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Ladder Up Overview

Mission

Ladder Up is committed to helping hardworking families and individuals access the financial resources and tools they need to move up the economic ladder. Whether it is helping clients obtain the tax refunds they deserve, secure the financial aid that makes higher education affordable, or gain the knowledge to make sound financial decisions, Ladder Up provides free financial services to help Chicago-area families and individuals improve their quality of life. Since 1994, Ladder Up and its volunteers have provided free financial services to over **297,000 clients**, returning **\$529 million** in economic benefits.

Programs

Ladder Up offers financial relief and opportunity through its two main programs: TAP (Tax Assistance Program) and LIFT (Life-Improving Financial Tools).

TAP

Ladder Up offers free tax preparation and electronic filing to help low- to moderate-income taxpayers secure valuable tax refunds. By engaging over **800 volunteers each year**, Ladder Up provides free tax help to clients at 14 Chicagoland service locations. In 2018, Ladder Up prepared **11,154 returns**, helping clients secure **\$17.4 million** in tax refunds.

Financial Capability

Higher Education Access Initiative

Ladder Up helps students secure financial aid through assistance with the Free Application for Federal Student Aid (FAFSA). During FY 2017-18, Ladder Up assisted 4,313 students and parents with the FAFSA and financial aid presentations and workshops, helping them secure an estimated \$15.7 million in financial aid awards for higher education. Ladder Up also educated 3,022 students about award letters, college finances, student loans, and personal statements by offering workshops to students.

Financial Literacy Program

Ladder Up helps high school students and adults lay the foundation for financial stability by offering one-on-one financial coaching and leading workshops on topics including credit, banking, and consumer choices. During FY 2017-18, Ladder Up reached over 3,000 individuals through workshops and one-on-one financial coaching. The organization also helped clients access 415 asset building services at tax sites through its Save Up pilot program.

Leveraging Partnerships

Ladder Up's 800+-member volunteer corps is one of the largest volunteer workforces in the Midwest. Partnering companies represent various sectors, including accounting, banking, consulting, law, and financial services. By utilizing the donated service of its volunteers, along with donated office space, legal counsel, and service locations, **Ladder Up is able to return \$27 in benefits to clients for every \$1 invested in the organization.**

Referring Clients to Additional Ladder Up Services

Free Financial Coaching is Available by Appointment:

- Understanding your credit report
- Building or re-building your credit history
- Creating and maintaining a household budget
- Fixing and preventing identity theft

If a client is interested in financial aid services or financial coaching, please ask them to contact us at SaveUp@goladderup.org or (312) 409-1555.

Ladder Up Tax Clinic

The Tax Clinic provides legal counsel and representation to clients to resolve these issues:

- Audits
- Collections
- Problems related to the ACA
- Family Status Issues (F/S, DX, EIC CTC)
- EITC and Child Tax Credit disputes
- Cancellation of Indebtedness (1099-C, 1099-A, Underreported CP2000 Letter)
- Unreported Income
- Misclassified Worker Disputes (Form SS-8, Form 4852)
- Innocent Spouse Relief
- Other issues arising from dispute with IRS or IDOR

Cases that are **out-of-scope** for the Tax Clinic:

- Property Tax
- Taxes collected by IL Dept of Employment Security
- Disputes between/among taxpayers
- Employment matters
- Non-tax debt collection and refund offsets
- Business entities (however, the tax clinic can assist sole proprietorships and sole shareholders in an S-Corporation or LLC)
- Disputes with paid prepares over rapid refunds

Any Illinois taxpayer who meets our tax preparation income guidelines is eligible for free services from the Tax Clinic.

If a client is interested in the Tax Clinic services, please refer them by entering their information into the Google Form made available at the tax preparation site, so that Tax Clinic staff can follow up with them.

Clients can also contact the Tax Clinic by calling (312) 252-0280, or by e-mailing info@economicprogress.org

Volunteer Locations

Chicago - Saturdays

All of our sites will be open on Saturdays, with volunteer sessions lasting from 8:30am-1:00pm from February 2 until April 15, 2019, unless otherwise noted below. The advertised client service window is 9:00am-12:00pm, except for Chicago Public Libraries which are 10:00am-1:00pm.

LOOP

Harold Washington Library
400 S. State St., 7th Floor
10am-1pm

WEST

Chicago Public Library – Austin Branch
5615 W. Race
10am-1pm

NORTHWEST

**Chicago Public Library – Richard M. Daley
(W. Humboldt)**
733 N Kedzie Ave
10am-1pm

SOUTHWEST

WIC Food Center – Kedzie
2400 S. Kedzie Ave.

Wilbur Wright College
4300 N. Narragansett Ave.

SOUTH

WIC Food Center – Western
5332 S. Western Ave.

WIC Food Center – Diversey
4620 W. Diversey Ave.

Kennedy-King College
747 W. 63rd

WIC Food Center – Armitage
3110 W. Armitage Ave.

Olive-Harvey College
10001 S. Woodlawn Ave.

Suburbs - Saturdays

Suburban sites are open on Saturdays, with most volunteer sessions lasting from 8:30am-1:00pm from February 2 until April 13, 2019. Volunteers signed up for tax sessions in the suburbs drive to their sites, arriving by 8:30am on Saturdays if they are signed up as a tax preparer or quality reviewer.

CICERO

Unity Junior High School
2100 S. Laramie

PLAINFIELD

Plainfield Township Community Center
15014 S. Des Plaines Street

DOWNERS GROVE

DeVry Education Group
3005 Highland Pkwy.
2/2 – 3/9 Only
Closed after March 9

MELROSE PARK

Our Lady of Mount Caramel – Casa Esperanza
1116 N. 22nd Ave.

Chicago - Weekdays

The following sites are open for volunteer session sign-ups during the week.

CHICAGO – NORTHWEST

WIC Food Center – Diversey
4620 W. Diversey Ave.
Mon and Wed, 1pm – 7pm
Closed 2/18

CHICAGO – SOUTH

Kennedy-King College
747 W. 63rd St.
Wed, 10am – 4pm

Wilbur Wright College

4300 N. Narragansett Ave.
Fri, 10am – 4pm

CHICAGO – LOOP

Harold Washington Library
400 S. State St., 7th Floor
Mon-Thur, 1pm-7pm
Fri, 10am-1pm
Closed 2/1, 2/12, 2/18, 3/4

What's New

Below are highlights of some of the notable changes for tax year 2018.

Due Date of Tax Return

The due date for tax year 2018 returns is Monday, April 15, 2019.

Important PATH Act Reminders

Credits affected:

- American Opportunity Tax Credit (AOTC)
 - Additional Child Tax Credit (ACTC)
 - Earned Income Tax Credit (EITC)
1. **Claiming these credits retroactively.** Taxpayers cannot file returns claiming these credits using a SSN issued after the year for which the credit is being claimed.
 2. **Refund delays.** The IRS will hold the refunds on EITC- and ACTC-related returns until Feb. 15th. This delay gives the IRS additional time to help prevent revenue lost due to identity theft and refund fraud.

The IRS still expects to issue most refunds in fewer than 21 days.
 3. **American Opportunity Tax Credit (AOTC) specifics.** Taxpayers are now required to report the Employer Identification Number of the educational institution to which they make qualified payments. Additionally, higher education institutions are now required to report only qualified tuition and related expenses *actually paid* on Form 1098-T, Tuition Statement.

Standard Deduction Increases

The standard deduction for taxpayers who do not itemize deductions on Schedule A has increased. The standard deduction amounts for 2018 are:

- \$24,000 – Married Filing Jointly or Qualifying Widow(er)
- \$18,000 – Head of Household
- \$12,000 – Single or Married Filing Separately
- \$1,300 Additional for blind (\$1,600 for unmarried)
- \$1,050 or \$350 plus earned income for individual may be claimed as a dependent, but not more than \$12,000

Personal Exemption Amount

There will be no personal exemptions for 2018, but taxpayers will still have to claim dependents on the tax return in order to receive various credits and to qualify for head of household filing status.

Shared Responsibility Payments

For 2018, the annual payments for individuals that do not have minimum essential coverage or an exemption will be whichever is greater:

- 2.5% of the household income

Or

- \$695 per adult
- \$347.50 per child (under 18 years of age)
- \$2,085 per family limit

Earned Income Credit (EIC)

For 2018, the maximum credit is:

- \$6,431 with three or more qualifying children
- \$5,716 with two qualifying children
- \$3,461 with one qualifying child
- \$519 with no qualifying children

To be eligible for a full or partial credit, the taxpayer must have earned income and adjusted gross income of at least \$1 but less than:

If filing	Qualifying Children Claimed			
	Zero	One	Two	Three or more
Single or HOH	\$15,270	\$40,320	\$45,802	\$49,194
Married Filing Jointly or QW	\$20,950	\$46,010	\$51,492	\$54,884

Child Tax Credit

The child tax credit has increased to \$2,000, of which \$1,400 is refundable. A Social Security number is now required in order to receive the child tax credit. The refundable credit is now 15% of earned income in excess of \$2,500.

Credit for Other Dependents

There is a new non-refundable credit of up to \$500 for dependents who are not eligible for the child tax credit (need to be U. S. citizen or U. S. national, or a resident of the U. S.).

Qualified Business Income Deduction

Self-employed taxpayers at the income level served by Ladder Up will receive a new deduction generally equal to 20% of self-employment income. This deduction will reduce federal income taxes but not self-employment taxes or Illinois income taxes.

Tax Rates

Tax rates have been lowered for most taxpayers.

Electronic Filing Reminder

Ladder Up is able to e-file current-year tax returns and two years prior for both state and federal returns. Amended returns cannot be e-filed.

Itemized Deductions

- Medical expenses subject to a 7.5% of AGI threshold 2018
- Many itemized deductions have been eliminated or capped.
 - o Mortgage interest has been capped up to \$750,000 for new loans, but old loans are grandfathered
 - o Home equity loans can only qualify as mortgage interest if used to build, buy or improve the property, but otherwise are not grandfathered and not deductible.
 - o Moving expenses have been eliminated except for members of the armed services
 - o Casualty and theft losses have been eliminated except for presidentially declared disaster areas.
 - o Job expenses such as licenses, continuing education above 2% of AGI have been eliminated.
- The state and local tax deduction is capped at a maximum of \$10,000 for 2018.
- Mortgage insurance premiums are no longer deductible.
- **For 2018 preparing a return with itemized deductions requires advanced certification**

“Kiddie Tax”

For 2018 the calculation of the “kiddie tax” has been changed to simplify the calculation. Such returns can be prepared for 2018 provided that taxable scholarships are the reason for the tax. For Ladder Up clients this typically occurs with students who have more than \$2,100 of taxable scholarship income.

Expired Provisions

- Nonbusiness energy property credit (residential energy credit – Form 5695).
- Exclusion of cancelled qualified principal residence debt.
- Mortgage premium deduction
- Tuition and fees taken as a deduction (tax credits are still in place)

ITINs Set to Expire

If a taxpayer, spouse, or dependent has an Individual Taxpayer Identification Number (ITIN) that has not been used on a tax return for Tax Year 2015, 2016, or 2017, it will expire 12/31/2018. Additionally, ITINs with the following middle digits will also expire at the end of the year (12/31/2018).

- 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, or 82

For example, if a client has the ITIN 9XX-76-XXXX, the ITIN will have to be renewed before the tax return is filed. Ladder Up can assist affected clients in preparing renewal applications. **Advise clients to contact us at ITIN@goladderup.org or (312) 409-1555 to schedule an appointment.**

Revised Form 1040

Form 1040 has been redesigned for 2018. The new design uses a “building block” approach. Form 1040, is supplemented with new Schedules 1 through 6. These additional schedules will be used as needed to complete more complex tax returns.

Forms 1040A and 1040-EZ are no longer available for 2018 tax returns.

The following pages show the draft Form 1040 as it existed when this manual was being prepared. Schedules 1 – 5 are also shown. Schedule 6 is for taxpayers with a foreign address or who want to authorize a paid preparer to discuss their return with the IRS and will therefore not apply to Ladder Up clients.

Form 1040, Page 1

All taxpayers will need to complete this part of Form 1040. This is where the filing status is checked, where the name, address and Social Security/ITIN number are recorded, where dependents are claimed and where paper returns are signed.

Form 1040 Department of the Treasury—Internal Revenue Service (99) **2018** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing status: ☐ Single ☐ Married filing jointly ☐ Married filing separately ☐ Head of household ☐ Qualifying widow(er)

Your first name and initial Last name Your social security number

Your standard deduction: ☐ Someone can claim you as a dependent ☐ You were born before January 2, 1954 ☐ You are blind

If joint return, spouse's first name and initial Last name Spouse's social security number

Spouse standard deduction: ☐ Someone can claim your spouse as a dependent ☐ Spouse was born before January 2, 1954 ☐ Full-year health care coverage or exempt (see inst.)

☐ Spouse is blind ☐ Spouse itemizes on a separate return or you were dual-status alien

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. Presidential Election Campaign (see inst.) ☐ You ☐ Spouse

City, town or post office, state, and ZIP code. If you have a foreign address, attach Schedule 6. If more than four dependents, see inst. and ✓ here ☐

Dependents (see instructions):		(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see inst.):	
(1) First name	Last name			Child tax credit	Credit for other dependents
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>

Sign Here Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? ☐ See instructions. Keep a copy for your records.

Your signature Date Your occupation

Spouse's signature. If a joint return, both must sign. Date Spouse's occupation

If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

If the IRS sent you an Identity Protection PIN, enter it here (see inst.)

Paid Preparer Use Only

Preparer's name Preparer's signature PTIN Firm's EIN Check if:

Firm's name ☐ 3rd Party Designee

Firm's address ☐ Self-employed

Phone no.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2018)

Filing status has not changed but is in a different place

Make sure that name and SSN/ITIN match SS cards/ITIN letters!

There are no exemptions for 2018 but taxpayer will still claim dependents using the same rules. Names and SSN/ITIN must match SS cards/ITIN letters!

New credit for other dependents in 2018

Form 1040, Page 2

This is where the most common items of income are reported along with the most common taxes and credits.

The most common items of income are reported on lines 1 – 5.

Line 6 is the old line 22 total income – quality reviewers take note! Line 7 is the old line 37 Adjusted Gross Income (AGI)

New 20% deduction on self-employment income (QBI) goes here.

The non-refundable part of the child tax credit and the new credit for other dependents go here.

EIC

Refundable part of child tax credit

Refundable part of American Opportunity Tax Credit

Form 1040 (2018) Page 2

Attach Form(s) W-2. Also attach Form(s) W-2G and 1099-R if tax was withheld.

Standard Deduction for—

- Single or married filing separately, \$12,000
- Married filing jointly or Qualifying widow(er), \$24,000
- Head of household, \$18,000
- If you checked any box under Standard deduction, see instructions.

Refund

Direct deposit? See instructions.

Go to www.irs.gov/Form1040 for instructions and the latest information.

Form 1040 (2018)

1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	
2a	Tax-exempt interest	2a	
3a	Qualified dividends	3a	
4a	IRAs, pensions, and annuities	4a	
5a	Social security benefits	5a	
6	Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22	6	
7	Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1, line 36, from line 6	7	
8	Standard deduction or itemized deductions (from Schedule A)	8	
9	Qualified business income deduction (see instructions)	9	
10	Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0-	10	
11	a Tax (see inst.) (check if any from: 1 Form(s) 8814 2 Form 4972 3) b Add any amount from Schedule 2 and check here	11	
12	a Child tax credit/credit for other dependents b Add any amount from Schedule 3 and check here	12	
13	Subtract line 12 from line 11. If zero or less, enter -0-	13	
14	Other taxes. Attach Schedule 4	14	
15	Total tax. Add lines 13 and 14	15	
16	Federal income tax withheld from Forms W-2 and 1099	16	
17	Refundable credits: a EIC (see inst.) b Sch. 8812 c Form 8863 Add any amount from Schedule 5	17	
18	Add lines 16 and 17. These are your total payments	18	
19	If line 18 is more than line 15, subtract line 15 from line 18. This is the amount you overpaid	19	
20a	Amount of line 19 you want refunded to you. If Form 8888 is attached, check here	20a	
b	Routing number	c Type: Checking Savings	
d	Account number		
21	Amount of line 19 you want applied to your 2019 estimated tax	21	
22	Amount you owe. Subtract line 18 from line 15. For details on how to pay, see instructions	22	
23	Estimated tax penalty (see instructions)	23	

Form 1040, Schedule 1

This is where other items of income and all of the adjustments to income will be recorded. Clients with taxable refunds of state taxes, self-employment income, unemployment compensation, and gambling income (other income) are examples of clients who will use this schedule. Note that:

1. Lines 10 - 22 contain the same income items as those same lines on the 2017 Form 1040.
2. Lines 15a (IRA distributions), 16a (Pensions and annuities), and 20a (Social Security) are all reserved because those income items are now on page 2 of the Form 1040.
3. Similarly, lines 23 – 33 contain the same adjustments to income as in 2017 with the same line numbers.
4. Lines 34 (tuition and fees adjustment) and 35 are reserved because these items have expired for 2018.

SCHEDULE 1 (Form 1040)		Additional Income and Adjustments to Income		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.		2018 Attachment Sequence No. 01	
Name(s) shown on Form 1040				Your social security number	
Additional Income	1-9b	Reserved		1-9b	
	10	Taxable refunds, credits, or offsets of state and local income taxes		10	
	11	Alimony received		11	
	12	Business income or (loss). Attach Schedule C or C-EZ		12	
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>		13	
	14	Other gains or (losses). Attach Form 4797		14	
	15a	Reserved		15b	
	16a	Reserved		16b	
	17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		17	
	18	Farm income or (loss). Attach Schedule F		18	
	19	Unemployment compensation		19	
	20a	Reserved		20b	
	21	Other income. List type and amount ▶		21	
	22	Combine the amounts in the far right column. If you don't have any adjustments to income, enter here and include on Form 1040, line 6. Otherwise, go to line 23		22	
Adjustments to Income	23	Educator expenses	23		
	24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	24		
	25	Health savings account deduction. Attach Form 8889	25		
	26	Moving expenses for members of the Armed Forces. Attach Form 3903	26		
	27	Deductible part of self-employment tax. Attach Schedule SE	27		
	28	Self-employed SEP, SIMPLE, and qualified plans	28		
	29	Self-employed health insurance deduction	29		
	30	Penalty on early withdrawal of savings	30		
	31a	Alimony paid b Recipient's SSN ▶	31a		
	32	IRA deduction	32		
	33	Student loan interest deduction	33		
	34	Reserved	34		
	35	Reserved	35		
	36	Add lines 23 through 35	36		

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71479F

Schedule 1 (Form 1040) 2018

Form 1040, Schedule 2

For Ladder Up clients, the only time this schedule will be used is when the client received Advance Premium Tax Credits on their health insurance and must now repay a portion of those credits (line 46).

SCHEDULE 2 (Form 1040)		Tax		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.		2018 Attachment Sequence No. 02	
Name(s) shown on Form 1040				Your social security number	
Tax	38-44	Reserved	38-44		
	45	Alternative minimum tax. Attach Form 6251	45		
	46	Excess advance premium tax credit repayment. Attach Form 8962	46		
	47	Add the amounts in the far right column. Enter here and include on Form 1040, line 11	47		
For Paperwork Reduction Act Notice, see your tax return instructions.				Cat. No. 71478U Schedule 2 (Form 1040) 2018	

Form 1040, Schedule 3

This is where the credit for child and dependent care expenses (line 49), the Lifetime Learning Credit and the non-refundable part of the American Opportunity Tax Credit (line 50) and the Retirement savings contribution credit (line 51) will appear.

SCHEDULE 3 (Form 1040)		Nonrefundable Credits		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.		2018 Attachment Sequence No. 03	
Name(s) shown on Form 1040				Your social security number	
Nonrefundable Credits	48	Foreign tax credit. Attach Form 1116 if required	48		
	49	Credit for child and dependent care expenses. Attach Form 2441	49		
	50	Education credits from Form 8863, line 19	50		
	51	Retirement savings contributions credit. Attach Form 8880	51		
	52	Reserved	52		
	53	Residential energy credit. Attach Form 5695	53		
	54	Other credits from Form a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	54		
	55	Add the amounts in the far right column. Enter here and include on Form 1040, line 12	55		
For Paperwork Reduction Act Notice, see your tax return instructions.				Cat. No. 71480G Schedule 3 (Form 1040) 2018	

Form 1040, Schedule 4

A variety of additional taxes are reported on this schedule including the self-employment tax (line 57), the additional 10% tax on early IRA withdrawals (line 59), and the healthcare individual responsibility payment (line 61).

