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





Hilda paid all household expenses and all support for her three children. No other person can claim any of the children as a dependent on their return.

Ronald is a full-time undergraduate student

Hilda’s husband, Sam, died on April 3rd 2012.

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

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

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

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

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

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

Use the Filing Status and Dependency Status from Step 0

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
|    |    |    |    | Hint: Ctrl-E to go to next red fieldHint: Don’t worry about RTN / DAN for direct deposit at this point.Q: Did you put anything on % address line? |

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

Hilda wants to handle the Gubernatorial Election Campaign Fund the same way as the Presidential Election Campaign Fund.

Hilda and all dependents have health care coverage.

**Reference:** NJ Special Handling p5

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

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

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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: W-2 🡺 TWO Screen: W2 (SP)



Hilda had dental insurance through her employer’s cafeteria plan which cost her $55 per month. It was pre-tax for federal and after-tax for NJ.

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 35,965 | 5,843 | 31,125 | 578 | Hint: Do not need to override 3, 4, 5, 6BP: Handle NJ after-tax insurance laterCheck: Sch A, Line 5a = 1,011 |

Step 3 Source: 1099-INT 🡺 TWO Screen: Interest Stmt



**Reference**: 4012 D-9

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 36,254 | 5,749 | 31,414 | 560 | Hint: Interest Stmt worksheet is under Sch B in the tree |

Step 4 Source: W2-G 🡺 TWO Screen: W2G



Hilda had gambling losses of $2,000.

**Reference**: NJ Special Handling p3

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 37,754 | 5,284 | 31,414 | 497 | Hint: Need to add W2G (if not in tree)BP: Include appropriate losses directly on W2G (bottom right)Check: Sch A, line 28 = 1,500Check: NJ 1040, line 23 = 0 |

Step 5 Source: 1099-G 🡺 TWO Screen: 1099G Wkt



NJ no longer sends out paper 1099-G forms for unemployment

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 39,508 | 4,838 | 31,414 | 423 | Hint: 1099G Wkt probably already in tree with NJ info filled in |

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



4-Death

Hilda’s husband, Sam, was a federal employee at the time of his death, and Hilda was able to start drawing his joint/survivor annuity in January of the prior year. (She elected to not use the NJ three-year rule.)

 **Reference**: 4012 D-20, D-21, D-26 (2: Form CSA 1099-R…)

**Reference**: NJ Special Handling p3

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| --- |
| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 56,078 | 4,056 | 47,984 | (45) | Check: NJ 1040, line 19a = 16,570; line 19b = 0 |

Step 6b Source: 1099R 🡺 TWO Screen: A Detail

**Reference**: 4012 D26 2: Form CSA 1099-R

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 56,078 | 4,056 | 47,904 | (44) |  |

Step 6c Source: 1099R 🡺 TWO Screen: NJ 1040 Pg 2, Line 19b

**Reference**: NJ Special Handling p5

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| --- |
| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 56,078 | 4,056 | 47,904 | (44) | Hint: Follow procedure in NJ Special Handling for NJ 1040 Pg 2, Line 19b (Excludable pensions)Check: NJ 1040, line 19b = 1,015Check: NJ 1040, line 19a (16,570) + line 19b (1,015) = 17,585 |

Step 7a Source: 1099-R 🡺 TWO Screen: 1099R



To help pay for Ronald’s education, Hilda took an early distribution from her IRA account.

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

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 61,078 | 3,306 | 47,904 | 56 | Check: NJ 1040 Pg 3, Line 48 = 825 |

Step 7b Source: Notes 🡺 TWO Screen: 5329 TP 1

**Reference**: 4012 H-1, H-2

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 61,078 | 3,806 | 47,904 | 56 | Hint: 5329 TP 1 should have popped into tree automaticallyHint: Use Reference, above, to look up exception codeCheck: 1040 Pg 2, Line 59 = 0 |

Step 7c Source: Notes 🡺 TWO Screen: NJ IRA Wkt

Hilda has records that indicate the value of her IRA on 12-31 was $45,000. Her total previously taxed contributions is $20,000. This is her first withdrawal from this IRA. (Note: having record of contributions is very rare.)

