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





As you are going over Form 13614-C with Laura, you discover that there are a few answers that need to be corrected.

Laura had a serious accident in June, 2014, and stopped working. Laura is now totally and permanently disabled.

Laura’s divorce decree states that her ex-husband is to claim their son, John, as a dependent on his return even though Laura provides all the support for their children. Laura has provided her ex a signed form 8332 to facilitate this.

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

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

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

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

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

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

**Reference**: 4012 K-6, K-7

Use the Filing Status and Dependency Status from Step 0

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
|    |    |    |    | Hint: Don’t worry about RTN / DAN for direct deposit at this point. |

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

**Reference:** NJ Special Handling p5

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

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

**Tool:** TWO State Help

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

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

Laura’s contribution to the Gubernatorial Election Campaign Fund will be handled the same way as her contribution to the Presidential Election Campaign Fund.

 Everyone on the return had MEC (Not from the Marketplace) all year.

**Reference:** NJ Special Handling p5

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
|    |    |    |    | Hint: Gubernatorial Elections Fund – see NotesHint: Wait to make changes to NJ Dep Wkt until we know TP is eligible for EIC |

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

If asked, Laura is a Veteran from the US Armed Forces.

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
|    |    |    |    | BP: Do not fill in line 14 until after QR |

Step 2 Source: Prior Year Return 🡺 TWO Screen: Various

She had a NJ refund of $502 which matches the NJ Lookup amount.

Looking at last year’s return, you notice:

* Her filing status was the same as this year.
* 1040 Line 39a (65 or blind) had no boxes checked
* 1040 Line 40 (Itemized deductions) was $9,145 including using State Income Tax (5a) of $890 instead of State Sales Tax (5b) of $655.
* 1040 Line 41 (AGI minus itemized deductions) was $7,680.
* 1040 Line 42 (Exemptions) was $7,800.
* 1040 Line 43 (Taxable Income) showed 0.
* She did not have any unused refundable credits

Step 2a Source: Prior Year Return 🡺 TWO Screen: 1040 Pg 1

**Reference**: NJ Special Handling p2

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 0 | 0 | 0 | 0 | Hint: Answer the question above line 10Hint: Link to St Tax Refund from line 10 |

Step 2b Source: Prior Year Return 🡺 TWO Screen: St Tax Refund

**Reference**: 4012 D-12

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 75 | 0 | 0 | 0 | BP: Attach Scratch Pad to line 12 to document calculation of prior year taxable income |

Step 3 Source: W-2 🡺 TWO Screen: W2



**Reference:** 4012 D-6

**Reference:** NJ Special Handling p1

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 14,673 | 7,462 | 11,098 | 1,667 | Check: Sch A, Line 5a = 707Check: NJ 2450 TP, line 2, A=62, B=55, C=15 |

Step 4a Source: W-2 🡺 TWO Screen: W2



DI PP# 9786654

 10.76 UI/WF/SWF

 72.06 DI

 2.53 FLI

**Reference:** 4012 D-6

**Reference:** NJ Special Handling p1

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 17,455 | 7,724 | 13,880 | 1,868 | Hint: If the checkbox for “Please verify the Federal withholding, …” turns red, double check your entries in Box 1 & 2, then check the boxHint: Enter box 7 and 8 before taking calculations off 3, 4, 5, 6BP: Use Type NJSDIPP for Private Plan disabilityCheck: Sch A, Line 5a = 922 |

Step 4b Source: W-2 🡺 TWO Screen: NJ 2450 TP

**Reference**: NJ Special Handling p7

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 17,455 | 7,724 | 13,880 | 1,875 | BP: Use Scratch Pad linked to Line 1b, Col B to document source of DI PP# amountCheck: NJ 2450 TP, line 2, A=73, B=127, C=18Check: NJ 1040 Pg 3, Line 53 = 7 |

Step 5a Source: 1099-R 🡺 TWO Screen: 1099R



In January, Laura took an IRA distribution of $5,000 to pay off credit card debt.

**Reference**: 4012 D-20, D-21, H-2

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 22,455 | 6,494 | 13,880 | 1,679 | Check: NJ 1040 Pg 2, line 19a = 0Q: NJ 39 doesn’t change – Why does NJ refund go down? |

Step 5b Source: Notes 🡺 TWO Screen: NJ IRA Wkt

Laura has no records of her IRA contributions.

**Reference**: NJ Special Handling p7

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 22,455 | 6,494 | 13,880 | 1,679 | Check: NJ 1040, line 19a = 5,000Check: NJ 1040, line 27c = 5,000 |

Step 6 Source: 1099-R 🡺 TWO Screen: 1099R



The minimum retirement age for Laura’s job was 59.

**Reference**: 4012 D-20, D-21

**Reference**: NJ Special Handling, p3

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 27,855 | 4,817 | 13,880 | 1,452 | Hint: Code 3 is disability (Where would you look to find this out?Hint: Use context sensitive help on “Check if disability…” boxCheck: 1040 Line 7 = 22,780Check: NJ 1040 Pg 2, Line 14 = 17,380 |

Step 7a Source: Notes 🡺 TWO Screen: Sch C Pg 1

Starting on July 1, 2011, Laura started providing freelance editing services from her home. She had no separate business name, no EIN, and no business address (other than her home). She met all requirements for Schedule C-EZ. She did not make any payments that would require her to file Form(s) 1099.