SCHEDULE 4 (Form 1040)		Other Taxes		OMB No. 1545-0074 2018 Attachment Sequence No. 04	
Department of the Treasury Internal Revenue Service		▶ Attach to Form 1040. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.			
Name(s) shown on Form 1040				Your social security number	
Other Taxes	57	Self-employment tax. Attach Schedule SE	57		
	58	Unreported social security and Medicare tax from: Form a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	58		
	59	Additional tax on IRAs, other qualified retirement plans, and other tax-favored accounts. Attach Form 5329 if required	59		
	60a	Household employment taxes. Attach Schedule H	60a		
	60b	b Repayment of first-time homebuyer credit from Form 5405. Attach Form 5405 if required	60b		
	61	Health care; individual responsibility (see instructions)	61		
	62	Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s)	62		
	63	Section 965 net tax liability installment from Form 965-A	63		
64	Add the amounts in the far right column. These are your total other taxes . Enter here and on Form 1040, line 14			64	
For Paperwork Reduction Act Notice, see your tax return instructions.				Cat. No. 71481R Schedule 4 (Form 1040) 2018	

Form 1040, Schedule 5

The most common use of this form for Ladder Up clients will be in situations where the final Premium Tax Credit for health insurance is greater than the Advance Premium Tax Credit received by the client and the client is owed an additional credit (line 70). In the infrequent situation where a client has paid estimated taxes during the year, these will appear on line 66.

SCHEDULE 5 (Form 1040) <small>Department of the Treasury Internal Revenue Service</small>		Other Payments and Refundable Credits <small>► Attach to Form 1040. ► Go to www.irs.gov/Form1040 for instructions and the latest information.</small>		<small>OMB No. 1545-0074</small> 2018 <small>Attachment Sequence No. 05</small>	
Name(s) shown on Form 1040				Your social security number	
Other Payments and Refundable Credits	65	Reserved		65	
	66	2018 estimated tax payments and amount applied from 2017 return		66	
	67a	Reserved		67a	
	b	Reserved		67b	
	68-69	Reserved		68-69	
	70	Net premium tax credit. Attach Form 8962		70	
	71	Amount paid with request for extension to file (see instructions)		71	
	72	Excess social security and tier 1 RRTA tax withheld		72	
	73	Credit for federal tax on fuels. Attach Form 4136		73	
	74	Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> Reserved c <input type="checkbox"/> 8885 d <input type="checkbox"/>		74	
75	Add the amounts in the far right column. These are your total other payments and refundable credits . Enter here and include on Form 1040, line 17.		75		

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71482C Schedule 5 (Form 1040) 2018

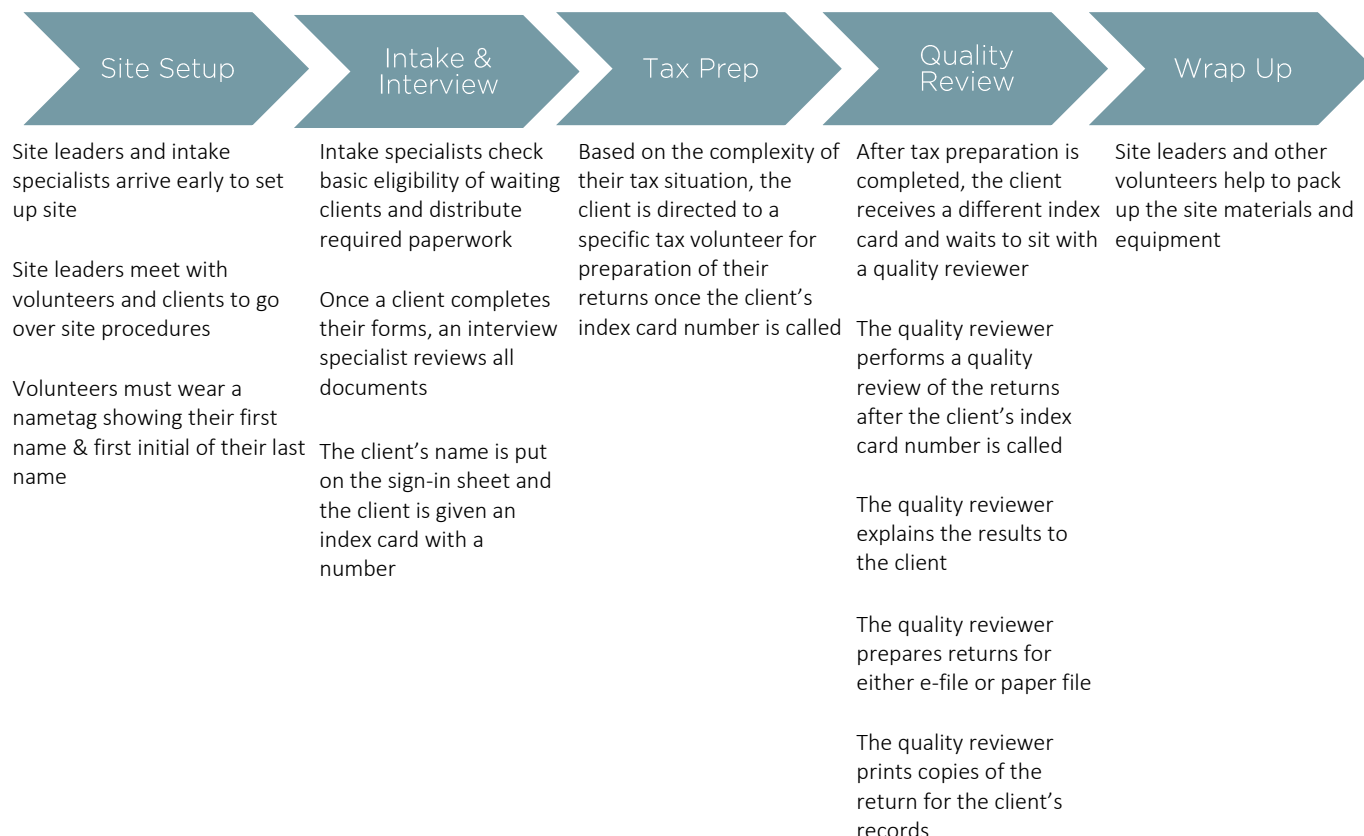
State of Illinois Updates

- Illinois increased the income tax rate from 3.75% to 4.95% effective July 1, 2017, so for 2018 tax returns the 4.95% rate will be used for the full year.
- The Earned Income Tax Credit for Illinois has increased from 14% to 18% of the federal Earned Income Tax Credit.
- The exemption amount for Illinois is \$2,225.

Note: Congress may enact additional legislation that will affect taxpayers after this publication goes to print. Ladder Up will provide further information as needed.

Site Operations

Each tax site has unique qualities, but general operations are the same. Here are some of the standard activities and procedures, which all volunteers should follow.



At many sites, tax preparers and quality reviewers may be asked to assist with intake and interviewing at the start of the session to help get clients seated with preparers as soon as possible.

The next several pages provide an overview of the intake process, charts to determine who must file a tax return, and drafts of forms each client must fill out and/or sign. More detailed information is available in the intake specialist manual, located on site laptops in PDF format. Hard copies are also included with each site's supplies.

Screening – Intake & Interview

Intake Process

Clients will arrive before the site opens. An intake specialist will work with the site leader to be sure that each client is properly screened before sitting down with a tax preparer.

The following items must be completed before a client can sign in at a tax site. A checklist for the intake process will be provided on pink cardstock.

1. **Verify the client's identity by asking for a photo ID.** A photo ID must also be presented by the spouse if the taxpayer is filing a joint return.
2. **Verify that the client has a Social Security/ITIN card for each person that appears on their return.***
Volunteers can validate Social Security numbers by using various documents issued from the Social Security Administration (SSA). This includes Social Security cards, Social Security income statements, and other documents issued by SSA. If a client has a document from the SSA, the client's Social Security number may be truncated. If this is the case, perform due diligence to verify that the printout belongs to the client.
3. **Determine a client's eligibility** using the questions on the checklist. **There are also general eligibility posters on display at every site. Clients can refer to this checklist to be sure that they qualify for services.**
4. **If a client meets all of the criteria above, they are given the following forms to complete:**
 - Form 13614-C (Intake/Interview & Quality Review Sheet)
 - TAP Client Consent & Disclosure and TAP ProSeries Client Data Sheet (single document in 2018)

***Note:** Sometimes we have issues with Social Security numbers on the W-2 not matching the provided SSN or ITIN. This is legit, as the employer may have given them a fake number when hired and never changed it when the employee received their SSN. In these cases, the return must be paper filed.

Interview Process

Once a client has completed the intake paperwork, they need to be interviewed. The following items must be completed before a client can sign in and receive a number to sit with a tax preparer. An interview checklist is available at the sites on yellow cardstock.

1. **Review the client's completed Form 13614-C for each year that they are filing a return.** Prior-year 13614-C forms are located on the site laptops and can be printed.
2. **Ask to take a look at the client's income and expense documents to ensure that the client is within the VITA scope and TAP eligibility requirements.**
3. **Ensure that the client has completed the TAP Client Data Sheet (and the TAP Multiple-Year Data Sheet for prior years) for each year for which they are filing a return** – see ProSeries Intake Forms for example.
4. **Ensure that the client has signed the TAP Client Consent & Disclosure.** Only one consent form is necessary even if the client has multiple years of returns – see page 38 for an example.
5. **Talk with the client regarding any remaining concerns.**
6. **Determine the certification level of the client's return as Basic or Advanced.** Mark the top right of the TAP Client Data Sheet by checking off the level of the return. Be sure to send the client to a volunteer who has the appropriate certification level.
7. **If the client is returning, needs an interpreter, or indicated that they have an HSA, make sure you check the correct boxes on the top left of the TAP ProSeries Client Data Sheet.**

Sometimes clients will ask if they should file despite the fact that they had no income in 2018 or only received Social Security benefits. Please see *Volunteer Manual – Who Needs to File?* for more information on filing requirements.

While speaking with clients, an intake specialist may come across a situation in which a client cannot be served. For example, a client's return may be out of scope.

Intake specialists are asked to work with site leaders at the beginning of each session to establish the total number of clients that can be served during that session based on the number of volunteers present. For clients beyond that cutoff number, intake specialists can say that clients are free to wait but that Ladder Up cannot guarantee service on that day due to site capacity.

Intake Checklist

Please make sure to speak with every person waiting to be served, as some people may not be eligible for our services and should not have to wait with the expectation of eventually being served.

Before sending a client home to retrieve missing forms or ID, please complete the entire screening process to **identify all missing forms** so the client only makes one trip home and to ensure the client is eligible for service in the first place.

1. Verify Identity

- ☐ Check the client's **photo ID (and that of the client's spouse if filing Married Filing Jointly)**
- ☐ Check the client's **Social Security card or ITIN card/letter**
- ☐ **Check the box in the upper left of the TAP Client Data Sheet** to indicate that the client has the necessary photo ID
- ☐ **Verify spouse's and all dependents' Social Security/ITIN information**
 - ☐ The client must have an original copy of the Social Security or ITIN cards/letters for everyone who will appear on their return. **Photocopies and prior-year returns are not accepted** as substitutes.

NOTE: *If the client's spouse is not present but the couple intends to file a joint return, they will need to return when both spouses are present. In the event that a spouse is physically unable to travel to a site due to illness or injury, a valid Power of Attorney must be presented. See Power of Attorney procedures in the Intake Specialist Manual for more information.*

2. Determine initial eligibility

If a client answers "Yes" to any of the following questions, they are not eligible for our services at this time

- ☐ Are you still waiting for any income or expense documents from last year?
¿Sigue esperando en cualquier ingreso o documentos de gasto del año pasado?
- ☐ Was your total income from last year more than \$55,000 (or \$30,000 for an individual)?
¿Excedió sus ingresos del año pasado los \$55,000 (o \$30,000 para un individuo)?
- ☐ Did you have income from rental property last year?
¿Recibió usted ingresos de alquiler de una propiedad el año pasado?
- ☐ Did you live outside the state of Illinois for any part of last year?*
- ¿Usted vivo fuera del estado de Illinois el año pasado?*
- ☐ Did you receive income from a state other than Illinois last year?*
- El año pasado, ¿tuvo usted ingresos de otro estado fuera de Illinois?*

**Note:*

If a client lived outside of the state of Illinois last year, we can only prepare their Federal return. If the client has income from another state but lived in Illinois last year, we can prepare their Federal return. If they have Indiana or Wisconsin income we can prepare their state returns in March at Harold Washington Library. (If the client has Indiana returns we can prepare their state returns at Olive Harvey College depending on volunteer availability).

3. Determine additional information

- ☐ Do you need a translator today?
¿Necesita usted un traductor hoy?

- ☐ If you are filing a joint return, is your spouse here today?
Si usted está presentando una declaración conjunta, ¿esta su esposo(a) aquí hoy?
- ☐ Did you or your spouse have a Health Savings Account (HSA) last year?
¿El año pasado, usted (o su cónyuge) tuvo una cuenta de ahorros para gastos médicos (HSA)?

*If a client needs a translator, or had an HSA in past year, make sure to check the appropriate box in the upper left of the TAP ProClient Data sheet.

4. If the client does not qualify for return preparation at the site, offer the client a “Know Before You Go” handout that outlines their taxpayer right and how to find a reliable paid preparer. This can be found in the site binder.
5. If a client does qualify for return preparation, hand them the following forms. Explain that once they are done with the forms, they will need to sit with an Interview Specialist who will go through the screening process and give them a numbered card after the process is complete.
 - ☐ Form 13614-C (One needed for each tax year)
 - ☐ TAP Client Consent & Disclosure and TAP Client Data Sheet (single packet)

Interview Checklist

1. Review the client's Form 13614-C.

**Note: If a taxpayer is completing returns for multiple years, they must complete the specific Form 13614-C published for each of those specific years.*

☐ **Personal Information**

- Email, phone, and other contact information
- Dependents

☐ **Income Documents**

- Ask to see each income document that the client marked as having
- If a client marks "Unsure" or leaves the item unanswered, be sure to help the client decide, then initial the "yes" or "no" box once a choice has been made

☐ **Expense Documents**

- Verify that the client has all of the necessary expense documents

2. Make sure that the client has filled in the TAP Client Data Sheet completely.

3. After reviewing the client's forms, mark the TAP Client Data Sheet as Basic or Advanced (top right-hand corner of the form). Note that on page 2 of Form 13614-C, (B) is for Basic and (A) is for Advanced. If any (A)s are marked, be sure to check the box marked Advanced on the top of the TAP ProSeries Client Data Sheet

4. Make sure that the client has signed the TAP Client Consent & Disclosure.

5. Once everything is complete, write the client's name on the client sign-in sheet and hand the client the corresponding index card number and ask them to take a seat.

6. If Ladder Up cannot serve the client, provide the client with a "Know Before You Go" handout that explains their rights as a taxpayer and how to find a reliable paid preparer. Refer to the Intake Specialist guide for more information on appointment criteria, Ladder Up locations, and additional VITA sites.

VITA Scope of Service

The un-shaded boxes are within the certification level for the tax topic shown. Within each line item, there may be specific elements that are out of scope for the VITA/TCE programs as indicated in the training material.

Form 1040 Line # or Schedule #	Tax Law Topic Description	Information Reporting Source Document	Included in Volunteer Tax Law Certification Level B=Basic; A=Advanced;		Included in Specialty Tax Law Certifications M=Military; H=Health Savings Accounts; I=International		
			B	A	M	H	I
Filing Status							
	Filing Status (All statuses)						
Dependents							
	Dependents						
Additional Income and Adjustments to Income							
Line 1	Wages, salaries, tips, etc.	W-2					
Line 1	Unreported tips	W-2					
Line 1	Military compensation	W-2					
Line 1	Foreign pay/income	Varies					
Lines 2a-b	Tax-exempt interest, Taxable interest	1099-INT					
Lines 2a-b	Tax-exempt interest, Taxable interest	Schedule K-1					
Lines 3a-b	Qualified dividends, Ordinary dividends	1099-DIV					
Lines 3a-b	Qualified dividends, Ordinary dividends	Schedule K-1					
Line 3	Non-Dividend Distribution	1099-DIV					
Schedule 1	Taxable state and local refunds	1099-G					
Schedule 1	Alimony received						
Schedule 1	Schedule C-EZ (up to \$5,000 expenses) or Schedule C (up to \$25,000 expenses)	1099-MISC, Box 7 & 1099-K					
Schedule 1	Capital gain or loss	1099-B					
Line 4a-b	IRA distributions, taxable amount determined	1099-R, RRB-1099-R					
Line 4a-b	IRA distributions, taxable amount not determined	1099-R, RRB-1099-R					
Line 4a-b	Pensions and annuities, taxable amount determined	1099-R, RRB-1099-R					
Line 4a-b	Pensions and annuities, taxable amount not determined	1099-R, RRB-1099-R 1099-R Codes W, J, T, S, & U					

VITA Scope of Service, Cont., Schedule 1-3

Form 1040 Line # or Schedule #	Tax Law Topic Description	Information Reporting Source Document	Included in Volunteer Tax Law Certification Level B=Basic; A=Advanced;		Included in Specialty Tax Law Certifications M=Military; H=Health Savings Accounts; I=International		
			B	A	M	H	I
Additional Income and Adjustments to Income							
Schedule 1	Rental real estate income	1099-MISC					
Schedule 1	Royalty income (With limitations)	1099-MISC, Box 2 & Schedule K-1					
Schedule 1	Unemployment compensation	1099-G					
Lines 5a-b	Social security benefits	SSA-1099; RRB-1099-R					
Schedule 1	Other income (Certification level varies)	1099-MISC, Box 3					
Schedule 1	Cancellation of debt income principle residence (If extended)	1099-C, 1099-A					
Schedule 1	Cancellation of debt income (Credit card only)	1099-C					
Schedule 1	Foreign Earned Income Exclusion						
Schedule 1	Distributions from Sections 529 & 530 education programs only if it exceeds qualified expenses, it is out of scope.	1099-Q					
Schedule 1	Educator expenses	Taxpayer records					
Schedule 1	Certain business expenses of reservists/ National Guard personnel	Taxpayer records					
Schedule 1	Health savings account deduction	5498-SA, 1099-SA, W-2 Box 12, Code W					
Schedule 1	Military moving expenses	W-2 Box 12, Code P					
Schedule 1	Deductible part of self-employment tax						
Schedule 1	Self-employed health insurance deduction (Calculation with premium tax credit is out of scope)	Taxpayer records					
Schedule 1	Penalty of early withdrawal of savings	1099-INT					
Schedule 1	Alimony paid	Taxpayer records					
Schedule 1	IRA deduction	5498 or taxpayer records					
Schedule 1	Student loan interest deduction	1098-E					
Schedule 1	Tuition and fees deduction (If extended)	1098-T					
1040 Page 1	Check if blind/born before January 2, 1954 boxes						
1040 Page 1	If your spouse itemizes on a separate return						
Line 8	Standard deduction						
Schedule A	Itemized deduction	Taxpayer records					
Tax							
Schedule 2	Tax for certain children who have unearned income (Kiddie Tax) – Limited, see Note below	Taxpayer records					
Schedule 2	Excess Advance Premium Tax Credit (APTC) repayment	1095-A					
Nonrefundable Credits							
Schedule 3	Foreign tax credit (If Form 1116 not required)	1099-INT, 1099-DIV, brokerage statement					
Schedule 3	Foreign tax credit (If Form 1116 is required)	1099-INT, 1099-DIV, brokerage statement					
Schedule 3	Credit for child and dependent care expenses	W2, Provider statement					
Schedule 3	Education credits	1098-T					

Note: Tax for certain children who have unearned income is limited to taxable scholarship and fellowship grants not reported on Form W-2.

