesson provides the information you need to be able to prepare a return with certain nonrefundable credits. The Basic Course includes retirement savings contribution credit and credit for the elderly or the disabled. The other miscellaneous credits covered in this lesson are part of the Advanced Course.

These credits are reported in the Tax and Credits section of Form 1040.

### Objectives

At the end of this lesson, using your resource materials, you will be able to:

- Determine if a taxpayer qualifies for the retirement savings contributions credit and accurately complete Form 8880, Credit for Qualified Retirement Savings Contributions
- Calculate the credit for the elderly or the disabled by completing Form 1040, Schedule R, Credit for the Elderly or the Disabled

Use the information from the intake and interview sheet, along with the documents provided by the taxpayer to determine eligibility for these credits.

#### What do I need?

- Intake and Interview Sheet
- Publication 4012, Volunteer Resource Guide
- Publication 17
- Publication 4491-W
- Form 1040
- Schedule R
- Form 8880

#### Optional:

- Form 1040 Instructions
- Form W-2 Instructions

### What is a nonrefundable credit?

In an earlier lesson, you learned the difference between a nonrefundable credit and a refundable credit. A nonrefundable credit can only reduce the tax liability to zero. All the credits discussed in this lesson are nonrefundable credits.

Generally, nonrefundable credits are applied against federal tax in the order they are listed on Form 1040, page 2, in the Tax and Credits section.



For information about the residential energy credits, see the Legislative Extenders lesson.



**Tax Software Hint:** The software will calculate these credits, but the correct information must be entered. The volunteer tax preparer must make the correct determinations by using the intake and interview sheet and resource materials.

### What is the retirement savings contributions credit?

The retirement savings contributions credit is a nonrefundable credit eligible taxpayers may claim if they made a qualifying contribution to a retirement plan.

If the contribution is tax deductible (such as a traditional IRA), the taxpayer receives the benefit of the tax deduction and a tax credit. This is considered a *double benefit* and is rarely allowed. Contributions to non-tax-deductible accounts (such as Roth IRAs) can qualify the taxpayer for the credit as well. The credit is calculated on Form 8880, Credit for Qualified Retirement Savings Contributions, and reported in the Tax and Credits section of Form 1040.

## Who is eligible for the retirement savings contributions credit?

Go to the Volunteer Resource Guide, Nonrefundable Credits tab, and review the Retirement Savings Contribution Credit – Decision Tree for the qualifications.

## What are eligible contributions for the purpose of the retirement savings contributions credit?

To be eligible for the credit, taxpayers' contributions are elective or voluntary. Eligible contributions include:

- Traditional or Roth IRA (including a myRA) contributions (other than roll-over contributions)
- Elective deferrals to a 401(k) or 403(b) plan (including designated Roth contributions), a governmental 457 plan, SEP, or SIMPLE plan
- Voluntary employee contributions to a qualified retirement plan as defined in section 4974(c) (including the federal Thrift Savings Plan), or
- Contributions to a 501(c)(18)(D) plan



Contributions designated under Internal Revenue Code Section 414(h)(2) are treated as employer contributions, not voluntary contributions made by the employee. They do not qualify for the credit and should not be included on Form 8880, line 2. This information is stated in the Form 8880 Instructions.

## How do I know if the taxpayer made an eligible contribution?

In most cases, eligible contributions will be listed on the taxpayer's Form W-2, box 12 and preceded by one of the following codes: D, E, F, G, H, S, AA, or BB. These are the codes most frequently seen. For a complete list of box 12 codes, refer to the Form W-2 Instructions.

Contributions to traditional or Roth IRAs may not appear on any tax document. When reviewing the Expenses section on page 2 of the intake and interview sheet, be sure to ask if the taxpayer made a contribution to an IRA or other retirement account.



**Tax Software Hint:** If Form W-2 is entered into the software correctly and completely, the program will carry the appropriate information to Form 8880. Review the Volunteer Resource Guide, Income tab, Form W-2 Instructions, for the software entries.



Some employers allow employees to contribute after-tax money to a Roth plan. These after-tax contributions are listed on Form W-2, box 12 with code AA for a Roth 401(k) or BB for a Roth 403(b).



**Tax Software Hint:** If the taxpayer contributed to a Roth or a traditional IRA, whether it is deductible or not, link to the IRA deduction worksheet and enter the information. The software will carry the appropriate contributions to Form 8880. Review the Volunteer Resource Guide, Adjustments tab, Form 1040 – Adjustments to Income, for the software entries.