**Reference**: 4012 D-14

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

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

Step 7b Source: Notes 🡺 TWO Screen: 1099 MISC

 

**Reference**: 4012 D-14

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 39,171 | (874) | 26,056 | 590 | Hint: Attach 1099-MISC to line 1 of Sch CCheck: Sch C Pg 1, Line 1 = 12,176 |

Step 7c Source: 1099-MISC 🡺 TWO Screen: Sch C Pg 2

She kept a record of her expenses: $2,025 for paper, $1,047.50 for printer cartridges, $800 for postage, $350 for a business phone line and long distance calls, and 234 total miles for making deliveries. She had 10,000 other miles on her car. Laura has one car which she bought in 2010 and began using for her work when she started working at home. She has a written record of her business mileage.

**Reference**: 4012 D-15

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 35,124 | 1,202 | 21,702 | 837 | Hint: Easiest to itemize non-mileage expenses in Part VCheck: Sch C Pg 1, Line 31 = 7,822 |

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

Laura’s divorce decree states that her ex-husband is to pay her $300 per month alimony. Due to the loss of his job during the year, he only paid for 8 months.

**Reference**: 4012 E-3

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 37,524 | 336 | 24,102 | 693 | BP: Document using Scratch Pad |

Step 9 Source: Notes 🡺 TWO Screen: 2441

Laura paid the Acme Day Care (EIN 81-0XXXXXX), located at 123 Main, Pluckemin, NJ 07978, for George’s and John’s care while she was at work. She paid the day-care center $1,793 ($890 for George + $903 for John).

While looking for work, Laura paid her sister, Edna Loy (SSN 834-XX-XXXX), $400 to take care of John & George ($200 each). Edna lives next door at 121 Elm. Edna is self-supporting.

**Reference**: 4012 E-3

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 37,524 | 840 | 24,102 | 693 | Hint: SSN or EIN entered without dashBP: Document costs for each child with 2 separate Scratch PadsCheck: Total of line 1 amounts = 2,193Check: Total of line 2 amounts = 2,193 |

Step 10 Source: Notes 🡺 TWO Screen: Sch EIC Wkt

EIC has never been reduced or disallowed.

**Reference**: 4012 I-7

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 37,524 | 840 | 24,102 | 693 | Hint: Answer questions in order and only if red |

Step 11 Source: Notes 🡺 TWO Screen: 1040 ACA Wkt

Everyone on the return had MEC (Not from the Marketplace) all year.

**Reference**: 4012 ACA Tab

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

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 37,524 | 840 | 24,102 | 693 | Hint: Everyone marked as Full |

Step 12 Source: Notes 🡺 TWO Screen: Diagnostics

Run Diagnostics – Resolve any issues.

Step 13 Source: Notes 🡺 TWO Screen: Various

She took a word processing course in the evening at the library to improve her skills. The tuition was $575. Determine the most advantageous benefit for which she is qualified.

**Reference**: 4012 Tab J

Step 13a Source: Notes 🡺 TWO Screen: 1040 Wkt2

Evaluate education expenditure as AGI deduction.

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 36,949 | 1,079 | 24,102 | 719 | Hint: Make note of total refund: 1,798 |

Step 13b Source: Notes 🡺 TWO Screen: 8863 Pg 2

Evaluate education expenditure as Lifetime Learning credit.

|  |
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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 37,524 | 955 | 24,102 | 693 | Hint: Make note of total refund: 1,648 |

Step 13c Source: Notes 🡺 TWO Screen: Sch C Pg 2

Evaluate education expenditure as Sch C expense.

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 36,990 | 1,141 | 23,527 | 727 | Hint: Make note of total refund: 1,868 => BEST |

Step 14 Source: Notes 🡺 TWO Screen: NJ Dep Wkt

Because John is not a dependent, but is used for the EIC calculations, he must be manually added to the NJ return (via the NJ Dep Wkt).

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 36,990 | 1,141 | 23,527 | 727 | Hint: Must use the override function to add John to the listCheck: John shows up on NJ 1040 Pg 2, Line 13b |

Step 15 Source: Notes 🡺 TWO Screen: NJ 1040 Pg 3, Line 45

Laura did not make any out of state purchases for which she would owe Use Tax.

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 36,990 | 1,141 | 23,527 | 727 |   |

Step 16 Source: Notes 🡺 TWO Screen: NJ 1040 Pg 3, Worksheet F

Laura rented an apartment in Pluckemin (Somerset County). She paid $1,000 per month in rent for 12 months.

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 36,990 | 1,141 | 23,527 | 777 |   |

Step 17 Source: Notes 🡺 TWO Screen: Diagnostics

Run Diagnostics – Resolve any issues.

Step 18 Source: Notes 🡺 TWO Screen: NJ DD Wkt

Laura would like any NJ refund or amount due handled the same way as on her federal return.

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 36,990 | 1,141 | 23,527 | 777 | Hint: Select appropriate option |

Step 19 Source: Notes 🡺 TWO Screen: Diagnostics

Run Diagnostics (and Create e-File) – Resolve any issues

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