- Schedule 1, Additional Income and Adjustments to Income
- Schedule 2, Tax
- Schedule 3, Nonrefundable Credits

VITA Scope of Service, Cont., Schedule 3-6

Form 1040 Line # or Schedule #	Tax Law Topic Description	Information Reporting Source Document	Included in Volunteer Tax Law Certification Level B=Basic; A=Advanced;		Included in Specialty Tax Law Certifications M=Military; H=Health Savings Accounts; I=International		
			B	A	M	H	I
Schedule 3	Retirement savings contributions credit	W-2 box 12, taxpayer records					
Schedule 3	Child tax credit and credit for other dependents						
Schedule 3	Nonbusiness energy property credit, Form 5695, Part II Only (if extended)	Taxpayer records					
Schedule 3	Credit for the elderly or the disabled						
Other Taxes							
Schedule 4	Self-employment tax						
Schedule 4	Social security and Medicare tax on tip income not reported to employer (Form 4137 only)	Taxpayer records					
Schedule 4	Additional tax on IRAs, other qualified retirement plans, etc. Part I only (if no exception applies)	1099-R					
Schedule 4	Additional tax on IRAs, other qualified retirement plans, etc. Part I only (if exception applies)	1099-R					
Schedule 4	Repayment of first-time homebuyer credit	Taxpayer records					
1040 Page 1	Full-year health care coverage or coverage exemptions						
Schedule 4	Health care: individual responsibility	1095-A, 1095-B, 1095-C					
Other Payments and Refundable Credits							
Line 16	Federal income tax withheld	W-2, 1099					
Schedule 5	2018 estimated tax payments and amount applied from 2017 return	1040-ES					
Line 17a	Earned income credit (EIC)						
Line 17b	Additional child tax credit						
Line 17c	American opportunity credit	1098-T					
Schedule 5	Net premium tax credit	1095-A					
Schedule 5	Amount paid with request for extension to file	4868					
Schedule 5	Excess Social Security and tier 1 tax withheld	SSA-1099; RRB-1099					
Refund							
Line 19	Amount overpaid						
Lines 20a-d	Bank account information						
Line 21	Amount you want applied to 2019 estimated tax						
Amount You Owe							
Line 22	Amount you owe						
Line 23	Estimated tax penalty (Out of scope, see Note below.)						
Foreign Address and Third-Party Designee							
Schedule 6	Foreign address or Third-party designee						
Signature							
1040 Page 1	Identity Protection PIN	CP01A Notice					

- Schedule 3, Nonrefundable Credits
- Schedule 4, Other Taxes
- Schedule 5, Other Payments and Refundable Credits
- Schedule 6, Foreign Address and Third-Party Designee

Note: If it appears taxpayers may owe an estimated tax penalty, let them know the IRS will calculate the penalty and send a bill. Leave the estimated tax penalty line blank on Form 1040. Completion of Form 2210 is out of scope.

Out of Scope Situations



The following situations are out of scope for Ladder Up's Tax Assistance Program. If a taxpayer falls into any of these situations, they should be referred to a tax professional for assistance. Note that these lists may not be all-inclusive but serve as a guide.

Filing Status

- **Injured vs. Innocent Spouse:** A spouse who may be relieved of joint liability (Innocent Spouse Relief) is out-of-scope. For more information on Injured Spouse Relief, which is in scope, see *Volunteer Manual – Special Topics: Injured Spouse*.
- Community property tax laws for Married Filing Separately taxpayers
- Taxpayers who are not certain if they are in a common-law marriage (rules are complex and differ from state to state)

Tax Residency

- Unmarried nonresident aliens who do not meet the green card or substantial presence test (Form 1040NR) see *Volunteer Manual – Special Topics: Substantial Presence Test*
- Taxpayers with F, J, M, or Q visas
- Part-year Illinois residents (we can only prepare Federal returns)
- Dual status aliens (someone who is a resident for tax purposes and a nonresident for part of the year – typically the first year in the US)

Ladder Up can prepare some of these returns by appointment only – please have the client contact our office at (312) 409-1555

Sources of Income

- Taxpayers with income from the following sources reported on Form 1040:
 - Other gains/losses (line 14)
 - Farm income (line 18)
- Taxpayers affected by the Additional Medicare Tax
- Accrual method for reporting income
- Taxpayers who buy or sell bonds between interest payment dates
- Form 1099-INT, box labeled "Specified private activity bond interest" if AMT applies
- Adjustments needed for amounts listed on Form 1099-OID, or if the taxpayer should have received Form 1099-OID but did not
- Form 1099-DIV, boxes labeled Unrecap. Sec. 1250 gain, Section 1202 gain, Cash liquidation distributions, and Noncash liquidation distributions
- State or local income tax refunds received during the current tax year for a year other than the previous tax year
- Alimony/divorce agreements executed before 1985
- Minister tax returns with parsonage/housing allowance
- Income from Puerto Rico
- Combat pay (Code Q on Form W-2)

Out of Scope Situations, Cont.

Business Income

- Hobby income or not-for-profit activity
- Expenses over \$25,000
- Return and allowances
- Cost of goods sold
- Other income
- Expenses for employees or contract labor
- Business use of home
- Casualty losses
- Vehicle expenses reported as actual expenses
- Depreciation
- Rental or lease expenses—vehicle 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 included amounts that are not includible in income
- A "Yes" response indicating there is a requirement to file Form(s) 1099
- Income from the manufacture, distribution, or trafficking of controlled substances (such as marijuana)

Capital Gain or Loss Income

- Taxpayers who have sold any assets other than stock, mutual funds, or a personal residence
- Determination of basis issues:
 - Basis of stock acquired other than by purchase or inheritance, such as a gift or employee stock option plan
 - Basis of inherited property determined by method other than the fair market value (FMV) of the property on the date of the decedent's death
 - Basis of property acquired from a decedent who died in 2010
 - Basis of property received as a gift
- Like-kind exchanges and worthless securities
- Form 1099-B, boxes on Bartering: Profit or (loss) realized on closed contracts; Unrealized profit or (loss) on open contracts – prior year; Unrealized profit or (loss) on open contracts – current year; or Aggregate profit (loss) on contracts
- Reduced exclusion computations/determinations in the sale of a home
- Married homeowners who do not meet all requirements to claim the maximum exclusion on sale of home
- Decreases to basis, including:
 - Deductible casualty losses and gains a taxpayer postponed from the sale of a previous home before May 7, 1997
 - Depreciation during the time the home was used for business purposes or as rental property
- Taxpayers with "nonqualified use" issues
- Sale of a home used for business purposes or as rental property
- Form 4797 - Other gains or (losses)

Out of Scope Situations, Cont.

Retirement Income

- The taxpayer needs to file Form 8606, Nondeductible IRAs
- Taxpayers who made nondeductible contributions to a traditional IRA
- Taxpayers who are subject to additional tax due to excess IRA contributions
- Roth IRA distributions that are taxable or partially taxable, and distributions with Form 1099-R, code J or T
- IRA rollovers that do not meet the tax-free requirement
- Part of a distribution that is a return of after-tax contributions (may require Form 8606)
- Taxpayers who use General Rule to figure the taxable portion of pensions and/or annuities for past years
- Form 1099-R, distribution code A (lump-sum distribution qualifying for special tax treatments)
- Contributions to SIMPLE and SEP IRAs
- Distribution codes 5, 6, 8, 9, A, E, J, K, N, P, R, T, U and W are all out of scope

Other Income

Distributions from Educational Savings Accounts in which the:

- Funds were not used for qualified education expenses, or
- Distribution was more than the amount of the qualified expenses

Deductions

- Disaster related casualty losses
- Investment interest
- Form 1098-C, Contributions of Motor Vehicles, Boats and Airplanes
- Taxpayers affected by limits on charitable deductions
- Taxpayers that file Form 8283 to report noncash contributions of more than \$500
- If the taxpayer is donating property that was previously depreciated
- If the taxpayer is donating capital gain property

Credits

- Residential energy-efficient property credit
- Alternative fuel vehicle refueling credit
- Alternative motor vehicle credit
- Child and Dependent Care Expenses:
Taxpayers who need assistance in determining if employment taxes are owed for household employees
- Foreign Tax Credit: If the foreign tax paid is more than \$300 (\$600 for Married Filing Jointly) or they do not meet the other conditions to claim the credit, taxpayers must file Form 1116. See Pub 17 for more information.
- Plug-In Electric Vehicle Credit for qualified:
 - Plug-in electric drive motor vehicles
 - Plug-in electric vehicles
 - Plug-in electric drive conversion kits
- Education Credit: Taxpayers who must repay (recapture) part or all of an education credit claimed in a prior year
- Miscellaneous Credits: Mortgage interest credit

Out of Scope Situations, Cont.

Adjustments to Income

- Other adjustments to income on Form 1040, such as:
 - Self-employed SEP, SIMPLE, and qualified plans
 - Domestic production activities deduction
- Form 8606, Nondeductible IRAs

Other Taxes

- Household employment taxes
- IRA required minimum distributions not withdrawn when required
- Excess contributions to an IRA that are not removed by the due date of the return including extensions
- Parts II through VIII of Form 5329 (only Part I is in scope)
- Distribution from an ABLE account, regardless of limits

Payments

- Taxpayers who choose to claim any of the following credits:
 - Form 4136, Credit for Federal Tax Paid on Fuels
 - Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains
 - Form 8839, Qualified Adoption Expenses
 - Form 8885, Health Coverage Tax Credit

Refund and Amount of Taxes Owed

- Form 2210, Underpayment of Estimated Tax by Individuals, Estates, and Trust (only allowable to check the box to have the IRS figure interest and penalties)

Who Needs to File?

Some taxpayers must file a tax return, while others who may not be required to file should do so in order to take advantage of certain credits available to them or to claim a refund of income tax withheld or estimated tax paid.

Note: filing requirement for Federal returns differ from the requirements for Illinois returns.

Individuals who are citizens or residents of the United States, or residents of Puerto Rico, and who meet certain filing requirements, must file a federal income tax return. There are special rules for dependents, surviving spouses, U.S. citizens and U.S. residents living outside the U.S., residents of Puerto Rico, and individuals with income from U.S. possessions. The requirement to file is based on the combination of the taxpayer's:

- Age
- Gross income
- Filing status

Additionally, the items below should be determined to establish whether someone needs to file:

- Can the person be claimed as a dependent on another person's tax return
- Is the person blind
- Are special taxes owed on different types of income
- Is some of the income excludable or exempt

Once the above items are determined, use Charts A – D on the following pages to see if the client must file.

Age (as of January 1, 2019)

Ask the client his age or date of birth. If he has started filling out the Form 13614-C, you can also look at the form to find his date of birth.

Gross Income

An approximation of gross income is enough to see if a taxpayer must file a return. Gross income is **all** the income the taxpayer received during the tax year in the form of money, goods, property, and services that are not exempt from tax. It includes both earned and unearned income.

To approximate gross income, add the amounts from the taxpayer's:

- Forms W-2, 1099-INT, 1099-DIV, 1099-G, 1098-T, 1099-MISC, 1099-R, W-2G, 1099-B, and 1099-C
- Forms 1099-A (these forms are out-of-scope of the program, but are to be included in the total gross income. The taxpayer should be advised to file with a professional tax preparer)
- Rental income (or loss) (also out-of-scope but to be included in the total gross income)
- Cash, tip, and alimony income

Note: Do not include any Social Security benefits in the above unless (a) the taxpayer is married filing a separate return and lived with a spouse at any time in 2018 or (b) one-half of the Social Security benefits plus other gross income and any tax-exempt interest is more than \$25,000 (\$32,000 if married filing jointly).

Filing Status

Taxpayers may not know which filing status to use. For the purpose of determining whether a person must file a return, narrowing the choices down to the *most likely* filing status(es) is adequate in most cases. If the taxpayer doesn't know their filing status, see *Volunteer Manual – FIW Part II: Filing Status* to help them determine their most likely status.

Chart A – For Most People Who Must File

If you may be claimed as a dependent by another taxpayer, you must file as a dependent whether you are being claimed or not. See Chart B for .

If your filing status is...	AND at the end of 2018 you were...*	THEN file a return if your gross income was at least...**
Single	under 65	\$12,000
	65 or older	\$13,600
Married filing jointly***	under 65 (both spouses)	\$24,000
	65 or older (one spouse)	\$25,300
	65 or older (both spouses)	\$26,600
Married filing separately (see the Instructions for Form 1040)	any age	\$5
Head of household (see the Instructions for Form 1040)	under 65	\$18,000
	65 or older	\$19,600
Qualifying widow(er) (see the Instructions for Form 1040)	under 65	\$24,000
	65 or older	\$25,300

* If you were born on January 1, 1954 you are considered to be age 65 at the end of 2018. (If your spouse died in 2018 or if you are preparing a return for someone who died in 2018, see Pub. 501)

** **Gross income** means all income you received in the form of money, goods, property, and services that isn't exempt from tax, including any income from sources outside the United States or from the sale of your main home (even if you can exclude part or all of it).

• Do not include any social security benefits unless

(a) you are married filing a separate return and you lived with your spouse at any time in 2018 or

(b) one-half of your social security benefits plus your other gross income and any tax-exempt interest is more than \$25,000 (\$32,000 if married filing jointly).

If (a) or (b) applies, see the Form 1040 Instructions to figure the taxable part of social security benefits you must include in gross income.

• Gross income includes gains, but not losses, reported on Form 8949 or Schedule D.

• Gross income from a business means, for example, the amount on Schedule C, line 7, or Schedule F, line 9. But, in figuring gross income, don't reduce your income by any losses, including any loss on Schedule C, line 7, or Schedule F, line 9.

*** If you didn't live with your spouse at the end of 2018 (or on the date your spouse died) and your gross income was at least \$5, you must file a return regardless of your age.

Individuals who do not have a filing requirement based on this chart should also check Chart C, Other Situations When You Must File, and Chart D, Who Should File. Individuals with earned income but who do not have a filing requirement may be eligible for the Earned Income Credit.

Chart B – For Children and Other Dependents

If your parent (or any other taxpayer) may claim you as a dependent, use this chart to see if you must file a return.

In this chart, **unearned income** includes taxable interest, ordinary dividends, and capital gain distributions. It also includes unemployment compensation, taxable social security benefits, pensions, annuities, and distributions of unearned income from a trust. **Earned income** includes salaries, wages, tips, professional fees, and taxable scholarship and fellowship grants. **Gross income** is the total of your unearned and earned income.

Single Dependents	
Either 65 or over or blind	<p>You must file a return if any of the following apply.</p> <ol style="list-style-type: none"> 1. Your unearned income was over \$2,650 (\$4,250 if 65 or older and blind). 2. Your earned income was over \$13,600 (\$15,200 if 65 or older and blind). 3. Your gross income was more than the larger of — <ol style="list-style-type: none"> a. \$2,650 (\$4,250 if 65 or older and blind) or b. Your earned income (up to \$11,650) plus \$1,950 (\$3,550 if 65 or older and blind).
Under 65 and not blind	<p>You must file a return if any of the following apply.</p> <ol style="list-style-type: none"> 1. Your unearned income was over \$1,050. 2. Your earned income was over \$12,000. 3. Your gross income was more than the larger of — <ol style="list-style-type: none"> a. \$1,050, or b. Your earned income (up to \$11,650) plus \$350.
Married Dependents	
Either age 65 or older or blind	<p>You must file a return if any of the following apply.</p> <ol style="list-style-type: none"> 1. Your unearned income was over \$2,350 (\$3,650 if 65 or older and blind). 2. Your earned income was over \$13,300 (\$14,600 if 65 or older and blind). 3. Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions. 4. Your gross income was more than the larger of — <ol style="list-style-type: none"> a. \$2,350 (\$3,650 if 65 or older and blind), or b. Your earned income (up to \$11,650) plus \$1,650 (\$2,950 if 65 or older and blind).
Under age 65 and not blind	<p>You must file a return if any of the following apply.</p> <ol style="list-style-type: none"> 1. Your unearned income was over \$1,050. 2. Your earned income was over \$12,000. 3. Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions. 4. Your gross income was more than the larger of — <ol style="list-style-type: none"> a. \$1,050, or b. Your earned income (up to \$11,650) plus \$350.

Tax for Certain Children who have Unearned Income - Form 8615 (Kiddie Tax)

Children under age 18 and certain older children who are required to file a tax return and have unearned income over \$2,100 must file Form 8615. For this purpose, "unearned income" includes all taxable income other than earned income, such as taxable interest, ordinary dividends, capital gains, rents, royalties, etc. It also includes taxable social security benefits, pension and annuity income, taxable scholarship and fellowship grants not reported on Form W-2, unemployment compensation, alimony, and income received as the beneficiary of a trust. Form 8615 is in scope, with limitations. See Tab H, Other Taxes, Payments and ACA.

Chart C – Other Situations When You Must File

You must file a return if any of the conditions below apply for 2018.

1. You owe any special taxes, including any of the following.
 - a. Alternative minimum tax.
 - b. Additional tax on a qualified plan, including an individual retirement arrangement (IRA), or other tax-favored account. But if you are filing a return only because you owe this tax, you can file Form 5329 by itself.
 - c. Household employment taxes. But if you are filing a return only because you owe this tax, you can file Schedule H by itself.
 - d. Social security and Medicare tax on tips you did not report to your employer or on wages you received from an employer who did not withhold these taxes.
 - e. Recapture of first-time homebuyer credit. See Instructions for Form 1040, Schedule 4.
 - f. Write-in taxes, including uncollected social security and Medicare or RRTA tax on tips you reported to your employer or on group-term life insurance and additional taxes on health savings accounts. See the Instructions for Form 1040.
 - g. Recapture taxes. See the Instructions for Form 1040.
2. You (or your spouse, if filing jointly) received HSA, Archer MSA or Medicare Advantage MSA distributions.
3. You had net earnings from self-employment of at least \$400.
4. You had wages of \$108.28 or more from a church or qualified church-controlled organization that is exempt from employer social security and Medicare taxes.
5. Advance payments of the premium tax credit were made for you, your spouse, or a dependent who enrolled in coverage through the Marketplace. You or whoever enrolled you should have received Form(s) 1095-A showing the amount of the advance payments.
6. Advance payments of the health coverage tax credit were made for you, your spouse, or a dependent. You or whoever enrolled you should have received Form(s) 1099-H showing the amount of the advance payments.
7. You have a net tax liability that you deferred by making an election under section 965(i).

Chart D – Who Should File

Even if a taxpayer is not required to file a federal income tax return, they should file if any of the following situations below apply.

1. You had income tax withheld from your pay, pension, social security or other income.
2. You made estimated tax payments for the year or had any of your overpayment for last year's estimated tax applied to this year's taxes.
3. You qualify for the earned income credit. See Publication 596, Earned Income Credit (EIC), for more information.
4. You qualify for the additional child tax credit. See Form 1040 Instructions for more information on this credit.
5. You qualify for the refundable credit for prior year minimum tax. See Form 8801, Credit for Prior Year Minimum Tax — Individuals, Estates, and Trusts. (out of scope)
6. You qualify for a refundable American Opportunity Credit.
7. You receive a 1099-B and the gross proceeds plus other income exceeds the filing limits in Chart A.
8. You receive Form 1099-S, Proceeds From Real Estate Transactions.
9. You qualify for the federal tax on fuels (out of scope).
10. You are required to file a state return.
11. You qualify for the Premium Tax Credit.