## What may reduce an eligible contribution for purposes of the credit?

Eligible contributions are reduced by the following distributions received during the testing period:

- Traditional or Roth IRAs (including myRAs)
- 401(k), 403(b), governmental 457, 501(c)(18)(D), SEP, or SIMPLE plans
- Qualified retirement plans as defined in section 4974(c) (including the federal Thrift Savings Plan)

The testing period includes:

- The tax year
- The two preceding tax years, and
- The period between the end of the tax year and the due date of the return, including extensions

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## 2015 Publication 6744, VITA/TCE Test

75	Advanced Scenario 5: Matthew Clark Form 1099-C, box 1: Date changed to 06/01/2015
76	No change.
77	No change.
78	Advanced Scenario 6: Kelly Floyd Form 13614-C Year of birth for Logan Floyd changed to 2003.

**Print out the corrected pages that follow and replace the erroneous pages in your printed training publications. On the reverse side of each revised page is the continuing page.**

CORRECTED (if checked)

CREDITOR'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.  <b>PRAIRIE BANK 1727 OSAGE WAY YOUR CITY, STATE ZIP</b>		1 Date of identifiable event <b>06/01/15</b>	OMB No. 1545-1424  <b>2015</b>  Form <b>1099-C</b>	<b>Cancellation of Debt</b>
		2 Amount of debt discharged \$ <b>800.00</b>		
		3 Interest if included in box 2 \$		
CREDITOR'S federal identification number <b>30-6XXXXXX</b>	DEBTOR'S identification number <b>454-XX-XXXX</b>	4 Debt description <b>CREDIT CARD</b>		<b>Copy B For Debtor</b>  This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if taxable income results from this transaction and the IRS determines that it has not been reported.
DEBTOR'S name <b>MATTHEW CLARK</b>  Street address (including apt. no.) <b>235 STONEHILL</b>  City or town, state or province, country, and ZIP or foreign postal code <b>YOUR CITY, STATE ZIP</b>				
Account number (see instructions)		6 Identifiable event code	7 Fair market value of property \$	

Form **1099-C** (keep for your records) [www.irs.gov/form1099c](http://www.irs.gov/form1099c) Department of the Treasury - Internal Revenue Service

## Advanced Scenario 5: Test Questions

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10. Matthew received Form 1095-A from the Marketplace. How is this information used on his tax return?
- Enter the information on Form 8962 to determine the amount of Premium Tax Credit.
  - The information is not needed to prepare his return.
  - Enter \$1,440 directly on Form 1040, page 2 on the Premium Tax Credit line.
  - Enter the information on Form 8965.
11. Matthew must repay a portion of the advance premium tax credit that he received.
- True
  - False
12. What is the total amount of qualified educational expenses used in the calculation of Matthew's American opportunity credit? \$\_\_\_\_\_.
13. Where is the cancelled debt on Form 1099-C reported on Matthew's tax return?
- On Form 1040, line 7 as wages
  - It is not reported on the return
  - On Schedule A as a miscellaneous deduction
  - On Form 1040, line 21 as other income
14. Matthew qualifies for an exception to the 10% additional tax on the early distribution from his IRA.
- True
  - False



## Advanced Scenario 6: Kelly Floyd

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### Directions

Using the tax software, complete the tax return, including Form 1040 and all appropriate forms, schedules, or worksheets. Answer the questions following the scenario.

*Note: When using the Link & Learn Taxes Practice Lab, complete the Social Security numbers and employer identification numbers by replacing the Xs with your User ID. In classroom situations, replace the Xs with the numbers provided by your instructor.*

### Interview Notes

- Kelly's husband died in March 2012. She has not remarried.
- Kelly provided the entire cost of maintaining the household and all the support for her children, Mia and Logan, in 2015.
- Her younger brother, Brian, is permanently and totally disabled. He received disability income which he used to provide more than half of his own support.
- Kelly lost her job in December 2014. She received unemployment for two months in 2015 until she found a new job.
- While she was unemployed, she cashed in her 401(k) savings from her previous employer and used the money for household expenses. She does not qualify for any exception to the additional tax on early distributions.
- Mia and Logan attended day care while Kelly worked.
- Kelly, Mia, and Logan had health insurance that provided minimum essential coverage (MEC) through her new employer beginning on March 1, 2015. She and the children did not have MEC for January and February. Brian had MEC all year. None of them purchased insurance through the Marketplace.