**Reference**: NJ Special Handling p7

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 61,078 | 3,806 | 50,964 | (4) | Check: NJ 1040, line 19a = 19,570; 19b = 3,015 |

Step 8 Source: Notes 🡺 TWO Screen: 1040 Wkt2

Hilda is repaying a student loan and received a statement from the lending institution showing that she had paid $385.67 in interest last year.

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

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| --- |
| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 60,692 | 3,866 | 50,964 | (4) | Hint: May need to add 1040 Wkt2 manually |

Step 9a Source: Notes 🡺 TWO Screen: 1040 Pg 1

Hilda did not itemize deductions last year.

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| --- |
| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 60,692 | 3,866 | 50,964 | (4) |   |

Step 9b Source: Notes 🡺 TWO Screen: Sch EIC

Probably still red in tree (ignore this sub-step if Sch EIC is not red)…

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| --- |
| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 60,692 | 3,866 | 50,964 | (4) | Hint: Answer questions in order and only if red |

Step 10 Source: W-2 🡺 TWO Screen: NJ 1040 Pg 2, Line 30

The 660 of NJ after-tax medical can be added now that NJ 1040 Line 28 is finalized.

**Reference**: NJ Special Handling p6

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 60,692 | 3,866 | 50,304 | 12 | BP: Use Scratch pad attached to NJ 1040 Pg 2, Line 30 to document handling of after-tax Medical |

Step 11 Source: Notes 🡺 TWO Screen: NJ 1040 Pg 3, Line 45

Hilda did not make any out of state purchases on which she would owe Use Tax.

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

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 60,692 | 3,866 | 50,304 | 12 | Hint: Just un-red line 45 |

Step 12 Source: Notes 🡺 TWO Screen: NJ 1040 Pg 3, Worksheet F

Hilda was a tenant all year. Her rent was $800 per month.

 **Reference**: NJ Special Handling p12

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 60,692 | 3,866 | 50,304 | 62 |   |

Step 13 Source: Notes 🡺 TWO Screen:



In order to accurately evaluate alternative ways to claim education deductions/credits we wait until the rest of the return is finished.

Ronald is a full-time undergraduate student. He started attending college three years ago last August. Ronald’s grandmother made the payments for his tuition and fees (no room & board) directly to the university. (To be safe, you confirm that the 1098-T from the University agrees with the payments actually made: $16,900 total to school = $6,900 out-of-pocket plus $10,000 scholarship.) Ronald did not receive a 1098-T for 2013 with any entry in box 2. Ronald does not have a felony controlled substance conviction.

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

Step 13a Source: Notes 🡺 TWO Screen: Diagnostics

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

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 60,692 | 3,866 | 50,304 | 62 | BP: Run Diagnostics and fix any errors before proceeding |

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

Try education expenses as a Tuition and Fees AGI Deduction first.

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 56,692 | 4,466 | 50,304 | 62 |   |

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

We will try education expenses as a Lifetime Learning Credit next.

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| --- |
| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 60,692 | 4,323 | 50,304 | 62 | Hint: Need to add 8863 Pg 2 to tree (Note: not 8863 Pg 1 – 8863 Pg 1 will pop into the tree as soon as start to fill in Pg 2)Result: AGI Deduction better than Lifetime Learning creditQ: Why is AGI Deduction better than Lifetime Learning credit? |

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

Try education expenses as an American Opportunity Credit next.

|  |
| --- |
| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 60,692 | 6,366 | 50,304 | 62 | BP: Use Scratch Pad linked to 8863 Pg 2, Line 27 to document breakdown of expenses and adjustment to get to 4,000 limitResult: American Opportunity Credit is best result |

Step 14 Source: Notes 🡺 TWO Screen: 1040 ACA Wkt

Everyone had MEC all year and no one had Marketplace coverage.

**Reference**: 4012 ACA Tab

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

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 60,692 | 6,366 | 50,304 | 62 | Hint: Everyone marked as Full |

Step 15 Source: Notes 🡺 TWO Screen: Diagnostics

Run Diagnostics – Resolve any issues before handling refund / amount due

Step 16 Source: Notes 🡺 TWO Screen: NJ DD Wkt

Hilda would like any NJ refund or amount due to be handled the same way as for her federal return.

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| **Refund Monitor** |
| **AGI** | **Refund** | **NJ 39** | **NJ 56/66** | **Notes** |
| 60,692 | 6,366 | 50,304 | 62 | Hint: Read options under Direct Deposit and select appropriate one |

Step 17 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…