Illinois filing requirements:

- If you are required to file a Federal return; or
- If Illinois base income (Federal AGI – Social Security & Retirement Income) exceeds the Illinois exemption allowance (\$2,225)

Supplemental Intake Forms

ProSeries Client Data Sheet

FOR TAX ASSISTANCE PROSERIES SITES ONLY							
ProSeries Client Data Sheet SITE: _____ DATE: ____/____/____ <input type="checkbox"/> Client's Photo ID Verified <input type="checkbox"/> Interpreter Needed <input type="checkbox"/> Returning (Transfer) Client <input type="checkbox"/> Client has/had HSA		<input type="checkbox"/> Basic Return <input type="checkbox"/> Advanced Return TAX YEARS: _____ Intake Specialist Name: _____ <small>(First name, Last Initial)</small>					
FOR TAX PREPARER ONLY							
ProSeries File Name: _____ <small>(If an amendment, type "AMEND" after the last four numbers of the client's SSN in the file name, e.g. SM1234AMEND)</small>		Computer #: _____ Tax Preparer Name: _____ <small>(First name, Last Initial)</small>					
FOR QUALITY REVIEW CHECKER ONLY							
Packet Order (front to back:) <input type="checkbox"/> Completed TAP Client Data Sheet (this sheet) 1 <input type="checkbox"/> Completed Consent & Disclosure (back of this sheet) 2 <input type="checkbox"/> Completed Supplemental Intake Form 3 4 <input type="checkbox"/> IRS Form 13614-C (for each year) <input type="checkbox"/> Signed Federal E-File Consent (Form 8879) or <input type="checkbox"/> N/A <input type="checkbox"/> Signed IL State E-File Consent (Form IL-8453) or <input type="checkbox"/> N/A Computer #: _____ Checker Name: _____ <small>(First name, Last Initial)</small>		Tax Year: _____ ProSeries File Name: _____ <input type="checkbox"/> Completed IRS Form 13614-C for specific tax year <table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> Federal <input type="checkbox"/> E-file <input type="checkbox"/> Form 8888? <input type="checkbox"/> Paper File <input type="checkbox"/> Savings Bond? Refund of \$ _____ <small>or (Line 19 or 76a)</small> Owes \$ _____ <small>(Line 22 or 78)</small> </td> <td style="width: 50%; vertical-align: top;"> Illinois <input type="checkbox"/> E-file <input type="checkbox"/> Paper File Refund of \$ _____ <small>or (Line 37)</small> Owes \$ _____ <small>(Line 40)</small> </td> </tr> </table>		Federal <input type="checkbox"/> E-file <input type="checkbox"/> Form 8888? <input type="checkbox"/> Paper File <input type="checkbox"/> Savings Bond? Refund of \$ _____ <small>or (Line 19 or 76a)</small> Owes \$ _____ <small>(Line 22 or 78)</small>	Illinois <input type="checkbox"/> E-file <input type="checkbox"/> Paper File Refund of \$ _____ <small>or (Line 37)</small> Owes \$ _____ <small>(Line 40)</small>		
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FOR ADDITIONAL TAX YEARS							
Tax Year: _____ ProSeries File Name: _____ <input type="checkbox"/> Completed IRS Form 13614-C for specific tax year <table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> Federal <input type="checkbox"/> E-file <input type="checkbox"/> Form 8888? <input type="checkbox"/> Paper File <input type="checkbox"/> Savings Bond? Refund of \$ _____ <small>or (Line 19 or 76a)</small> Owes \$ _____ <small>(Line 22 or 78)</small> </td> <td style="width: 50%; vertical-align: top;"> Illinois <input type="checkbox"/> E-file <input type="checkbox"/> Paper File Refund of \$ _____ <small>or (Line 37)</small> Owes \$ _____ <small>(Line 40)</small> </td> </tr> </table>		Federal <input type="checkbox"/> E-file <input type="checkbox"/> Form 8888? <input type="checkbox"/> Paper File <input type="checkbox"/> Savings Bond? Refund of \$ _____ <small>or (Line 19 or 76a)</small> Owes \$ _____ <small>(Line 22 or 78)</small>	Illinois <input type="checkbox"/> E-file <input type="checkbox"/> Paper File Refund of \$ _____ <small>or (Line 37)</small> Owes \$ _____ <small>(Line 40)</small>	Tax Year: _____ ProSeries File Name: _____ <input type="checkbox"/> Completed IRS Form 13614-C for specific tax year <table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> Federal <input type="checkbox"/> E-file <input type="checkbox"/> Form 8888? <input type="checkbox"/> Paper File <input type="checkbox"/> Savings Bond? Refund of \$ _____ <small>or (Line 19 or 76a)</small> Owes \$ _____ <small>(Line 22 or 78)</small> </td> <td style="width: 50%; vertical-align: top;"> Illinois <input type="checkbox"/> E-file <input type="checkbox"/> Paper File Refund of \$ _____ <small>or (Line 37)</small> Owes \$ _____ <small>(Line 40)</small> </td> </tr> </table>		Federal <input type="checkbox"/> E-file <input type="checkbox"/> Form 8888? <input type="checkbox"/> Paper File <input type="checkbox"/> Savings Bond? Refund of \$ _____ <small>or (Line 19 or 76a)</small> Owes \$ _____ <small>(Line 22 or 78)</small>	Illinois <input type="checkbox"/> E-file <input type="checkbox"/> Paper File Refund of \$ _____ <small>or (Line 37)</small> Owes \$ _____ <small>(Line 40)</small>
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 Completed by
Intake
Specialist

 Completed by
Tax Preparer

 Completed by
Quality
Reviewer

Form 13614-C: Intake/Interview & Quality Review Sheet

Form 13614-C (October 2018)	Department of the Treasury - Internal Revenue Service Intake/Interview & Quality Review Sheet	OMB Number 1545-1964
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You will need:

- Tax Information such as Forms W-2, 1099, 1098, 1095.
- 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.

Volunteers are trained to provide high quality service and uphold the highest ethical standards.

To report unethical behavior to the IRS, email us at vi.voltax@irs.gov

Part I – Your Personal Information (If you are filing a joint return, enter your names in the same order as last year's return)

1. Your first name	M.I.	Last name	Daytime telephone number	Are you a U.S. citizen? <input type="checkbox"/> Yes <input type="checkbox"/> No
2. Your spouse's first name	M.I.	Last name	Daytime telephone number	Is your spouse a U.S. citizen? <input type="checkbox"/> Yes <input type="checkbox"/> No

3. Mailing address _____ Apt # _____ City _____ State _____ ZIP code _____

4. Your Date of Birth	5. Your job title	6. Last year, were you:	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
7. Your spouse's Date of Birth	8. Your spouse's job title	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

10. Can anyone claim you or your spouse as a dependent? ☐ Yes ☐ No ☐ Unsure

11. Have you, your spouse, or dependents been a victim of tax related identity theft or been issued an Identity Protection PIN? ☐ Yes ☐ No

Part II – Marital Status and Household Information

1. As of December 31, 2018, what was your marital status?

☐ Never Married (This includes registered domestic partnerships, civil unions, or other formal relationships under state law)

☐ Married a. If Yes, Did you get married in 2018? ☐ Yes ☐ No

☐ Divorced b. Did you live with your spouse during any part of the last six months of 2018? ☐ Yes ☐ No

☐ Legally Separated Date of final decree _____

☐ Widowed Date of separate maintenance agreement _____

Year of spouse's death _____

2. List the names below of:

- **everyone** who lived with you last year (other than 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 (m/d/yyyy)	Relationship to you (for example, son, daughter, parent, 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 12/31/18 (S/M)	Full-time Student last year (yes/no)	Totally and Permanently Disabled (yes/no)	Is this person a qualifying child/relative of 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 \$4,150 of income? (yes/no)	Did the taxpayer(s) provide more than 50% of support for this person? (yes/no/N/A)	Did the taxpayer(s) pay more than half the cost of maintaining a home for this person? (yes/no)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)					

Catalog Number 52127E

www.irs.gov

Form **13614-C** (Rev. 10-2018)

Be sure to ask the client for contact information in the event that Ladder Up needs to reach him.

To be completed by the **certified volunteer tax preparer**. Interview your client using the interview questions in gray.

Form 13614-C, Page 2

Talk with your client to help change all
"Unsure" and blank answers to "Yes" or
"No"

Page 2

Check appropriate box for each question in each section		
Yes	No	Unsure
Part III – Income – Last Year, Did You (or Your Spouse) Receive		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1. (B) Wages or Salary? (Form W-2) If yes, how many jobs did you have last year? _____		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. (A) Tip Income?		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. (B) Scholarships? (Forms W-2, 1098-T)		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. (B) Interest/Dividends from: checking/savings accounts, bonds, CDs, brokerage? (Forms 1099-INT, 1099-DIV)		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. (B) Refund of state/local income taxes? (Form 1099-G)		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. (B) Alimony income or separate maintenance payments?		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. (A) Self-Employment income? (Form 1099-MISC, cash)		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. (A) Cash/check payments for any work performed not reported on Forms W-2 or 1099?		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. (A) Income (or loss) from the sale of Stocks, Bonds or Real Estate? (including your home) (Forms 1099-S, 1099-B)		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. (B) Disability income? (such as payments from insurance, or workers compensation) (Forms 1099-R, W-2)		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. (A) Retirement income or payments from Pensions, Annuities, and/or IRA? (Form 1099-R)		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. (B) Unemployment Compensation? (Form 1099G)		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. (B) Social Security or Railroad Retirement Benefits? (Forms SSA-1099, RRB-1099)		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. (M) Income (or loss) from Rental Property?		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15. (B) Other income? (gambling, lottery, prizes, awards, jury duty, Sch K-1, royalties, foreign income, etc.) Specify _____		
Part IV – Expenses – Last Year, Did You (or Your Spouse) Pay		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1. (B) Alimony or separate maintenance payments? If yes, do you have the recipient's SSN? <input type="checkbox"/> Yes <input type="checkbox"/> No		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Contributions to a retirement account? <input type="checkbox"/> IRA (A) <input type="checkbox"/> 401K (B) <input type="checkbox"/> Roth IRA (B) <input type="checkbox"/> Other		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. (B) College or post secondary educational expenses for yourself, spouse or dependents? (Form 1098-T)		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. (A) Deductions: <input type="checkbox"/> Medical & Dental (including insurance premiums) <input type="checkbox"/> Mortgage Interest (Form 1098)		
		<input type="checkbox"/> Charitable Contributions
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. (B) Child or dependent care expenses such as daycare?		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. (B) For supplies used as an eligible educator such as a teacher, teacher's aide, counselor, etc.?		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. (A) Expenses related to self-employment income or any other income you received?		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. (B) Student loan interest? (Form 1098-E)		
Part V – Life Events – Last Year, Did You (or Your Spouse)		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
1. (HSA) Have a Health Savings Account? (Forms 5498-SA, 1099-SA, W-2 with code W in box 12)		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. (A) Have credit card or mortgage debt cancelled/forgiven by a lender or have a home foreclosure? (Forms 1099-C, 1099-A)		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. (A) Adopt a child?		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. (B) Have Earned Income Credit, Child Tax Credit or American Opportunity Credit disallowed in a prior year? If yes, for which tax year? _____		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. (A) Purchase and install energy-efficient home items? (such as windows, furnace, insulation, etc.)		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. (B) Live in an area that was declared a Federal disaster area? If yes, where? _____		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. (A) Receive the First Time Homebuyers Credit in 2008?		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. (B) Make estimated tax payments or apply last year's refund to this year's tax? If so how much? _____		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. (A) File a federal return last year containing a "capital loss carryover" on Form 1040 Schedule D? _____		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. Receive a letter from the IRS?		

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Certification level is indicated in parentheses: Basic (B) and Advanced (A).

*Military Income (M) is not prepared at TAP sites.

See the site leader if the client has an HSA, this requires special certification.

Form 13614-C, page 3

Page 3

Check appropriate box for each question in each section

Yes	No	Unsure	Part VI - Health Care Coverage - Last year, did you, your spouse, or dependent(s)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1. (B) Have health care coverage?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2. (B) Receive one or more of these forms? (Check the box) <input type="checkbox"/> Form 1095-B <input type="checkbox"/> Form 1095-C
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3. (A) Have coverage through the Marketplace (Exchange)? [Provide Form 1095-A]
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3a. (A) If yes, were advance credit payments made to help you pay your health care premiums?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3b. (A) If yes, is everyone listed on your Form 1095-A being claimed on this tax return?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	4. (B) Have an exemption granted by the Marketplace?

To be Completed by a Certified Volunteer Preparer (Use Publication 4012 and check the appropriate box(es) indicating Minimum Essential Coverage (MEC) for everyone listed on the return.)

Name	MEC All Year	No MEC	Months with MEC	Months with Exemption	Exempt All Year	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

- Provide an email address (optional) (this email address will not be used for contacts from the Internal Revenue Service) _____
 - 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
 - If you are due a refund, would you like: a. Direct deposit ☐ Yes ☐ No b. To purchase U.S. Savings Bonds ☐ Yes ☐ No c. To split your refund between different accounts ☐ Yes ☐ No
 - 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.**
- Would you say you can carry on a conversation in English, both understanding & speaking? ☐ Very well ☐ Well ☐ Not well ☐ Not at all ☐ Prefer not to answer
 - Would you say you can read a newspaper or book in English? ☐ Very well ☐ Well ☐ Not well ☐ Not at all ☐ Prefer not to answer
 - Do you or any member of your household have a disability? ☐ Yes ☐ No ☐ Prefer not to answer
 - Are you or your spouse a Veteran from the U.S. Armed Forces? ☐ Yes ☐ No ☐ Prefer not to answer

Additional comments

Privacy Act and Paperwork Reduction Act Notice

The Privacy Act of 1974 requires that when we ask for information we tell you our legal right to ask for the information, why we are asking for it, and how it will be used. We must also tell you what could happen if we do not receive it, and whether your response is voluntary, required to obtain a benefit, or mandatory. Our legal right to ask for information is 5 U.S.C. 301. We are asking for this information to assist us in contacting you relative to your interest and/or participation in the IRS volunteer income tax preparation and outreach programs. The information you provide may be furnished to others who coordinate activities and staffing at volunteer return preparation sites or outreach activities. The information may also be used to establish effective controls, send correspondence and recognize volunteers. Your response is voluntary. However, if you do not provide the requested information, the IRS may not be able to use your assistance in these programs. The Paperwork Reduction Act requires that the IRS display an OMB control number on all public information requests. The OMB Control Number for this study is 1545-1984. Also, if you have any comments regarding the time estimates associated with this study or suggestion on making this process simpler, please write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, Washington, DC 20224

Catalog Number 52121E

www.irs.gov

Form 13614-C (Rev. 10-2018)

To be completed by the **certified volunteer tax preparer**.More information can be found in the **ACA Appendix** at the back of this manual.

Form 13614-C, page 4

Note: Ladder Up clients do **not** need to complete page 4 of the Form 13614-C, as our sites do not use TaxSlayer software.

Form 15080 (EN-SP) (June 2018)	Department of the Treasury - Internal Revenue Service Consent to Disclose Tax Return Information to VITA/TCE Tax Preparation Sites				
<p>Federal Disclosure: Federal law requires this consent form be provided to you. Unless authorized by law, we cannot disclose your tax return information to third parties for purposes other than the preparation and filing of your tax return without your consent. If you consent to the disclosure of your tax return information, Federal law may not protect your tax return information from further use or distribution.</p> <p>You are not required to complete this form to engage our tax return preparation services. If we obtain your signature on this form by conditioning our tax return preparation services on your consent, your consent will not be valid. If you agree to the disclosure of your tax return information, your consent is valid for the amount of time that you specify. If you do not specify the duration of your consent, your consent is valid for one year from the date of signature.</p> <p>Terms: Global Carry Forward of data allows TaxSlayer LLC, the provider of the VITA/TCE tax software, to make your tax return information available to ANY volunteer site participating in the IRS's VITA/TCE program that you select to prepare a tax return in the next filing season. This means you will be able to visit any volunteer site using TaxSlayer next year and have your tax return populate with your current year data, regardless of where you filed your tax return this year. This consent is valid through November 14, 2020.</p> <p>The tax return information that will be disclosed includes, but is not limited to, demographic, financial and other personally identifiable information, about you, your tax return and your sources of income, which was input into the tax preparation software for the purpose of preparing your tax return. This information includes your name, address, date of birth, phone number, SSN, filing status, occupation, employer's name and address, and the amounts and sources of income, deductions and credits that were claimed on, or contained within, your tax return. The tax return information that will be disclosed also includes the name, SSN, date of birth, and relationship of any dependents that were claimed on your tax return.</p> <p>You do not need to provide consent for the VITA/TCE partner preparing your tax return this year. Global Carry Forward will assist you only if you visit a different VITA or TCE partner next year.</p> <p><i>Limitation on the Duration of Consent:</i> I/we, the taxpayer, do not wish to limit the duration of the consent of the disclosure of tax return information to a date earlier than presented above (November 14, 2020). If I/we wish to limit the duration of the consent of the disclosure to an earlier date, I/we will deny consent.</p> <p><i>Limitation on the Scope of Disclosure:</i> I/we, the taxpayer, do not wish to limit the scope of the disclosure of tax return information further than presented above. If I/we wish to limit the scope of the disclosure of tax return information further than presented above, I/we will deny consent.</p> <p>Consent: I/we, the taxpayer, have read the above information.</p> <p>I/we hereby consent to the disclosure of tax return information described in the Global Carry Forward terms above and allow the tax return preparer to enter a PIN in the tax preparation software on my behalf to verify that I/we consent to the terms of this disclosure.</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <tr> <td style="width: 50%; padding: 5px;">Primary taxpayer signature</td> <td style="width: 50%; padding: 5px;">Date</td> </tr> <tr> <td style="padding: 5px;">Secondary taxpayer signature</td> <td style="padding: 5px;">Date</td> </tr> </table> <p>If you believe your tax return information has been disclosed or used improperly in a manner unauthorized by law or without your permission, you may contact the Treasury Inspector General for Tax Administration (TIGTA) by telephone at 1-800-366-4484, or by e-mail at complaints@tigta.treas.gov.</p>		Primary taxpayer signature	Date	Secondary taxpayer signature	Date
Primary taxpayer signature	Date				
Secondary taxpayer signature	Date				

TAP Client Consent and Disclosure

Tax Assistance Program Client Consent and Disclosure

I, _____, as a client of the Tax Assistance Program, an Illinois nonprofit organization whose tax preparation services are offered for free by volunteers, release the Tax Assistance Program, and its affiliates, directors, officers, trustees, employees, agents, and volunteers from any and all liability associated with the services, information, or advice I receive from the Tax Assistance Program. I understand that my tax return is being prepared for free by volunteers and not paid by tax professionals.

I have provided correct and truthful information to the Tax Assistance Program for the preparation of my tax returns, and agree that I am responsible for any and all Internal Revenue Service and Illinois Department of Revenue fines and/or penalties that result from fraudulent or misleading information that I have provided.

The information I have provided to the Tax Assistance Program is correct and complete, including:

Identification Numbers—Social Security Numbers & ITINs: I have provided the correct Social Security or Individual Taxpayer Identification numbers for myself, my spouse, or any of my dependents.

Sources of Income: I have provided correct and complete information about my income and my spouse's income. I have fully disclosed all sources of income and the amount received.

Dependents: I acknowledge that any and all dependents claimed on my income tax return are my dependents. Also, I know that any and all dependents claimed by me cannot and will not be claimed by anyone else.

Binding Arbitration Clause

In the case of any and all disputes regarding the Tax Assistance Program and its services, I will contact the Tax Assistance Program in writing at the following address to explain the nature of the dispute:

Tax Assistance Program
350 N Orleans, Suite C2-100
Chicago, IL 60654

If the dispute cannot be resolved satisfactorily within 90 days, I agree to enter into final and binding arbitration through the American Arbitration Association with a panel of 3 arbitrators to review and provide a final and binding ruling on the case. Each party agrees to pay for its own arbitration costs. I surrender any and all of my legal rights to pursue any and all claims in state and/or federal court regarding any and all services provided by the Tax Assistance Program and its volunteers, agents, employees, officers, and/or directors.

Privacy Statement

The Tax Assistance Program gathers non-public personal information from its clients and on its forms necessary for its free services. This information may be provided to a volunteer of the Tax Assistance Program who is assisting you. The Tax Assistance Program will not share, sell, or rent any non-public personal information collected from its clients to any other third party, except as may be permitted or required by law.

Client Signature

Date

Client Name (Please Print)

Cell Phone or Home Phone Number

Tax Preparation Process Overview

Volunteer tax preparers complete federal and Illinois returns for eligible clients using ProSeries tax software. Prepared returns will be reviewed and finalized by volunteers in the quality reviewer (“checker”) role.

Verify Completion of Client Intake Forms

Check to make sure the client has completed **all 3** intake and consent forms:

1. Form 13614-C - IRS intake sheet – white with a dark blue heading (English) or yellow (Spanish)
2. Supplemental Intake Sheet
 - If the site name and date aren’t filled out at the top, do that now
 - If the client’s photo ID hasn’t been verified, do that now and check the box in the upper left
 - If the client is Married Filing Jointly be sure to check the spouse photo ID as well
 - Be sure that the certification level marked at the top of the data sheet matches your certification level. Refer to the VITA Scope of Service chart starting on page 21.
3. Signed TAP client consent and disclosure form – center part of foldout

Samples of these forms can be found under *Volunteer Manual – Site Operations: Supplemental Intake Forms*.