## Intake/Interview & Quality Review Sheet

**You will need:**

- Tax information such as Forms W-2, 1099, 1098.
- Social security cards or ITIN letters for all persons on your tax return.
- Picture ID (such as valid driver's license) for you and your spouse.

• Please complete pages 1-3 of this form.

- You are responsible for the information on your return. Please provide complete and accurate information.
- If you have questions, please ask the IRS certified volunteer preparer.

**Part I – Your Personal Information**

1. Your first name <b>KELLY</b>	M.I. <b>FLOYD</b>	Last name <b>FLOYD</b>	Telephone number <b>YOUR PHONE #</b>	Are you a U.S. citizen? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
2. Your spouse's first name	M.I.	Last name	Telephone number	Is your spouse a U.S. citizen? <input type="checkbox"/> Yes <input type="checkbox"/> No
3. Mailing address <b>300 DAKOTA CIRCLE</b>	Apt #	City <b>YOUR CITY</b>	State <b>YS</b>	ZIP code <b>YOUR ZIP</b>
4. Your Date of Birth <b>04/15/1982</b>	5. Your job title <b>MANAGEMENT ASSISTANT</b>			
7. Your spouse's Date of Birth	6. Last year, were you: a. Full time student <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No b. Totally and permanently disabled <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No c. Legally blind <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
10. Can anyone claim you or your spouse on their tax return?	9. Last year, was your spouse: a. Full time student <input type="checkbox"/> Yes <input type="checkbox"/> No b. Totally and permanently disabled <input type="checkbox"/> Yes <input type="checkbox"/> No c. Legally blind <input type="checkbox"/> Yes <input type="checkbox"/> No			
11. Have you or your spouse:	10. Can anyone claim you or your spouse on their tax return? a. Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Unsure b. Adopted a child? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			

**Part II – Marital Status and Household Information**

1. As of December 31 of 2015,  
were you:

Single (This includes registered domestic partnerships, civil unions, or other formal relationships under state law)

Married a. Did you live with your spouse during any part of the last six months of 2015?  Yes  No

Divorced b. Was your marriage recognized under the laws of the state(s) you are filing in?  Yes  No  Unsure

Legally Separated Date of separate maintenance agreement \_\_\_\_\_

Widowed Year of spouse's death **2012**

2. List the names below of:

- everyone who lived with you last year (other than you or your spouse)
- anyone you supported but did not live with you last year

if additional space is needed check here  and list on page 3

Name (first, last) Do not enter your name or spouse's name below	Date of Birth (mm/dd/yy)	Relationship to you (for example, son, daughter, none, etc)	Number of months lived in your home last year	US Citizen (yes/no)	Resident of US, Canada, or Mexico last year (yes/no)	Single or Married as of 12/31/15 (S/M)	Full-time Student last year (yes/no)	Totally and Permanently Disabled (yes/no)	To be completed by a Certified Volunteer Preparer			
									Is this person a qualifying child/relative or any other person? (yes/no)	Did this person provide more than 50% of his/her own support? (yes/no)	Did this person have less than \$4,000 of income? (yes/no)	Did the taxpayer(s) provide more than 50% of support for this person? (yes/no/N/A)
(a) <b>MIA FLOYD</b>	(b) <b>08/01/04</b>	(c) <b>DAUGHTER</b>	(d) <b>12</b>	(e) <b>YES</b>	(f) <b>YES</b>	(g) <b>S</b>	(h) <b>YES</b>	(i) <b>NO</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>LOGAN FLOYD</b>	<b>04/06/03</b>	<b>SON</b>	<b>12</b>	<b>YES</b>	<b>YES</b>	<b>S</b>	<b>YES</b>	<b>NO</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>BRIAN BOLIVAR</b>	<b>10/27/91</b>	<b>BROTHER</b>	<b>12</b>	<b>YES</b>	<b>YES</b>	<b>S</b>	<b>NO</b>	<b>YES</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Volunteers are trained to provide high quality service and uphold the highest ethical standards.  
To report unethical behavior to the IRS, email us at [wi.voltax@irs.gov](mailto:wi.voltax@irs.gov) or call toll free**

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## 2015 Publication 4695-PR, VITA/TCE Puerto Rico Test

27	No change.
28	Form CSA 1099-R box 1 changed to: \$28,656
45	The last dollar amount in the 2nd Interview Notes bullet changed to: \$333.50
46	No change.
57	Form CSA 1099-R box 1 changed to: \$28,656
58	No change.