Without all the required supporting documents (e.g., Form W-2, proof of identity, Form 1099, child care information), you cannot accurately complete a taxpayer’s return. The intake specialists at the site should be checking for sufficient documentation, but double check all forms before starting a return.

ProSeries Overview

Open ProSeries to Begin a New Client File

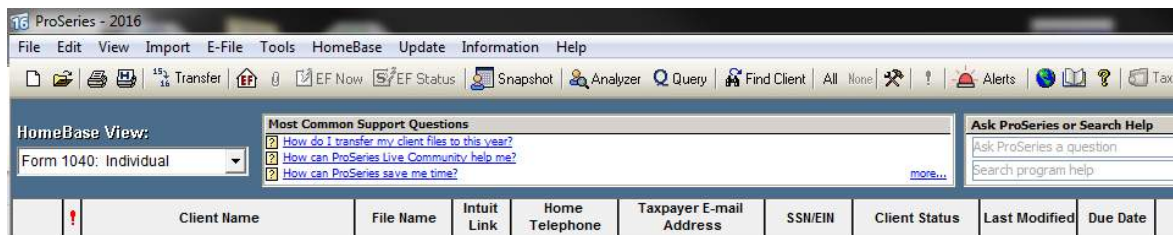
To start ProSeries, double-click the icon for ProSeries 2018.



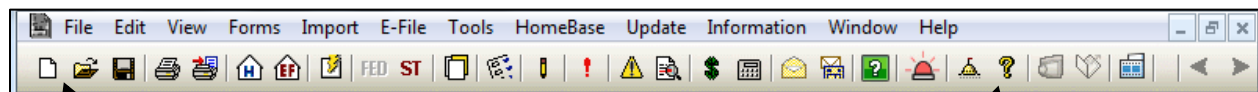
Prior-year ProSeries icons look **very similar** so be sure to select the correct one for the tax year of the return!

HomeBase

When you start the ProSeries program, you will first see HomeBase. ProSeries summarizes information about your client files in HomeBase.



From HomeBase, you can start a new client file or open a previously-saved client file, among other tasks.



*Start a new
client return*

Help Center

ProSeries Overview, Cont.

Client Data Toolbar

Once you have opened a return, you will see the client data toolbar at the top of the screen.



*Save the
return*

*Go to the
state return*

*Run an error
check*

*Use Forms then Select and then
Find to enter a form number to
select a less common form*

ProSeries Overview, Cont.

**Forms Bar**

Use the Forms Bar on the left side of the screen to access active forms, schedules, and worksheets.

Forms In Use

This menu shows only forms, schedules, and worksheets containing data for the current return.

Common Forms

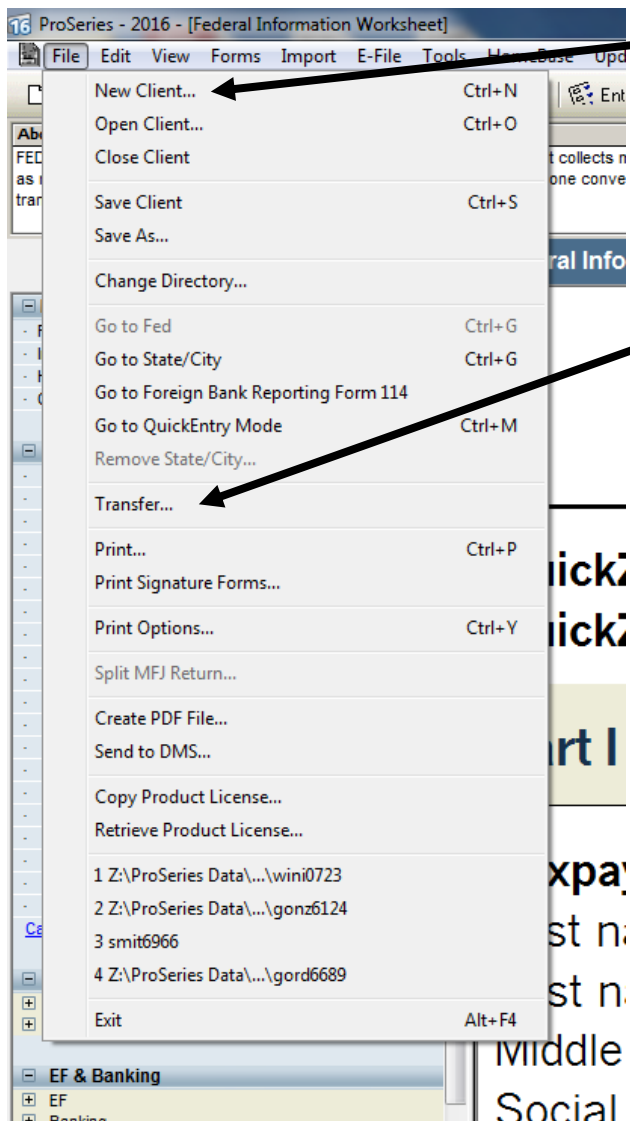
This menu shows the forms used most often for the type of return you're preparing. The forms are grouped in categories.

All Forms

This menu shows all available forms, schedules, and worksheets grouped by category.

Transfer Client File from a Previous Year

Note: you can only transfer forward if the client had their return by Ladder Up last year. For example, you can transfer a 2017 file forward to 2018 but you cannot transfer a 2016 file forward to 2018.



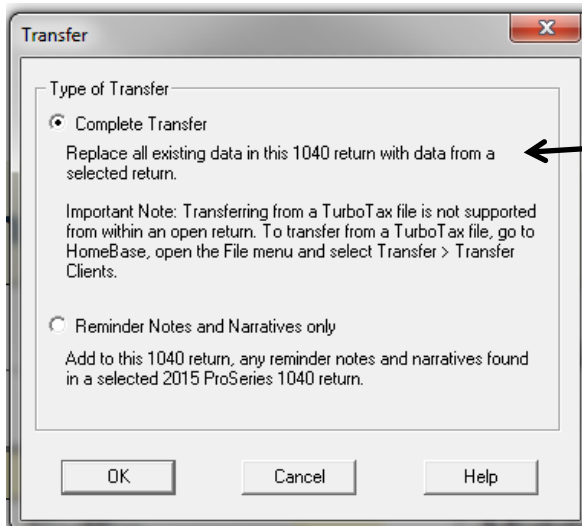
The screenshot shows the 'File' menu in ProSeries 2016. Two arrows point from instructional text boxes to specific menu items. The first arrow points to 'New Client...' and the second arrow points to 'Transfer...'. The 'Transfer...' option is expanded, showing a list of client files with their paths.

Step 1: Before transferring files, you must open a new file by clicking File > New Client. You will be presented with a new, blank screen. If this is not done, you will overwrite existing client information.

Step 2: Select File > Transfer

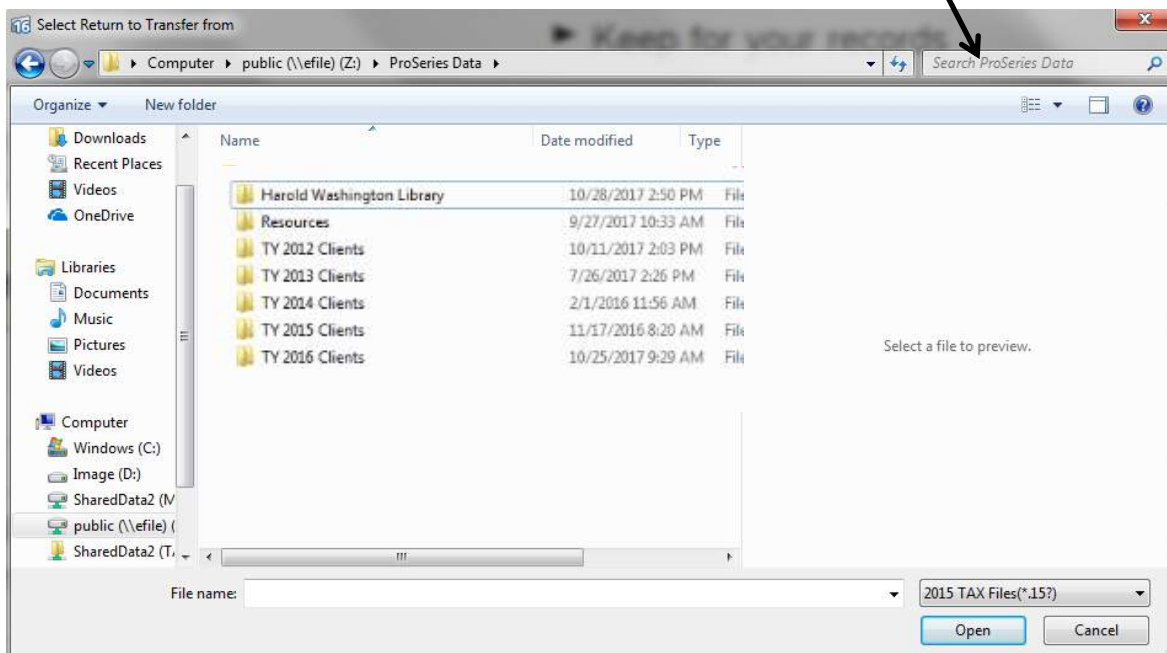
File menu options (from top to bottom):

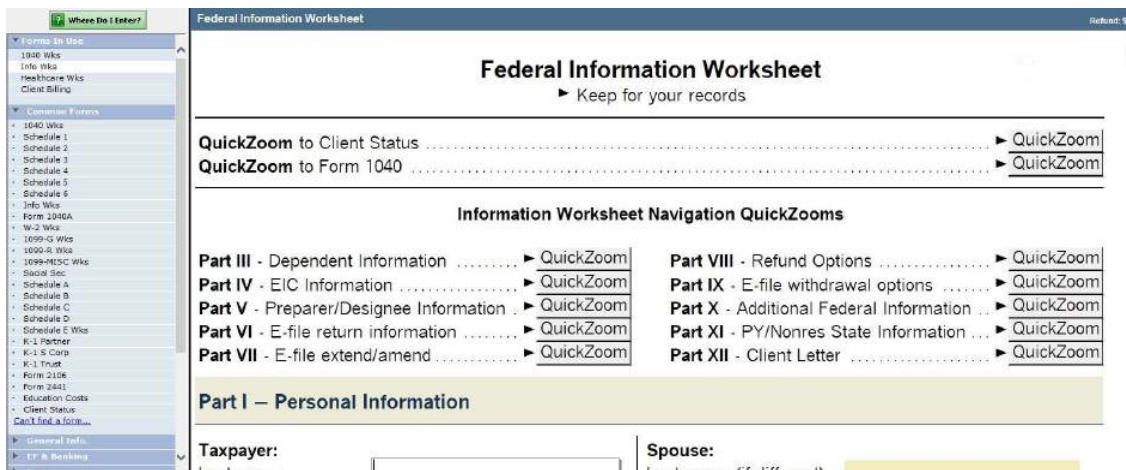
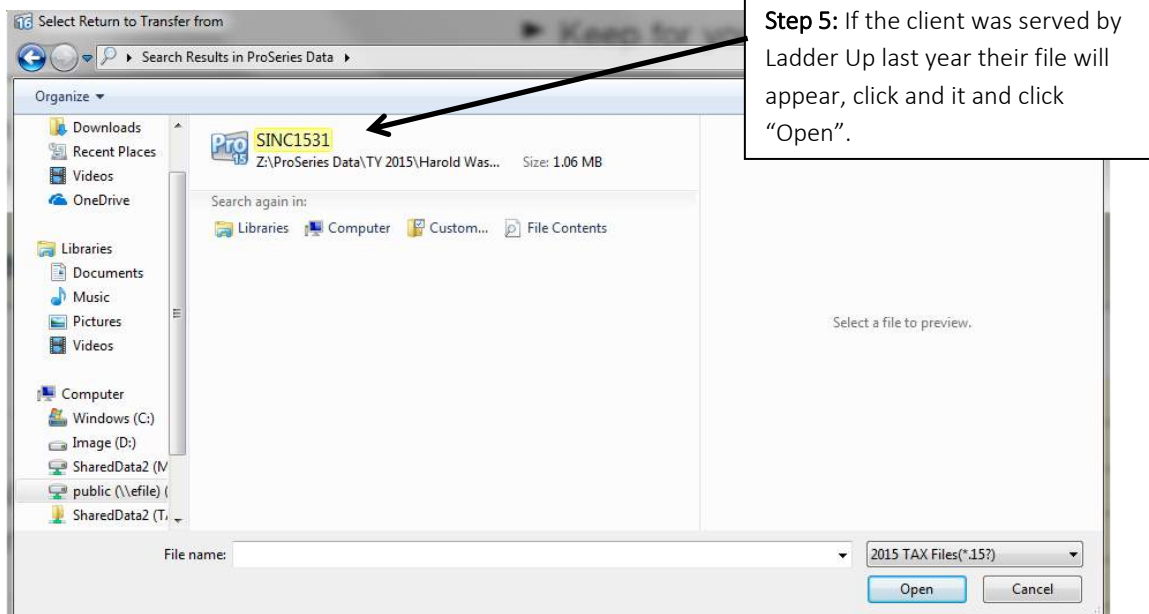
- New Client... (Ctrl+N)
- Open Client... (Ctrl+O)
- Close Client
- Save Client (Ctrl+S)
- Save As...
- Change Directory...
- Go to Fed (Ctrl+G)
- Go to State/City (Ctrl+G)
- Go to Foreign Bank Reporting Form 114
- Go to QuickEntry Mode (Ctrl+M)
- Remove State/City...
- Transfer...
- Print... (Ctrl+P)
- Print Signature Forms...
- Print Options... (Ctrl+Y)
- Split MFJ Return...
- Create PDF File...
- Send to DMS...
- Copy Product License...
- Retrieve Product License...
- 1 Z:\ProSeries Data\...\wini0723
- 2 Z:\ProSeries Data\...\gonz6124
- 3 smit6966
- 4 Z:\ProSeries Data\...\gord6689
- Exit (Alt+F4)



Step 3: When the next screen is presented with Complete Transfer selected, click OK.

Step 4: Search for the file name of the client which is always in the same format – first four letters of the last name + last four digits of the social or ITIN e.g. SMIT1234.





Federal Information Worksheet

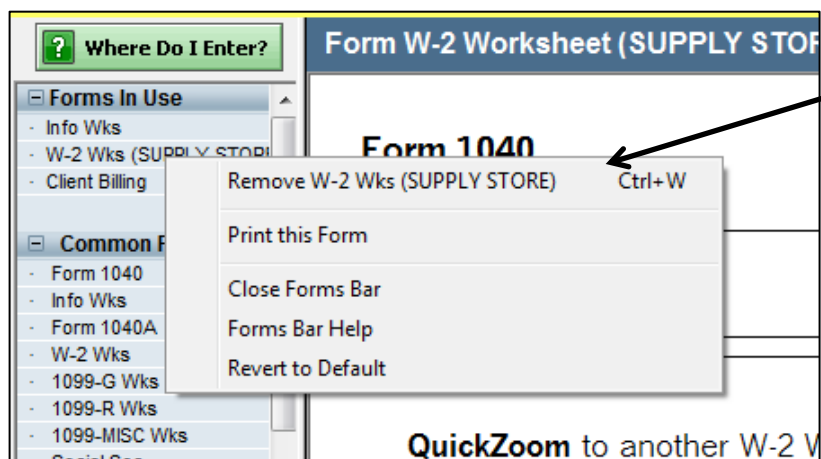
Part I - Personal Information

Taxpayer:

Last name CLIENT LAST NAME
First name FIRST NAME
Middle initial Suffix
Social security no.
Occupation
Date of birth (mm/dd/yyyy)
Age as of 1-1-2019

Spouse:

Last name (if different)
First name
Middle initial Suffix
Social security no.
Occupation
Date of birth (mm/dd/yyyy)
Age as of 1-1-2019



Step 6: The client's Federal and State Information Worksheet will prepopulate in green in a number of fields, however, be sure to go over this information with the client. Also, be sure to remove client tax documents from the prior year that are no longer relevant for the current tax year (for instance, if the client switched jobs). A form can be removed by right clicking over the form in the Forms in Use Bar and selecting "Remove this Form".

Federal Information Worksheet (FIW) Overview

When you open a new or existing client file, ProSeries automatically takes you to the Federal Information Worksheet (FIW). All information needed for the FIW is found on the IRS Intake Sheet and the TAP client data sheet or by asking the client.

ProSeries automatically transfers information from worksheets to the appropriate places on the Form 1040. Worksheets also organize related data in one place, making it easier for you to enter information for your client's return.

PLEASE TURN CAPS LOCK ON BEFORE STARTING YOUR RETURN

QuickZoom

At the top and bottom of the FIW, you will see a “QuickZoom” button that will take you to Form 1040. ProSeries uses QuickZoom buttons to take you to related forms and worksheets.

IMPORTANT: The FIW comprises 12 parts, not all of which you need to complete.

Complete

Part I – Personal Information
 Part II – Filing Status
 Part III – Dependents (if applicable)
 Part IV – EITC Information
 Part VIII – Direct Deposit
 Part X – Additional Return Information

Skip

Part V – Preparer Information
 Part VI – Electronic Filing – *quality reviewers only*
 Part VII – E-Filing of Extension
 Part IX – Electronic Funds Withdrawal Options
 Part XI – Part-year and Nonresident State filing
 Part XII – Client Letter

FIW Part I: Personal Information

Talk with the client to confirm that all personal information (e.g., names, birthdates, tax identification numbers) entered on the IRS Intake Sheet and TAP client data sheet are correct.

If a client is a nonresident or resident alien and does not have and is not eligible to receive a Social Security number, they must **first file Form W-7, Application for an Individual Taxpayer Identification Number (ITIN)**, if the client does not currently have an ITIN. If your client does not have (or has an expired) ITIN, their returns cannot be prepared at tax site. The client can request to make an ITIN appointment at the Ladder Up office by emailing ITIN@goladderup.org or calling (312) 409-1555.

REMEMBER TO TURN CAPS LOCK ON

ProSeries Hints:

- Press “tab” to move to the next field
- Pink fields must be populated

Federal Information Worksheet	
Part I – Personal Information	
Taxpayer:	
Last name	CLIENT LAST NAME
First name	FIRST NAME
Middle initial	Suffix
Social security no.	
Occupation	
Date of birth	mm/dd/yyyy
Age as of 1-1-2019	
Date of death	
Legally blind	<input type="checkbox"/>
E-mail address	
Work phone	Ext
Cell phone	
Home phone	
Fax number	
Spouse:	
Last name (if different)	
First name	
Middle initial	Suffix
Social security no.	
Occupation	
Date of birth	mm/dd/yyyy
Age as of 1-1-2019	
Date of death	
Legally blind	<input type="checkbox"/>
E-mail address	
Work phone	Ext
Cell phone	
Note: Work phone is transmitted for electronic funds withdrawal.	
Best contact phone number	
Print phone number on Form 1040 <input type="checkbox"/> Home <input type="checkbox"/> Taxpayer work <input type="checkbox"/> Spouse work	
US Address:	
Address	Apt no.
City	State ZIP code
Foreign Address: Check this box to use foreign address <input type="checkbox"/>	
Address	Apt no.
City	
Foreign code	Foreign country
Foreign province/county	Foreign postal code
Foreign phone	

Always ask for a phone number. Ladder Up must be able to contact the client in the event of e-file errors.

ProSeries will fill in the city and state after you enter the ZIP code

Federal Information Worksheet, Part I: Personal Information, Cont.

Taxpayer Identification Number (TIN)

Each person listed on the taxpayer's return must be identified by a valid TIN — the taxpayer, the taxpayer's spouse (if married), and all dependents (if any).

The TIN can be a Social Security number (SSN), an Individual Taxpayer Identification Number (ITIN), or an Adoption Taxpayer Identification Number (ATIN).

Check the accuracy of each TIN as well as the spelling of the name associated with the number by reviewing the client data sheet filled out by the client and by asking to see Social Security cards and/or ITIN cards or letters.



If the taxpayer or anyone on his return has an ITIN with middle digits: 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81 or 82 **they must renew their ITINs before the return will be processed.**

A client can set up an appointment at the Ladder Up office by e-mailing ITIN@goladderup.org or calling (312) 409-1555.

If the Client Does Not Have a TIN

If a client is a nonresident or resident alien and does not have and is not eligible to receive a Social Security number, they must file Form W-7, Application for an Individual Taxpayer Identification Number. **If the client does not currently have a valid ITIN, we cannot complete their tax returns.** The client can request to make an ITIN appointment at the Ladder Up office by e-mailing ITIN@goladderup.org or calling (312) 409-1555.

If a client already has an ITIN, enter it wherever a SSN is requested. An ITIN is a nine-digit number and always starts with the number 9.

Address

Use the IRS Intake Sheet to enter the client's address. Do not assume that the address printed on the client's income forms or other documents is correct.

Identity Theft

Being sensitive towards victims of identity theft is critical when assisting taxpayers through a confusing and frustrating situation. Those affected must enter an Identity Protection PIN (IP PIN) when completing their tax returns. Remember that victims of identity theft are:

- Victimized by identity thieves – mostly through no fault of their own, and
- Trying to comply with tax laws – filing a tax return and paying their fair share of taxes. Every December the IRS Identity Protection Specialization Unit (IPSU) mails Notice CP01A to taxpayers previously identified as identity theft victims. The notice includes a 6-digit 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 accounts (usually 3 years). Use the most recent IP PIN regardless of the tax year.

When assisting taxpayers who are or may be victims of identity theft:

If...	Then...
Identity Protection (IP) PIN was issued to primary and/or secondary taxpayer	Ensure the IP PIN is input correctly on the tax return. Enter this in Part VI of the Federal Information Worksheet for taxpayer/spouse. Part III for dependent.
Taxpayer received an IP PIN but did not bring it with him or her	1. Complete the tax return for the taxpayer. 2. Provide the taxpayer with a complete copy of the tax return and have them paper file their return. 3. Refer to Replacing Lost or Missing IP PIN below
Taxpayer received an IP PIN but misplaced or lost it	1. Complete the tax return for the taxpayer. 2. Provide the taxpayer with a complete copy of the tax return. (Provide two copies if the taxpayer will mail the tax return.) 3. Refer to Replacing Lost or Missing IP PIN below.
If the taxpayer did not receive IP PIN but IRS rejected the e-filed tax return because the IP PIN was not entered	1. Refer to Replacing Lost or Missing IP PIN below. 2. Provide taxpayer with two complete copies of the tax return. 3. If taxpayer receives the 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 by phone (Ladder Up hotline: 312-409-4719). 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 the IRS verifies the taxpayer's identity.
IP PIN was not issued to the taxpayer but IRS rejected the taxpayer's tax return because the taxpayer's primary/secondary SSN was previously used	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 his tax return to the IRS. 2. Provide the taxpayer with two copies of his tax return.

Replacing a Lost or Missing IP PIN:

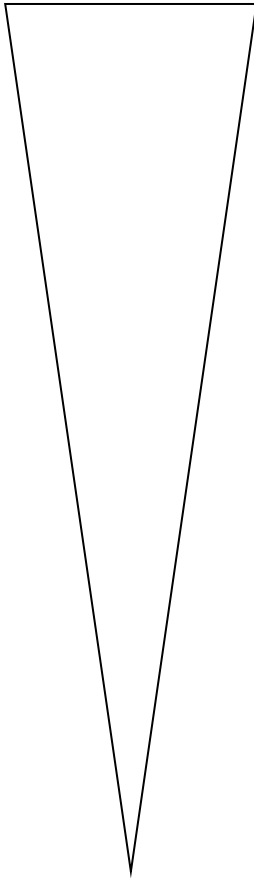
If a taxpayer did not receive his new IP PIN or misplaced it, he has two options:

1. A taxpayer can register and create a user profile to get his 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 identity. Due to enhanced security measures if the taxpayer is unable to verify their identity online, they will have to go in person to an IRS office to obtain their PIN.
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.

FIW Part II: Filing Status

Taxpayers must use one of five filing statuses. Filing status impacts the calculation of income tax, affects the amount of the standard deduction, and determines allowance or limitation of certain credits and deductions. More than one filing status can apply to a taxpayer; use the one that will result in the highest standard deduction.

Highest Deduction



Lowest Deduction

Married Filing Jointly:

Married living together with or apart from his/her spouse, or if his/her spouse died during the tax year.

Qualifying Widow(er) with a Qualifying Child:

Widowed because their spouse died during 2016 or 2017, and with a qualifying child.

Head of Household:

Divorced, widowed, or separated for the last 6 months of the tax year and pays more than half the cost of maintaining a home with at least one qualifying person

Single:

Never married, divorced, widowed, or legally separated according to his/her state of law.

Married Filing Separately:

Married and living with, or apart from, his/her spouse.

Use the following to determine the taxpayer's filing status:

- Information provided by the taxpayer on the IRS Form 13614-C
- Filing Status – Interview Tips (following page)

The above are often sufficient to determine filing status for the taxpayer. However, sometimes more information is required at which point the following can be used to probe further:

- A detailed section starting on the following page about each filing status
- Speaking with the taxpayer to clarify any other questions

Determination of Filing Status – Interview Tips

Filing Status - Interview Tips

Probe/Action: Ask the taxpayer:

step 1	Were you married on December 31 of the tax year? You are considered unmarried if, on the last day of the year, you were legally separated from your spouse under a divorce or separate maintenance decree. State law governs whether you are married or legally separated under a divorce or separate maintenance decree. 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 are not considered married. A taxpayer is married regardless of where the spouse lives.	If YES, go to Step 2. If NO, go to Step 4.
step 2	Do you and your spouse wish to file a joint return?	If YES, your filing status is married filing jointly . If NO, go to Step 3. ²
step 3	Do all the following apply? <ul style="list-style-type: none"> You file a separate return from your spouse You paid more than half the cost of keeping up your home for the required period of time.¹ Your spouse didn't live in your home during the last 6 months of the tax year.³ Your home was the main home of your child, stepchild, or foster child for more than half the year. Include any individual who would qualify as your dependent except: he or she does not meet the gross income test, does not meet the joint return test, or if you could be claimed as a dependent of another taxpayer. (a grandchild doesn't meet this test) 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) 	If YES, STOP. You are considered unmarried and your filing status is head of household . If NO, STOP. Your filing status is married filing separately . ⁵
step 4	Did your spouse die in 2016 or 2017?	If YES, go to Step 5. If NO, go to Step 6.
step 5	Do all the following apply? <ul style="list-style-type: none"> You were entitled to file a joint return with your spouse for the year your spouse died You didn't remarry before the end of this tax year You have a child or stepchild who lived with you all year, except for temporary absences or other limited exceptions, and who is your dependent or who would qualify as your dependent except that: he or she does not meet the gross income test, does not meet the joint return test, or except that you may be claimed as a dependent by another taxpayer. Don't include a grandchild or foster child. You paid more than half the cost of keeping up the home for the required period of time.¹ 	If YES, STOP. Your filing status is qualifying widow(er) with dependent child . If NO, go to Step 6.
step 6	Do both of the following apply? <ul style="list-style-type: none"> You paid more than 1/2 the cost of keeping up your home for the required period of time.¹ A "qualifying person," (see Who Is a Qualifying Person Qualifying You To File as Head of Household? chart), lived with you in your home for more than 1/2 the year.⁴ 	YES – Head of Household NO – Single

Footnotes

¹ 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. Under proposed regulations, a taxpayer may treat a home's fair market rental value as a cost of maintaining a household instead of the sum of payments for mortgage interest, property taxes and insurance. See "Cost of Keeping Up a Home" worksheet later in this tab.

² 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 (see the Who Is a Qualifying Person Qualifying You To File as Head of Household? chart later in this tab) and meet the other tests to be eligible to file as a head of household.

³ The term "considered unmarried" refers to a taxpayer who has been deserted or abandoned by their spouse and is therefore no longer part of a functioning marital unit. Your spouse is considered to live in your home even if he or she is temporarily absent due to illness, education, business, vacation, military service, or incarceration.

⁴ You can't 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).

⁵ 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

Married or Single

In general, a taxpayer's filing status depends on whether he is considered single or married. The first step is to confirm his marital status on the last day of the tax year.

Generally, a taxpayer is considered **single** for the entire year if, on the last day of the tax year, the taxpayer has:

- Never married,
- Legally separated under a divorce or separate maintenance decree, or
- Divorced under a final decree on or before December 31st of the tax year, or
- Widowed before January 1, 2018 and did not remarry before the end of 2018.

Although a taxpayer is considered single, the taxpayer may qualify for another filing status that gives a lower tax, such as Head of Household or Qualifying Widow(er) with Dependent Child, discussed later in this manual.

Taxpayers are considered to be **married** for the entire year if:

- They were married and living together on the last day of the tax year,
- They were married and living apart, but not legally separated under a decree of divorce or separate maintenance – this is true even if they have lived apart for many years.
- They were separated under an interlocutory (not final) decree of divorce,
- The spouse died during the year and the surviving spouse has not remarried, or
- The spouse died during the year and the surviving spouse remarried prior to December 31.
- Note that a marriage in a foreign country is recognized for tax purposes.

Married Filing Jointly or Separately

If the taxpayer is considered married, the next step is to determine if the couple wishes to file a joint return.

Married taxpayers must generally file either as Married Filing Jointly or Married Filing Separately. **There is one exception.** Taxpayers are sometimes considered unmarried according to the IRS definition, even if they are not divorced or legally separated, and may be able to use the Head of Household filing status, which may result in a lower tax than Married Filing Separately. See page 56 of the topic, Head of Household, to determine if the definition of "considered unmarried" applies.

Married Filing Jointly

Married taxpayers can select this status even if one of the spouses did not have any income or any deductions. If they choose this status, they will use one return to report their combined income and to deduct combined allowable expenses.

Taxpayers may use the Married Filing Jointly status if on the last day of the tax year they are married and one of the following conditions applies:

- They live together as a married couple,
- They live apart but are not legally separated or divorced,
- They live together in a recognized common-law marriage,
- They are separated under an interlocutory (not final) divorce decree,

Married Filing Jointly, Cont.

- The taxpayer's spouse died during the year and the taxpayer has not remarried, or
- The spouse died during the year and the surviving spouse remarried prior to December 31 (note that the deceased spouse's filing status would be Married Filing Separately for that year).



It does not matter if one spouse does not have any income. Taxpayers can choose either the Married Filing Jointly or the Married Filing Separately status even if only one spouse has income.

Taxpayers who file a joint return must combine their income and deductions on the same return. Both spouses:

- Must sign the return
- Are responsible for any tax owed on the return (*Note: See Volunteer Tax Manual – Special Topics: Injured Spouse, Form 8379*)

A U.S. resident or citizen who is married to a nonresident alien can file a joint return as long as both spouses agree to be taxed on their worldwide income.

Married Filing Separately

The Married Filing Separately (MFS) status is for taxpayers who are married and either:

- Choose to file separate returns, or
- Cannot agree to file a joint return

Married taxpayers may choose the Married Filing Separately status, which means the husband and wife report their own incomes and deductions on separate returns.



A married taxpayer who files separately must show the spouse's name and Social Security number or ITIN on the return. **If the taxpayer does not have the SSN or ITIN of their spouse, type “Unknown” and have the taxpayer paper file their return.**



Get in the habit of marking whether the taxpayer lived with their spouse at any time during the year. This greatly affects the taxability of Social Security Benefits if the taxpayer received them.

Part II – Federal Filing Status

- ☐ 1 Single
- ☐ 2 Married filing jointly
- ☒ 3 Married filing separately
 - ☒ Taxpayer did **not** live with spouse at any time during year
 - ☐ Taxpayer eligible to claim spouse's exemption (see Help)
- ☐ 4 Head of household

Why Are Taxes Usually Higher for Married Filing Separately?

Special rules apply to Married Filing Separately taxpayers, which generally result in taxpayers paying a higher tax. For example, when filing separately:

- The tax rate is generally higher than on a joint return
- Taxpayers cannot take credits for child and dependent care expenses, earned income, and certain adoption and education expenses
- Some credits and deductions are reduced at income levels that are half those for a joint return such as the child tax credit and the retirement savings contribution credit



One common reason taxpayers file as Married Filing Separately is to avoid an offset of their refund against their spouse's outstanding debts. This includes past-due child support, past-due student loans, or a tax liability the spouse incurred before the marriage.

If married taxpayers tell you they want to file separately, you should ask if a potential refund offset is the reason. If it is, you can suggest that they file a joint return with a Form 8379, Injured Spouse Allocation. See Volunteer Tax Manual – Special Topics: Injured Spouse, Form 8379 for more information.

Married Filing Separately and Itemization

If a taxpayer uses the Married Filing Separately filing status and the spouse itemizes deductions, the taxpayer must:

- Also itemize deductions, or
- Claim zero as the standard deduction

Standard Deduction/Itemized Deductions:

- ☐ Itemize even if itemized deductions are less than standard deduction
- ☐ Married filing separately and spouse itemizes deductions
- ☐ Use standard deduction even if less than itemized deductions

Mark this in Part X of the Federal Information Worksheet

For the complete list of special rules, see Publication 17, Filing Status.

The question of who is itemizing only comes into consideration for the taxpayer filing as Married Filing Separately. Taxpayers qualified to file as Head of Household can take the standard deduction even if their spouse is itemizing.

Head of Household

In general, the Head of Household status is for unmarried taxpayers who paid more than half the cost of keeping up a home for a qualifying person who lived with them in the home for more than half the tax year.

A qualifying person is defined as:

- A qualifying child
- A married child who can be claimed as a dependent
- A dependent parent
- A qualifying relative who lived with the taxpayer for more than half the year and is one of the relatives listed in *Table 2: Dependency Exemption for Qualifying Relative, Step 2*)

The qualifying person for Head of Household filing status must be *related* to the taxpayer. A person may be a “qualifying relative” *dependent*, but *not* qualify the taxpayer for Head of Household filing status. For example, a companion or friend who lives with the taxpayer all year may be the taxpayer's “qualifying relative” dependent but not a person that qualifies the taxpayer for Head of Household filing status.

Example:

Since her husband died five years ago, Joan has lived with her friend, Mary Ann, who is also a widow. Joan is a U.S. citizen, is single, and lived with Mary Ann all year. Joan had no income and received all of her support from Mary Ann.

Joan is Mary Ann's qualifying relative dependent because she lived with Mary Ann all year as a member of her household. Mary Ann can claim Joan as a dependent on her return.

However, Joan would *not* qualify Mary Ann to file as Head of Household. Joan is not related in one of the ways listed in Publication 17 under “*Relatives who do not have to live with you*,” also listed in *Table 2: Dependency Exemption for Qualifying Relative, Step 2*, and she does not fall under the “other relative” definition explained in the table *Who is a Qualifying Person Qualifying You to File as Head of Household?* on page 60.

A qualifying person who is the taxpayer's dependent parent does not have to live with the taxpayer. If the taxpayer is maintaining a home that is the principal place of abode for the parent(s), it does not have to be the same home as that of the taxpayer. However, the parent(s) must qualify as the taxpayer's dependent(s) in order for the taxpayer to qualify as Head of Household.

Taxpayers must specify the person who qualifies them for the Head of Household status. Otherwise the IRS must delay processing to contact the taxpayer and obtain the information. See page 63 for ProSeries details.

For more information, refer to the table *Who is a Qualifying Person Qualifying You to File as Head of Household?* on page 60.

Keeping Up a Home

Valid household expenses considered in the cost of keeping up a home include:

- Rent, mortgage interest, real estate taxes
- Home insurance, repairs, utilities
- Food eaten in the home

Welfare or other public assistance payments are not considered amounts that the taxpayer provides to keep up a home. However, these payments must be included in the total cost of keeping up the home to determine if the taxpayer paid over half the cost.



Many filing status errors involve the Head of Household status, so be sure the taxpayer meets ALL of the qualifications before selecting Head of Household status.

Unmarried Taxpayers

The Head of Household status generally results in a lower tax than filing as Single. Accordingly, single taxpayers (and certain married taxpayers) should file as Head of Household status if they qualify.

Considered Unmarried (Married and Living Apart with Dependent Child)

Some married taxpayers who live apart from their spouse and provide for dependent children may be "considered unmarried" for tax purposes and therefore qualify as Head of Household. They should be advised that they can use the Head of Household status to get a lower tax rather than using the Married Filing Separately status. These taxpayers are permitted to file as Head of Household and receive the benefit of lower tax amounts if they:

- File a return, separate from their spouse, for the tax year.
- Paid more than half the cost of keeping up their home for the year. See the Cost of Keeping Up a Home worksheet in Publication 17, Filing Status.
- Lived apart from their spouse during the entire last six months of the tax year. The spouse is considered to have lived in the home even if temporarily absent due to special circumstances, such as military service or education.
- Provided the main home for more than half the year of a dependent child, stepchild, or foster child placed by an authorized agency. This test is met if the taxpayer cannot claim the child only because the noncustodial parent can claim the child using the rules for Children of divorced or separated parents.

For these married taxpayers, "qualifying child" includes biological, adopted, foster, and stepchildren, but does not include grandchildren, brother, sister or their descendants (for example, niece, nephew). **Only unmarried taxpayers may be able to use a grandchild, niece, or nephew as a qualifying child for Head of Household status.**

Cost of Keeping Up a Home

Keep for Your Records

	Amount You Paid	Total Cost
Property Taxes*	\$ _____	\$ _____
Mortgage interest expenses*	\$ _____	\$ _____
Rent	\$ _____	\$ _____
Utility charges	\$ _____	\$ _____
Property insurance*	\$ _____	\$ _____
Food eaten in the home	\$ _____	\$ _____
Other household expenses	\$ _____	\$ _____
*Fair market rental value	\$ _____	\$ _____

*Under proposed regulations, fair market rental value (instead of the sum of payments for property taxes, mortgage interest expenses, and property insurance)

Totals

Minus total amount you paid (_____)

Amount others paid \$ _____

If the total amount you paid is more than the amount others paid, you meet the requirement of paying more than half the cost of keeping up the home

Note:

Costs you include. Include in the cost of keeping up a home expenses such as rent, mortgage interest, real estate taxes and insurance on the home, repairs, utilities, and food eaten in the home. As an alternative to including mortgage interest, real estate taxes, and insurance under proposed regulations, you may include the fair market rental value of the home.

Costs you don't include. Don't include the cost of clothing, education, medical treatment, vacations, life insurance, or transportation. Also, don't include the value of your services or those of a member of your household.

Head of Household Status in Year of Spouse's Death

A taxpayer whose spouse died during the year (even if they were not living together but were still legally married) and has a qualifying child, may also qualify as Head of Household.

Head of Household Status, when Spouse does NOT meet the substantial presence test

A taxpayer who is married to a nonresident alien spouse may be able to file as Head of Household even if the taxpayer lived with the spouse for the year if the following apply:

- The spouse does not meet the substantial presence test. This generally only applies to individuals with specific temporary visas such as foreign students or temporary workers on J1 visas. This does not include a spouse that is undocumented (without a visa), has a work visa, or is a resident.
- The taxpayer is a U.S. citizen, or resident alien for the entire year.
- The nonresident alien spouse chooses not to file a joint return. Mostly, choosing Married Filing Jointly results in lower tax rates, but consider whether the nonresident alien spouse disqualifies the taxpayer from any credits, refundable credits, or deductions.
- The taxpayer meets the other requirements for this filing status.
- The spouse is not a qualifying person for head of household purposes. The taxpayer must have a qualifying person in order to be eligible for this filing status.

Who Is a Qualifying Person Qualifying You To File as Head of Household?¹

DON'T use this chart alone. Use as directed by the interview tips on the previous page.

IF the person is your . . .	AND . . .	THEN that person is . . .
qualifying child (such as a son, daughter, or grandchild who lived with you more than half the year and meets certain other tests) ²	he or she is single	a qualifying person, whether or not you can claim the person as a dependent.
	he or she is married <u>and</u> you can claim him or her as a dependent	a qualifying person.
	he or she is married <u>and</u> you can't claim him or her as a dependent	not a qualifying person. ³
qualifying relative ⁴ who is your father or mother	you can claim him or her as a dependent ⁵	a qualifying person. ⁶
	you can't claim him or her as a dependent	not a qualifying person.
qualifying relative ⁴ other than your father or mother.	he or she lived with you more than half the year, <u>and</u> you can claim him or her as a dependent, <u>and</u> is one of the following: son, daughter, stepchild, foster child, or a descendant of any of them; your brother, sister, half-brother, half-sister or a son or daughter of any of them; an ancestor or sibling of your father or mother; or stepbrother, stepsister, stepfather, stepmother, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law or sister-in-law ⁶	a qualifying person.
	he or she didn't live with you more than half the year	not a qualifying person.
	he or she isn't related to you in one of the ways listed above <u>and</u> is your qualifying relative only because he or she lived with you all year as a member of your household (for example, a companion or a friend)	not a qualifying person.
	you can't claim him or her as a dependent	not a qualifying person.