**Print out the corrected pages that follow and replace the erroneous pages in your printed training publications. On the reverse side of each revised page is the continuing page.**

**Yes**  **No**  **Check appropriate box for each question in each section**  
**Part VI - Health Care Coverage - Last year, did you, your spouse, or dependent(s)**

- 1. Have health care coverage?
- 2. Receive one or more of these forms? (Check the box)  Form 1095-B  Form 1095-C
- 3. Have coverage through the Marketplace (Exchange)? [Provide Form 1095-A]
- 3a. If yes, Have an exemption granted by the Marketplace? [Provide exemption certificate number (ECN)]
- 3b. If Yes, Receive an advanced payment from the Marketplace to help pay your monthly health care payments?
- 3c. If yes, Is everyone listed on your Form 1095-A being claimed on this tax return?

Visit <http://www.healthcare.gov/> or call 1-800-318-2596 for more information on health insurance coverage options and assistance.

If you're receiving advance payments of the premium tax credit to help pay your health insurance coverage, you should report life changes, such as, income, marital status or family size changes, to your Marketplace. Reporting changes will help to make sure you are getting the proper amount of advance payments.

**To be Completed by a Certified Volunteer Preparer** (Use Publication 4012 and check the appropriate box(es) indicating the health care coverage status for everyone listed on the return.)

Name (List dependents in the same order as in Part II)	Coverage Entire Year	No Coverage	Part Year Coverage (circle months with coverage)	Exemption(circle months exemption applies)	Notes
Taxpayer			J F M A M J J A S O N D	J F M A M J J A S O N D	
Spouse			J F M A M J J A S O N D	J F M A M J J A S O N D	
Dependent			J F M A M J J A S O N D	J F M A M J J A S O N D	
Dependent			J F M A M J J A S O N D	J F M A M J J A S O N D	
Dependent			J F M A M J J A S O N D	J F M A M J J A S O N D	

**Part VII - Additional Information and Questions Related to the Preparation of Your Return**

1. Presidential Election Campaign Fund (If you check a box, your tax or refund will not change)  
 Check here if you, or your spouse if filing jointly, want \$3 to go to this fund  You  Spouse
2. If you are due a refund, would you like:  
 a. Direct deposit  Yes  No  Yes  No  
 b. To purchase U.S. Savings Bonds  Yes  No  Yes  No  
 c. To split your refund between different accounts  Yes  No
3. If you have a balance due, would you like to make a payment directly from your bank account?  Yes  No

**Many free tax preparation sites operate by receiving grant money. The data from the following questions may be used by this site to apply for these grants. Your answers will be used only for statistical purposes.**

4. Other than English, what language is spoken in your home? **SPANISH**  Prefer not to answer
5. Are you or a member of your household considered disabled?  Yes  No  Prefer not to answer

Additional comments

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 RETIREMENT SERVICES PROGRAM  
 P.O. BOX 45  
 BOYERS, PA 16017-0045

**STATEMENT OF ANNUITY PAID**  
 Copy B - File with Federal tax return

**2015**

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

Form CSA 1099R (Rev. 1/2009)  
 This information is being furnished to the  
 Department of Treasury - Internal Revenue Service

PAYER's Federal Identification <b>31-5XXXXXX</b>	Recipient's ID No. (Annuitant) <b>123-XX-XXXX</b>	Account number (Retirement Claim No.) <b>1048701</b>
5. Employee Contributions/ Designated ROTH Contributions or Insurance Premiums <b>1,344.00</b>		<b>PAID TO</b> ➔ <b>BEATRICE CORDOVA</b> <b>1234 SAN JORGE ST.</b> <b>SAN JUAN, PR 00902</b>
7. Distribution Code(s) <b>7-NONDISABILITY</b>		
9b. Total Employee Contributions <b>50,135.00</b>		

1. Gross distribution <b>28,656.00</b>
2. Taxable amount <b>UNKNOWN</b>
4. Federal Income Tax Withheld <b>910.00</b>
State 1 10. State Income Tax Withheld
State 2 1. State Income Tax Withheld

To separate, tear on perforation

**FORM SSA-1099 - SOCIAL SECURITY BENEFIT STATEMENT**

**2015** • PART OF YOUR SOCIAL SECURITY BENEFITS SHOWN IN BOX 5 MAY BE TAXABLE INCOME.  
 • SEE THE REVERSE FOR MORE INFORMATION.