Footnotes

¹ A person can't qualify more than one taxpayer to use the head of household filing status for the year.

² The term "qualifying child" is covered in Tab C, Dependents. Note: If you are a noncustodial parent, the term "qualifying child" for head of household filing status doesn't include a child who is your dependent only because of the rules described under Children of divorced or separated parents. If you are the custodial parent and those rules apply, the child generally is your qualifying child for head of household filing status even though the child isn't a qualifying child who you can claim as a dependent.

³ This person is a qualifying person if the only reason you can't claim him or her as a dependent is that you can be claimed as a dependent on someone else's return.

⁴ The term "qualifying relative" is covered in Tab C, Dependents.

⁵ If you can claim a person as a dependent only because of a multiple support agreement, that person isn't a qualifying person. See Multiple Support Agreement, in Publication 17.

⁶ You are eligible to file as head of household even if your parent, whom you can claim as a dependent, doesn't live with you. You must pay more than half the cost of keeping up a home that was the main home for the entire year for your parent. This test is met if you pay more than half the cost of keeping your parent in a rest home or home for the elderly.

Qualifying Widow(er) with Qualifying Child

A widow or widower with one or more dependent children may be able to use the Qualifying Widow(er) with Qualifying Child filing status. This filing status yields as low a tax amount as Married Filing Jointly and is available for only two years following the year of the spouse's death.



When seeking detailed information, be sensitive to the taxpayer's feelings. Talking about a deceased spouse may be upsetting for someone regardless of how much time has passed.

Criteria

To qualify for the Qualifying Widow(er) with Qualifying Child filing status, the taxpayer must:

- Have had a spouse who died in 2016 or 2017. The taxpayer must not remarry before the end of 2018
- Have been eligible to file a joint return for the year the spouse died; it does not matter if a joint return was actually filed
- Have a child, stepchild, or adopted¹ child who qualifies as the taxpayer's dependent for the year or would qualify as the taxpayer's dependent except that he or she does not meet the gross income test, or does not meet the joint return test, or except that the taxpayer may be claimed as a dependent by another taxpayer; this does not include a grandchild or a foster child; read more about dependents under *Volunteer Manual – FIW Part III: Dependents*, starting on page 64.
- Have lived with this child in the taxpayer's home all year, except for temporary absences
- Have paid more than half the cost of keeping up the home² for the year

¹ The term "adopted child" includes a child placed with the taxpayer by an authorized placement agency for legal adoption.

² Social Security survivor benefits received on behalf of the child are considered to be furnished by the child, not by the parent.

Filing After the Spouse's Death

IF the taxpayer does not remarry AND has a qualifying dependent...		
For TAX YEAR...	THEN use Filing Status...	Can an Standard Deduction Be Claimed for the Deceased Spouse?
Year of death	Married Filing Jointly or Married Filing Separately	Yes
First year after death	Qualifying Widow(er)	No
Second year after death	Qualifying Widow(er)	No
After second year of death	Head of Household	No

Widowed taxpayers who file a joint return with their deceased spouse do not need to file a separate return. If a joint return is not being filed, the widow(er) or executor of the deceased's will must file a return on behalf of the

deceased spouse whose income exceeded certain limits. See *Volunteer Manual – Special Topics: Injured Spouse – Form 8379* and Publication 559, Survivors, Executors, and Administrators, for more information.

Indicating Filing Status in ProSeries

Once the correct filing status is determined, mark the appropriate box in FIW Part II in ProSeries:

Federal Information Worksheet	
Part II – Federal Filing Status	
<input type="checkbox"/>	1 Single
<input type="checkbox"/>	2 Married filing jointly
<input type="checkbox"/>	3 Married filing separately
	<input type="checkbox"/> Taxpayer did not live with spouse at any time during year
	<input type="checkbox"/> Taxpayer eligible to claim spouse's exemption (see Help)
<input type="checkbox"/>	4 Head of household
	If qualifying person is child but not dependent:
	Child's First name <input type="text"/> MI <input type="text"/> Last Name <input type="text"/> Suff <input type="text"/>
	Child's social security number <input type="text"/>
<input type="checkbox"/>	5 Qualifying widow(er)
	Year spouse died <input type="checkbox"/> 2016 <input type="checkbox"/> 2017
	If the 'qualifying person' is your child but not your dependent:
	Child's First name <input type="text"/> MI <input type="text"/> Last Name <input type="text"/> Suff <input type="text"/>
	Child's social security number <input type="text"/>

Note: When Head of Household is selected, the child's first name and child's Social Security number fields initially become pink. Read below for more information.

Reminder for Head of Household Filing Status: Taxpayers must specify the person who qualifies them for the Head of Household status. Otherwise the IRS must delay processing until contacting the taxpayer and obtaining the information.

If the qualifying person is a **dependent**, enter the dependent's information in Part III of the Federal Information Worksheet. The field in Line 4 of Part II will no longer be pink.

If the qualifying person is the taxpayer's unmarried child who is **not a dependent** because the non-custodial parent claimed them under the special rules for children of divorced or separated parents, enter the child's name in the pink field in Part II of the FIW, and the child's Social Security number in the line beneath the name.

See the next section about Dependency for more information.

FIW Part III: Dependents

Each dependent must be entered into the Federal Information Worksheet, Part III. While personal exemptions have been eliminated beginning in 2018, claiming dependents is important because many tax credits depend on whether dependents are claimed.

Once an individual is claimed as a dependent, he or she is precluded from claiming anyone as a dependent. (i.e. if a grandparent claims a parent then the parent cannot claim their child, since the parent is claimed by a grandparent.)

A spouse is never considered a dependent.

Determining Dependency

There are four tests for determining dependency:

1. Dependent Taxpayer Test

In order to claim a dependent, the taxpayer and/or spouse cannot be claimed on someone else's return.

2. Joint Return Test

You can't claim a married person who files a joint return as a dependent unless that joint return is only to claim a refund of income tax withheld or estimated tax paid.

3. Citizen or Resident Test

The dependent must be one of the following:

- U.S. citizen
- U.S. resident alien (for tax purposes)
- U.S. national
- Resident of Canada/Mexico (foreign exchange students do not meet this test)

Exception: For a taxpayer who is a U.S. citizen or U.S. national and has legally adopted a child who is not a U.S. citizen, U.S. resident alien, or U.S. national, this test is met if the child lived with the taxpayer as a member of his household all year. This exception also applies if the child was lawfully placed with the taxpayer for legal adoption.

4. A dependent is determined to be one of the following based on Relationship, Age, Residency, Support and other specific tests:

- A qualifying child (Use Table 1: *Dependency for Qualifying Child* on page 66), or
- A qualifying relative (Use Table 2: *Qualifying Relative Dependents* on page 67)

Overview of the Rules for Claiming a Dependent



This table is only an overview of the rules. For details, see Publication 17, Your Federal Income for Individuals.

- You can't claim any dependents if you, or your spouse if filing jointly, could be claimed as a dependent by another taxpayer.
- You can't claim a married person who files a joint return as a dependent unless that joint return is only to claim a refund of income tax withheld or estimated tax paid.
- You can't claim a person as a dependent unless that person is a U.S. citizen, U.S. resident alien, U.S. national, or a resident of Canada or Mexico.¹
- You can't claim a person as a dependent unless that person is your **qualifying child** or **qualifying relative**.

Tests To Be a Qualifying Child	Tests To Be a Qualifying Relative
1. The child must be your son, daughter, stepchild, foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them.	1. The person can't be your qualifying child or the qualifying child of any other taxpayer. A child isn't 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) isn't required to file an income tax return or files an income tax return only to get a refund of income tax withheld.
2. The child must be: (a) under age 19 at the end of the year and younger than you (or your spouse, if filing jointly), (b) under age 24 at the end of the year, a full-time student, and younger than you (or your spouse, if filing jointly), or (c) any age if permanently and totally disabled.	2. The person either (a) must be related to you in one of the ways listed under Relatives who don't have to live with you (see Table 2, step 2), or (b) must live with you all year as a member of your household ² (and your relationship must not violate local law).
3. The child must have lived with you for more than half of the year. ²	3. The person's gross income for the year must be less than \$4,150. ³ Gross income means all income the person received in the form of money, goods, property and services, that isn't exempt from tax. Don't 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).
4. The child must not have provided more than half of his or her own support for the year. ⁵	4. You must provide more than half of the person's total support for the year. ^{4, 5}
5. The child isn't filing a joint return for the year (unless that joint return is filed only to claim a refund of income tax withheld or estimated tax paid).	
6. If the child meets the rules to be a qualifying child of more than one person, you must be the person entitled to claim the child as a qualifying child. See the "Qualifying Child of More Than One Person" chart.	

Footnotes

¹ There is an exception for certain adopted children.

² There are exceptions for temporary absences, children who were born or died during the year, children of divorced or separated parents or parents who live apart, and kidnapped children. If you obtained a final decree of divorce or separate maintenance during the year, you can't take your former spouse's exemption. This rule applies even if you provided all of your former spouse's support.

³ There is an exception if the person is disabled and has income from a sheltered workshop.

⁴ There are exceptions for multiple support agreements, children of divorced or separated parents or parents who live apart, and kidnapped children.

⁵ A worksheet for determining support is provided later in this tab. If a person receives social security benefits and uses them toward his or her own support, those benefits are considered as provided by the person. Benefits provided by the state to a needy person are generally considered support provided by the state. A proposed rule on which taxpayers may choose to rely treats governmental payments made to a recipient that the recipient uses, in part, to support others as support of the others provided by the recipient, whereas any part of such payment used for the support of the recipient would constitute support of the recipient by a third party. For example, if a mother receives Temporary Aid to Needy Families (TANF) and uses the TANF payments to support her children, the proposed regulations treat the mother as having provided that support.

Table 1: All Dependents

Table 1: All Dependents

Begin with this table to determine both Qualifying Child and Qualifying Relative dependents.

Probe/Action: Ask the taxpayer:

step 1	Can you or your spouse (if filing jointly) be claimed as a dependent on another taxpayer's tax return this year?	If YES : If you can be claimed as a dependent by another taxpayer, you may not claim anyone else as your dependent. If NO : Go to Step 2
step 2	Was the person married as of December 31, 2018?	If YES : Go to Step 3 If NO : Go to Step 4
step 3	Is the person filing a joint return for this tax year? (Answer "NO" if the person is filing a joint return only to claim a refund of income tax withheld or estimated tax paid.)	If YES : You can't claim this person as a dependent. If NO : Go to Step 4
step 4	Was the person a U.S. citizen, U.S. resident alien, U.S. national, or a resident of Canada or Mexico? (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.)	If YES : Go to Step 5 If NO : You can't claim this person as a dependent.
step 5	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 YES : Go to Step 6 If NO : This person isn't your qualifying child. Go to Table 2: Qualifying Relative Dependents
step 6	Was the person: -under age 19 at the end of the year and younger than you (or your spouse, if filing jointly) OR -under age 24 at the end of the year, a full-time student (see definition in the glossary) and younger than you (or your spouse, if filing jointly) OR -any age if permanently and totally disabled ¹ at any time during the year?	If YES : Go to Step 7 If NO : This person isn't your qualifying child. Go to Table 2: Qualifying Relative Dependents
step 7	Did the person live with you as a member of your household, except for temporary absences ² , for more than half the year? (Answer "YES" if the child was born or died during the year.)	If YES : 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 NO : This person isn't your qualifying child. Go to Table 2: Qualifying Relative Dependents
step 8	Did the person provide more than half of his or her own support ³ for the year?	If YES : You can't claim this person as a dependent If NO : Go to Step 9
step 9	Is the person a qualifying child of any other taxpayer?	If YES : Go to the chart: Qualifying Child of More Than One Person If NO : You can claim this person as a dependent

Footnotes

¹ A person is permanently and totally disabled if he or she can't 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.

² A child is considered to have lived with you during periods of time when one of you, or both, are temporarily absent due to illness, education, business, vacation, military service, institutionalized care for a child who is permanently and totally disabled, or incarceration. 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.

³ A worksheet for determining support is included later in this tab. 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: Qualifying Relative Dependents

Table 2: Qualifying Relative Dependents

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:

step 1	Is the person your qualifying child or the qualifying child of any other taxpayer? A child isn't 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) isn't required to file a U.S. income tax return or files an income tax return only to get a refund of income tax withheld.	If YES , the person isn't a qualifying relative. (See Table 1: All Dependents) If NO , go to Step 2.
step 2	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? ¹	If NO , go to Step 3. If YES , go to Step 4. Note: The relatives listed in Step 2 are considered "Relatives who don't have to live with you" Note: To enter into TaxSlayer a qualifying relative who did not live with the taxpayer more than 6 months, choose "Other reasons" from the months dropdown menu.
step 3	Was the person any other person (other than your spouse) who lived with you all year as a member of your household? ²	If NO , you can't claim this person as a dependent. If YES , go to Step 4. Note: There are exceptions for kidnapped children; a child who was born or died during the year; certain temporary absences—school, vacation, medical care, etc. Divorced or separated spouse. If you obtained a final decree of divorce or separate maintenance during the year, you can't take your former spouse's exemption. This rule applies even if you provided all of your former spouse's support.
step 4	Did the person have gross income of less than \$4,150 in 2018? ³	If NO , you can't claim this person as a dependent. If YES , go to Step 5.

continued on next page

Footnotes

¹ Any of these relationships that were established by marriage aren't ended by death or divorce.

² A person doesn't meet this test if at any time during the year the relationship between you and that person violates local law.

³ For purposes of this test, the gross income of an individual who is permanently and totally disabled at any time during the year doesn't 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 isn't exempt from tax. Don't 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).

Table 2: Qualifying Relative Dependents

Continued

Probe/Action: Ask the taxpayer:

step 5	Did you provide more than half the person's total support for the year? ⁴	If YES , 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 NO , go to Step 6.
step 6	Did another person provide more than half the person's total support?	If YES , you can't claim this person as a dependent. If NO , go to Step 7.
step 7	Did two or more people, each of whom would be able to take the exemption but for the support test, together provide more than half the person's total support?	If YES , go to Step 8. If NO , you can't claim this person as a dependent.
step 8	Did you provide more than 10% of the person's total support for the year?	If YES , go to Step 9. If NO , you can't claim this person as a dependent.
step 9	Did the other person(s) providing more than 10% of the person's total support for the year provide you with a signed statement agreeing not to claim the dependent?	If YES , you can claim this person as a dependent. You must file Form 2120 with your return. If NO , you can't claim this person as a dependent.

Footnote

⁴ 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 are generally considered support provided by the state. A proposed rule, on which taxpayers may choose to rely, treats governmental payments made to a recipient that the recipient uses, in part, to support others as support of the others provided by the recipient, whereas any part of such payment used for the support of the recipient would constitute support of the recipient by a third party. For example, if a mother receives TANF and uses the TANF payments to support her children, the proposed regulations treat the mother as having provided that support.

Table 3: Children of Divorced or Separated Parents or Parents Who Live Apart

Table 3: Children of Divorced or Separated Parents or Parents Who Live Apart

Use this table when directed from Table 1 or Table 2 to determine if the exception applies to the qualifying child residency test or the qualifying relative support test

Probe/Action: Ask the taxpayer:

step 1 Did the child receive over half of his or her support from the parents who are: Divorced OR Legally separated under a decree of divorce or separate maintenance OR Separated under a written separation agreement OR Lived apart at all times during the last 6 months of the year?	If YES , go to Step 2. If NO , Table 3 doesn't apply.
step 2 Was the child in the custody of one or both parents for more than half the year? ¹	If YES , go to Step 3. If NO , Table 3 doesn't apply.
step 3 Did the custodial parent (parent with whom the child lived for the greater number of nights during the year) provide the taxpayer a signed written declaration (Form 8332, a copy of Form 8332, or similar document) releasing his or her claim to the exemption for the child?	If YES , the Table 3 exception applies. ² Return to the appropriate step in Table 1 or Table 2. If NO , go to Step 4.
step 4 Are either of the following statements true? The taxpayer has a Post-1984 and Pre-2009 decree ³ or agreement that is applicable for the current tax year and states <i>all three of the following</i> : 1. The noncustodial parent can claim the child as a dependent without regard to any condition, such as payment of support. 2. The other parent won't claim the child as a dependent for the year. 3. The years for which the noncustodial parent can claim the child as a dependent. OR The taxpayer has a Pre-1985 decree of divorce or separation maintenance or written separation agreement between the parents that provide that the noncustodial parent can claim the child as a dependent, and the noncustodial parent provides at least \$600 for support of the child during the current tax year?	If YES , the Table 3 exception applies. Return to the appropriate step in Table 1 or Table 2. If NO , Table 3 doesn't apply.

Footnotes

¹ If the child is emancipated under state law, either by reaching age of majority or other means, child is treated as not living with either parent (see Pub 17).

² **Post-2008 decree or agreement.** If the divorce decree or separation agreement went into effect after 2008, the noncustodial parent can't attach pages from the decree or agreement instead of Form 8332. The custodial parent must sign, and the noncustodial parent must attach to his or her return, either Form 8332, or a copy of Form 8332 or a substantially similar statement the only purpose of which is to release the custodial parent's claim to a child. For an e-filed return, attach and submit the Form 8332 with Form 8453, U.S. Individual Income Tax Transmittal for an IRS e-file Return.

³ **Post-1984 and Pre-2009 divorce decrees or agreements:**

The noncustodial parent must attach all of the following pages from the decree or agreement.

- Cover page (include the other parent's SSN on that page)
- The pages that include all the information identified in (1) through (3) above
- Signature page with the other parent's signature and date of agreement.

Release of exemption revoked

A custodial parent who has revoked his or her previous release of a claim to exemption for a child must attach a copy of the revocation to his or her return. For the revocation to be effective for current tax year, the custodial parent must have given (or made reasonable efforts to give) written notice of the revocation to the noncustodial parent in the prior tax year or earlier. (See Form 8332 for more details)

Other decrees or agreements that don't meet step 4: Non-custodial parents must attach the Form 8332, or a copy of Form 8332 or similar statement to their return.

The following items aren't included in total support:

- Federal, state, and local income taxes paid by persons from their own income
- Social security and Medicare taxes paid by persons from their own income
- Life insurance premiums
- Funeral expenses
- Scholarships received by your child if your child is a student
- Survivors' and Dependents' Educational Assistance payments used for the support of the child who receives them

Completing Dependents Information in ProSeries

For each of the taxpayer's dependents, enter name, TIN, relationship, and date of birth. Then select the Code to indicate the type of dependent.

Federal Information Worksheet						
Part III – Dependent/Earned Income Credit/Child and Dependent Care Credit Information						
First name Last name	MI Suff	Social security number *Relationship	Date of birth (mm/dd/yyyy) Date of death (mm/dd/yyyy)**	Dependent Identity Protection PIN (see tax help) Lived with taxpyr in U.S. Educ Tuition and Fees	Code	Qualified child and dependent care expenses incurred and paid in 2016 Not qual for child tax credit Or non U.S.***
SALLY DOE		***-**-1450 Daughter	**/**/2002	14 E		L
(No entry)						
L- Dependent child who lived with client N- Dependent child who did not live with client due to divorce or separation O- Other dependent Q- Not a dependent (but is a qualifying person for the earned income credit and/or the credit for child and dependent care expenses)						

Select the appropriate Code from the dropdown menu on the second line of each dependent's information in Part III.

Make sure you check the dependent's name against his Social Security card - it is not always the same as the taxpayer's!

Determine the Type of Dependent

Use information on the IRS Intake Sheet and the dependency tests starting on page 64 to determine if the taxpayer can claim a person as a dependent.

Code: A dropdown menu appears for the type of dependent:

L: Dependent child who lived with client

N: Dependent child who did not live with client due to divorce or separation

O: Other dependent*

Q: Not a dependent (but is a qualifying person for the EITC and/or the credit for child and dependent care expenses)**

*Other Dependent refers to a Qualifying Relative - see *Table 2: Qualifying Relative Dependents*

**This is commonly someone who lives with the primary taxpayer but for whom the taxpayer did not provide more than half of their support, or the child of divorced or separated parents who lived with the taxpayer but is claimed as a dependent by the non-custodial parent.