Box 1. Name <b>BEATRICE CORDOVA</b>		Box 2. Beneficiary's Social Security Number <b>123-XX-XXXX</b>
Box 3. Benefits Paid in 2015 <b>9,455.00</b>	Box 4. Benefits Repaid to SSA in 2015	Box 5. Net Benefits for 2015 (Box 3 minus Box 4) <b>9,455.00</b>
DESCRIPTION OF AMOUNT IN BOX 3 <b>Paid by direct deposit: \$8,196.00</b> <b>Medicare Part B premiums deducted from your benefits: \$1,259.00</b> <b>Total: \$9,455.00</b> <b>Beneficios para 2015: \$9,455.00</b>		DESCRIPTION OF AMOUNT IN BOX 4
		Box 6. Voluntary Federal Income Tax Withholding
		Box 7. Address <b>1234 SAN JORGE ST.</b> <b>SAN JUAN, PR 00902</b>
		Box 8. Claim Number (Use this number if you need to contact SSA.)

Draft as of June 21, 2015 - Subject to Change

Form SSA-1099-SM (1-2015)

DO NOT RETURN THIS FORM TO SSA OR IRS



## Level I PR Examen – Escenario 2: Raymond Pasco y Dora Gordo

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### Taxpayer Documents

- Completed Intake and Interview Sheet
- Forms 499R-2W-2PR

Raymond Pasco esta casado con Dora Gordo; ambos trabajan para el Estado Libre Asociado de Puerto Rico. Ellos son residentes bona fide de Puerto Rico. Sus números de seguro social son 581-XX-XXXX y 582-XX-XXXX, respectivamente.

### Interview Notes

- Raymond es maestro para el Departamento de Educación; sus ingreso para el año fueron \$46,000. Sus aportaciones al Seguro Social y Medicare fueron \$0 y \$667, respectivamente.
- Dora es secretaria para la oficina de Turismo de Puerto Rico; sus ingreso para el año fueron \$23,000. Sus aportaciones al Seguro Social y Medicare fueron \$1,426 y \$333.50, respectivamente.
- Ellos tienen tres hijos menores de 16 años.

Nombre	Fecha de nacimiento	Parentesco	Número de Seguro Social
Edward Pasco	3-12-2005	Hijo	583-XX-XXXX
Maria Pasco	3-12-2005	Hija	584-XX-XXXX
Barbara Pasco	4-15-2000	Hija	585-XX-XXXX



## Intake/Interview & Quality Review Sheet

**You will need:**

- Tax information such as Forms W-2, 1099, 1098.
- Social security cards or ITIN letters for all persons on your tax return.
- Picture ID (such as valid driver's license) for you and your spouse.

• Please complete pages 1-3 of this form.

- You are responsible for the information on your return. Please provide complete and accurate information.
- If you have questions, please ask the IRS certified volunteer preparer.

**Part I – Your Personal Information**

1. Your first name <b>RAYMOND</b>	M.I. <b>PASCO</b>	Last name <b>PASCO</b>	Telephone number <b>YOUR PHONE #</b>	Are you a U.S. citizen? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
2. Your spouse's first name <b>DORA</b>	M.I. <b>GORDO</b>	Last name <b>GORDO</b>	Telephone number	Is your spouse a U.S. citizen? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
3. Mailing address <b>1763 EUGENIO MARIA DE HOSTOS ST</b>		Apt # <b>MAYAGUEZ</b>	State <b>PR</b>	ZIP code <b>00682</b>
4. Your Date of Birth <b>02/14/1970</b>	5. Your job title <b>TEACHER</b>		6. Last year, were you: a. Full time student <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No b. Totally and permanently disabled <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No c. Legally blind <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
7. Your spouse's Date of Birth <b>09/02/1968</b>	8. Your spouse's job title <b>SECRETARY</b>		a. Full time student <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No b. Totally and permanently disabled <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No c. Legally blind <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
10. Can anyone claim you or your spouse on their tax return? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Unsure				
11. Have you or your spouse: a. Been a victim of identity theft? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No b. Adopted a child? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				

**Part II – Marital Status and Household Information**

1. As of December 31 of 2015,  
were you:

Single (This includes registered domestic partnerships, civil unions, or other formal relationships under state law)

Married a. Did you live with your spouse during any part of the last six months of 2015?  Yes  No

Divorced b. Was your marriage recognized under the laws of the state(s) you are filing in?  Yes  No  Unsure

Legally Separated Date of separate maintenance agreement \_\_\_\_\_

Widowed Year of spouse's death \_\_\_\_\_

2. List the names below of:

- everyone who lived with you last year (other than you or your spouse)
- anyone you supported but did not live with you last year

if additional space is needed check here  and list on page 3

Name (first, last) Do not enter your name or spouse's name below	Date of Birth (mm/dd/yy)	Relationship to you (for example, son, daughter, none, etc)	Number of months lived in your home last year	US Citizen (yes/no)	Resident of US, Canada, or Mexico last year (yes/no)	Single or Married as of 12/31/15 (S/M)	Full-time Student last year (yes/no)	Totally and Permanently Disabled (yes/no)	To be completed by a Certified Volunteer Preparer			
									Is this person a qualifying child/relative or any other person? (yes/no)	Did this person provide more than 50% of his/her own support? (yes/no)	Did this person have less than \$4,000 of income? (yes/no)	Did the taxpayer(s) provide more than 50% of support for this person? (yes/no/N/A)
(a) <b>EDWARD PASCO</b>	(b) <b>03/12/05</b>	(c) <b>SON</b>	(d) <b>12</b>	(e) <b>YES</b>	(f) <b>YES</b>	(g) <b>S</b>	(h) <b>YES</b>	(i) <b>NO</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>MARIA PASCO</b>	<b>03/12/05</b>	<b>DAUGHTER</b>	<b>12</b>	<b>YES</b>	<b>YES</b>	<b>S</b>	<b>YES</b>	<b>NO</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>BARBARA PASCO</b>	<b>04/15/00</b>	<b>DAUGHTER</b>	<b>12</b>	<b>YES</b>	<b>YES</b>	<b>S</b>	<b>YES</b>	<b>NO</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Volunteers are trained to provide high quality service and uphold the highest ethical standards.  
To report unethical behavior to the IRS, email us at [wi.voltax@irs.gov](mailto:wi.voltax@irs.gov) or call toll free**

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**STATEMENT OF ANNUITY PAID**  
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 Distributions From  
 Pensions, Annuities,  
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 Sharing Plans, IRAs,  
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Form CSA 1089R (Rev. 1/2009) This information is being furnished to the Department of Treasury - Internal Revenue Service	PAYER's Federal Identification <b>31-5XXXXXX</b>	Recipient's ID No. (Annuitant) <b>123-XX-XXXX</b>	Account number (Retirement Claim No.) <b>1048701</b>
	5. Employee Contributions/ Designated ROTH Contributions or Insurance Premiums <b>1,344.00</b>	<b>PAID TO</b> → <b>BEATRICE CORDOVA</b> <b>1234 SAN JORGE ST.</b> <b>SAN JUAN, PR 00902</b>	
	7. Distribution Code(s) <b>7-NONDISABILITY</b>		
	9b. Total Employee Contributions <b>50,135.00</b>		

	1. Gross distribution <b>28,656.00</b>
	2. Taxable amount <b>UNKNOWN</b>
	4. Federal Income Tax Withheld <b>910.00</b>
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## Level II PR Examen – Escenario 1 Test Questions

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Favor de completar la Forma 1040 y la hoja de trabajo del crédito por hijos (Pub. 972 porción no reembolsable) para contestar las siguientes preguntas. Usted es un voluntario en el Centro S21014444. Si usted está utilizando el “Link & Learn Practice Lab”, complete los números de seguro social y los números de identificación patronal sustituyendo las Xs con su número de usuario “User ID”. En las situaciones del salón de clase, sustituya las Xs con la información que le facilite su instructor.

- 2.6** ¿Cual es la cantidad tributable de la pensión de Beatrice?
- a. \$26,715
  - b. \$28,000
  - c. \$28,656
  - d. \$38,111
- 2.7** ¿Cual es la cantidad maxima que Beatrice puede reclamar por contribuciones pagadas al extranjero?
- a. \$0
  - b. \$138
  - c. \$910
  - d. \$1,138
- 2.8** ¿Cual es la cantidad que Beatrice puede reclamar como deducción fija?
- a. \$4,000
  - b. \$9,200
  - c. \$10,800
  - d. \$12,350
- 2.9** ¿Será alguna cantidad de los beneficios de Seguro Social que recibe Beatrice tributable?
- a. Sí
  - b. No
- 2.10** La contribución total de Beatrice en la línea 44 de la Forma 1040 es:
- a. \$0
  - b. \$1,000
  - c. \$1,040
  - d. \$1,114

## 2015 Publication 4189 Test/Retest Answers

A-50

Publication 4189 Advanced Scenario 5, Matthew Clark, Form 1040, page 2: There is a rounding error in the calculation of Matthew's premium tax credit. Use the amount calculated by the Practice Lab. This does not affect any test answers. Please note no pages are being included to substitute.