Determine Eligibility for Child Tax Credit, EITC, and Other Credits

Federal Information Worksheet						
Part III – Dependent/Earned Income Credit/Child and Dependent Care Credit Information						
First name	MI	Social security number	Date of birth (mm/dd/yyyy)	Dependent Identity	Qualified child and dependent care expenses incurred and paid in 2018	
Last name	Suff	*Relationship	Date of death (mm/dd/yyyy)**	A G E Lived with taxpayer in U.S.	Protection PIN (see tax help)	Code
SALLY		***-**-1450	**/**/2005	13		
CLIENT LAST NAME		Daughter				

* **Caution:** If claiming child other than taxpayer's see **Relationship** in H
 ** The health care shared responsibility payment calculation does not include
 *** **Caution:** If this person is NOT a U.S. citizen, U.S. national, or a U.S. resident check this box

If the Educ Tuition and Fees box is checked in the dependent table above then
QuickZoom to the Dependent Student Information Worksheet to enter education expenses [QuickZoom](#)

- **Not qualified for child tax credit:** Generally, a credit can be claimed for a qualifying child under the dependency rules who is a U.S. citizen with a SSN issued before the due date for filing the return for the taxable year. For more information see *Volunteer Manual – Credits: Child Tax Credit*, including special rules for dependents of taxpayers who do not have a SSN.
- **EIC:** A dropdown menu appears for the type of qualifying child for the Earned Income Tax Credit (EITC). For more information, see *Volunteer Manual – Credits: EITC*
 - E: Qualifying child
 - H: Qualifying child but also qualifies another person for EITC
 - S: Student age 19 to 23 and younger than taxpayer (enrolled in college at least part-time)
 - D: Disabled child age 19 or older, or disabled child older than taxpayer
 - N: Non-qualifying person
- **Lived with taxpayer in US:** Enter the number of months in the tax year that the dependent lived with the taxpayer. Do not subtract time for temporary absences such as school, illness, vacation, or military service.
- **Education, tuition and fees:** Only include postsecondary education expenses. K-12 expenses may be used for the Illinois return only.
- **Qualified child and dependent care expenses:** Generally, household and care services incurred for a dependent child under age 13 while a taxpayer works or is seeking work qualifies.
 - Fill in the total qualified expenses for each dependent here; Form 2441 will appear in the **Forms In Use** section to the left with errors. The details of the childcare expenses must be filled out later on Form 2441; see *Volunteer Manual – Credits: Child and Dependent Care Expenses*.

Summary of Benefits for Taxpayers Claiming Dependents

Summary of Dependency Requirements					
Tax Benefit	Age	Relationship	Residency ¹	Support	Other
Dependent - Qualifying Child	<19 (or <24 if a full-time student) and must be younger than the taxpayer; or any age if disabled	Child, stepchild, adopted or foster child, sibling, stepsibling, or descendant of any of them.	Lived 1/2+ year with the taxpayer	Child provided \leq 1/2 of his or her own support for the year	Child cannot be claimed by another taxpayer as a dependent
Dependent - Qualifying Relative (QR)	Any age	If unrelated, then must have lived with the taxpayer for the entire year.		Taxpayer provided $>1/2$ the person's total support for the year	Relative's gross income cannot exceed \$4150 ²
Child Tax Credit	<17 and younger than the taxpayer	Child, stepchild, adopted or foster child, sibling, stepsibling, or descendant of any of them.	Lived 1/2+ year with the taxpayer	Child provided \leq 1/2 of his or her own support for the year	Taxpayers with ITINs can claim this credit, but child must have a SSN; child must be claimed as taxpayer's dependent
Credit for Other Dependents	All dependents that do not qualify for the Child Tax Credit provided that they are U. S. citizens, U. S. nationals or resident aliens of the United States				
Earned Income Tax Credit (EITC/EIC)	<19 (or <24 if a full-time student) and must be younger than the taxpayer; or any age if disabled	Child, stepchild, adopted or foster child, sibling, stepsibling, or descendant of any of them.	Lived 1/2+ year with the taxpayer	No support test required, except for married children who cannot provide more than 1/2 their own support.	Taxpayer must have lived in the US for at least half of the year and have a SSN. Qualifying child must have a SSN. Cannot be filing MFS.

¹Special rules for temporary absence, such as illness, education, business, vacation or military service²Does not include Social Security Income or, for disabled persons, income from a sheltered workshop**ADDITIONAL REQUIREMENTS TO FILE HEAD OF HOUSEHOLD**Taxpayer provided $>1/2$ the cost of keeping up the home where they lived over half the year with:.

Their qualifying child as defined above; or

Their qualifying relative as defined above who is their descendant, ascendent, sibling, niece, nephew or in-law (parent does not have to live with them).

FIW Part IV – Earned Income Credit Information

You must answer the first two questions in Part IV in order for the Earned Income Tax Credit (EITC) to be properly calculated for your client:

1. Is the taxpayer or spouse a qualifying child for EITC for another person?

The only time you may need to check “Yes” is for a taxpayer under the age of 19 or a full-time student under age 24 that is a qualifying child for his parents.

2. Was the taxpayer’s home in the United States for more than half of 2018?

The answer to this question is almost always “Yes” because one of TAP’s requirements is that the client is a full-year Illinois resident. However, be aware of dual status alien situations in which a spouse came to the U.S. from abroad during the tax year. Returns for dual status aliens are out-of-scope.

Federal Information Worksheet

Part IV – Earned Income Credit Information

Required to Calculate EIC:

Yes No

☐
☐

Is taxpayer or spouse qualifying child for EIC for another person?

☐
☐

Was taxpayer's (and spouse's if married filing jointly) home in United States for more than half of 2018?

Look carefully at the items in this section and be sure to ask clients if any of these conditions apply

Check Any that Apply:

☐

Social Security card says **Not Valid for Employment** and SSN of the taxpayer, or spouse if married filing jointly, was obtained to get federally funded benefit, such as Medicaid (see Help)

☐

Taxpayer filing as head of household **and** lived with nonresident alien spouse during last six months of 2018

☐

Taxpayer notified by IRS that EIC cannot be claimed in 2018

If taxpayer eligible for earned income credit:

QuickZoom to review and/or enter amounts **not** considered earned income (see Help) [▶ QuickZoom](#)

QuickZoom to "due diligence" Form 8867 (Paid Preparer's EIC Checklist) [▶ QuickZoom](#)



Incomplete or incorrect responses in Part IV are common causes for missing the Earned Income Tax Credit on a taxpayer’s return in ProSeries!

See *Volunteer Manual – Credits: EITC* for more information about the EIC.

Part VI – Electronic Filing of Tax Return Information - Continued

Electronic Filing of Estimated Payments:

☐ Check this box to file state estimated payments electronically (only UBT and FTCS filers only)

* Select the estimated quarterly payments to file electronically. (Multiple quarters can be entered.)

State(s)*

Part VI is for Checkers only

Identity Protection PIN:

If the IRS sent the taxpayer an Identity Protection PIN, enter it here

If the IRS sent the spouse an Identity Protection PIN, enter it here



If the taxpayer or spouse received an Identity Protection PIN, enter the number here. See Volunteer Manual – FIW Part I: Identity Theft for more information



Practitioner PIN Program:

☐ Sign return electronically using Practitioner PIN

Choose one:

- ☐ Automatically generate PIN (equal to last 5 digits of taxpayer's SSN (See help))
- ☐ Taxpayer(s) entered own PIN(s)
- ☐ Preparer entered PIN(s) on behalf of taxpayer(s)

Taxpayer's PIN (enter any 5 numbers)

Spouse's PIN filing a joint return (enter any 5 numbers)

Date PIN entered

QuickZoom to IRS e-file Authentication Statement for multiple information

QuickZoom to Firm/Preparer information if preparer is not ERO

Part VI is for Checkers only

Both Preparers and Checkers skip Part VII.

Part VII – Electronic Filing of Extension Information

Federal Extension

☐ File Form 4868 (option for extension of time to file return) electronically

QuickZoom to Form 4868 to mark freeze box and enter amount paid with Form 4868

QuickZoom to Form 4868 Electronic Filing Info Worksheet

Skip Part VII

FIW Part VIII – Direct Deposit Information and Refund Disbursement Options

Refund Delivery

Federal Information Worksheet

Part VIII – Direct Deposit and Refund Disbursement Options

Pay-by-Refund (collect preparer fees from refund proceeds)

Not Enrolled?
Enroll your firm in Pay-by-Refund by opening the help menu and selecting the Options Setup Wizard then proceeding to the Client Benefit Suite to select Pay-by-Refund.

Already Enrolled?
You are enrolled with: You are not enrolled

QuickZoom to and complete your program's application worksheet:

Santa Barbara Tax Products Group Information Worksheet	QuickZoom
Refund Advantage Information Worksheet	QuickZoom
River City Bank Information Worksheet	QuickZoom
Republic Bank Information Worksheet	QuickZoom
TPG Quick Collect Information Worksheet	QuickZoom

Ladder Up does not use these products

Direct Deposit

Check to confirm transferred account information (which appears in green) is correct ☐

Account type Checking ☐ Savings ☐

Routing number

Account number

Name of Financial Institution (optional)

Select the correct account type

Routing and account numbers for each account used must be provided

QuickZoom to Form 8888 to enter additional accounts QuickZoom

QuickZoom to Form 8888 in order to split refunds between multiple accounts.

See *Volunteer Manual – Client Forms and Quality Review: Client Refund or Amount Due*, page 244 for more information.

Only 3 direct deposit refunds are allowed per financial account. In addition, the refunds can only be deposited into accounts bearing the client's (taxpayer's) name(s).

TONY MAPLE
JENNIFER MAPLE
123 Pear Lane
Anyplace, GA 00000

PAY TO THE ORDER OF \$

ANYPLACE BANK
Anyplace, GA 00000

For

Routing number (line 74b) Account number (line 74d)

Do not include the check number.

1234

15-0000000

1234

Your client may bring in a checkbook, from which you can obtain the routing and account numbers.

Do not include the check number.

Part IX – Electronic Funds Withdrawal Options

Yes No

☐ ☐ Use **electronic funds withdrawal** for **federal balance due** (EF only)**Note:** Complete the Financial Institution Information in the IRS Direct Deposit section above

Payment date for withdrawal

Balance due amount from return

Amount of withdrawal from tax payment

If partial payment, amount of balance due

QuickZoom to Form 9465 to enter information for Installment Agreement Request[QuickZoom](#)**QuickZoom** to estimated tax worksheet to schedule

electronic payment of estimated tax installment (EF only)

[QuickZoom](#)**Electronic Filing of Federal Extension Only:**

Yes No

☐ ☐ Use **electronic funds withdrawal** of **Form 4868 balance due** (EF only)**QuickZoom** to Form 4868 Electronic Filing Info Worksheet to enter debit date and amount ..[QuickZoom](#)

Skip Part IX

FIW Part X – Additional Federal Return Information

Some sections of Part X will be defaulted; for all others, check the appropriate boxes.

Federal Information Worksheet

Part X – Additional Federal Return Information

Audit Assistance & ID Theft Restoration

Audit Assistance & ID Theft Restoration services are provided through Protection Plus. Audit assistance services are provided for the 2018 tax return and ID theft restoration services are provided for a full year.

Already Registered?

- ☐ Check this box if your client wishes to enroll in Protection Plus, Audit Assistance & ID Theft Restoration for this tax return.
By checking this box, I acknowledge that I have read, understood, and agreed to the User Agreement and I agree that this electronic signature has the same full legal force and effect as a handwritten signature or mark. Quick Zoom to User Agreement [QuickZoom](#)
- ☐ If not filing electronically, check this box when you have contacted Protection Plus directly at 866-942-8348 and enrolled your client in Audit Assistance & Identity Theft Restoration.

Not Registered?

Enroll your firm to offer Audit Assistance & ID Theft Restoration by opening the help menu and selecting the Options Setup Wizard and proceeding to the Client Benefit Suite to select Protection Plus Audit Assistance.

Main Form Selection:

- ☒ Use Form 1040 even if taxpayer qualifies to use Form 1040A or 1040EZ
☐ Use Form 1040A even if taxpayer qualifies to use Form 1040EZ

*Always use Form 1040
(will be programmed as
the default)*

Education Expenses:

- ☐ Check if Taxpayer has qualified education expenses
☐ Check if Spouse has qualified education expenses

QuickZoom to the Taxpayer Student Information Worksheet to enter education expenses [QuickZoom](#)
QuickZoom to the Spouse Student Information Worksheet to enter education expenses [QuickZoom](#)

*Usually accompanied by a
Form 1098-T; see Volunteer
Manual – Postsecondary
Education Expenses and
Credits, page 204, for more
information*

Standard Deduction/Itemized Deductions:

- ☐ Itemize even if itemized deductions are less than standard deduction
☐ Married filing separately and spouse itemizes deductions
☐ Use standard deduction even if less than itemized deductions

*Only mark the 2nd
box if applicable*

Real Estate Professionals:

- ☐ Either taxpayer or spouse qualifies for special passive activity rule for taxpayers in real property business (see Help)

Dependent of Someone Else:

- | Yes | No | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Can taxpayer be claimed as dependent of another person (such as parent)? |
| <input type="checkbox"/> | <input type="checkbox"/> | If yes, was taxpayer claimed as dependent on that person's return? |
| <input type="checkbox"/> | <input type="checkbox"/> | Can spouse be claimed as dependent of another person (such as parent)? |
| <input type="checkbox"/> | <input type="checkbox"/> | If yes, was spouse claimed as dependent on that person's return? |

*If your client or client's
spouse can be claimed as
a dependent on another
person's return, be sure to
complete this section*

Presidential Election Campaign Fund:

- | Yes | No | |
|--------------------------|--------------------------|--|
| <input type="checkbox"/> | <input type="checkbox"/> | Does taxpayer want \$3 to go to Presidential Election Campaign Fund? |
| <input type="checkbox"/> | <input type="checkbox"/> | Does spouse want \$3 to go to Presidential Election Campaign Fund? |

*Checking these boxes does not change
the taxpayer's refund amount; for
more information visit www.fec.gov*

FIW Part X – Additional Federal Return Information, Cont.

Credit for Qualified Retirement Savings Contributions (Form 8880):

- Yes No
- ☐ ☐ Is taxpayer a full-time student?
- ☐ ☐ Is spouse a full-time student?

See *Volunteer Manual – Credits: Retirement Savings Contribution Credit* for more information

American Opportunity and Lifetime Learning Credit, and Tuition and Fees Deduction (Form 8863 and 8917)

- Yes No
- ☐ ☐ For 2018, was the taxpayer (or spouse if married) a nonresident alien for any part of the year, and did not elect to be treated as a resident alien?

Credit for the Elderly or Disabled (Schedule R):

- Yes No
- ☐ ☐ Is taxpayer retired on total and permanent disability?
- ☐ ☐ Is spouse retired on total and permanent disability?



See below for definition; See *Volunteer Manual – Credits: Credit for the Elderly or Disabled* to learn more about the credit

Foreign Tax Credit (Form 1116):

- ☐ File Form 1116 even if taxpayer not required to file Form 1116
- Resident country

Form 1116 is **out of scope**; see *Volunteer Manual – Credits: Foreign Tax Credit* to learn more

Excludable Income from Am. Samoa, Guam, Commonwealth of the N. Mariana Islands, or Puerto Rico:

Excludable income of bona fide residents of American Samoa, Guam, or the Commonwealth of the Northern Mariana Islands

Excludable income from Puerto Rico

Dual Status Alien Return:

- ☐ Print 'DUAL-STATUS STATEMENT' on Form 1040
- ☐ Print 'DUAL-STATUS RETURN' on Form 1040

IRS Disaster Tax Relief:

The taxpayer was affected by a natural disaster in 2018

If the taxpayer is entitled to a filing extension or other disaster relief provision as declared by the IRS, enter the appropriate information (see Help)

Partners in a Registered Domestic Partnership or Civil Union:

- ☐ Taxpayer is in a Registered Domestic Partnership or civil union.
- Also, check one of the following (see Help):**
- ☐ This return is taxpayer's individual federal return to be filed with the IRS
- ☐ This is taxpayer's joint return for filing joint state return only

Note: If taxpayers file MFJ on the federal return, then the state of IL will recognize the same status.



Total and permanent disability means that the taxpayer has an illness lasting more than 12 months preventing gainful employment for a taxpayer.

FIW Parts XI, XII: SKIP THESE PARTS

Volunteers should not make any changes to these parts, as ProSeries automatically populates relevant information.

Part XI – Part-Year and Nonresident State Return Filing Information Only

Caution: You do **not** need to enter any State information below unless a part-year or nonresident tax return must be filed or the state listed in Part I has changed since 12/31/2015.

State of residence as of 12/31/2015 ...

- ☐ Full-year resident
☐ Part-year resident

If part-year resident, state residence established ...
 Former state of residence ...

- ☐ Nonresident State File - Taxpayer needs to file nonresident state return(s) in 2015
 Enter nonresident state(s) ID below:

State	Residency Status	Dates of Residency (Part-Year Residents only)					
		Taxpayer			Spouse (if different)		
			To			To	
			To			To	
			To			To	
			To			To	

Part XII – Client Letter Information

Taxpayer's first name salutation
 Spouse's first name salutation
 Primary state ID

Multiple State Client Letter - Excluded state(s)/Country Information

Enter in table state/country you do not want to appear in taxpayer and recipient letter. Enter two character state postal code for state returns and three character city code for city returns. (See Help)

QuickZoom to Form 1040

QuickZoom

Identity Verification Worksheet

As part of enhanced security updates, you must now complete an Identity Verification Worksheet in ProSeries to document how you verified a taxpayer's and/or spouse's identity. This worksheet will populate during the checking process once e-file has been selected for the client.

Select "does not have driver's license or state id", the information is not required in the State of Illinois and saves time.

Identity Verification Worksheet	
▶ See tax help for more information on identity verification	
Name(s) Shown on Return SMITH JUSTIN & MARTHA WASHINGTON	Social Security Number ***-**-1234
Driver's License or State Id Information Required for electronic filing, either complete the driver's license or state id detail information below or select the appropriate box for taxpayer and spouse to indicate why driver's license or state id information is not present.	
Note: Providing identification numbers helps the IRS and states verify taxpayer identity which can prevent unnecessary delays in tax return processing.	
All identity verification information should be entered here and will automatically flow to the state return.	
Taxpayer/Spouse does not have a driver's license or state id <input checked="" type="checkbox"/> Taxpayer Note: Alabama does not allow this option <input checked="" type="checkbox"/> Spouse	
Taxpayer/Spouse did not provide driver's license or state id information <input type="checkbox"/> Taxpayer Note: Alabama, New Mexico, New York and Ohio do not allow this option <input type="checkbox"/> Spouse	
Check to confirm transferred driver's license or state id information (which appears in green) is correct <input type="checkbox"/> Note: Transfer not available for returns with Alabama, Iowa, or New York state taxes. See tax help for more information.	
Driver's License Detail	
Taxpayer: Issuing state <input type="text"/>	Spouse: Issuing state <input type="text"/>

Income: Overview

The following are examples of common income document types you will see at Ladder Up tax sites. Use “Common Forms” to the left of the screen or the “Forms” button on the tool bar in order to complete the appropriate worksheet, form, or schedule within ProSeries.

Client's Form	Description	Form 1040 Line #	In ProSeries, Complete:	See Page #
W-2	Wages and Salaries	1	W-2 Worksheet	86
1099-INT	Interest	2a 2b	Interest Income Worksheet on Schedule B	91
1099-DIV	Dividends	3a 3b	Dividend Income worksheet on Schedule B	93
1099-MISC	Box 7: Miscellaneous Income, Box 2: Royalties or Box 3: Prizes, Awards, Jury Duty	Sched 1, line 12 Sched 1, line 21	1099-MISC Worksheet and Schedule C (Expenses > \$25,000 are <u>out-of-scope</u>)	97
1099-K	Payment Card and Third Party Network Transactions	Sched 1, line 12	Form 1099-K worksheet	104
1099-B	Capital Gain (or loss)	Sched 1, line 13	Schedule D “Capital Gains and Losses Condensed Entry Table” where basis is not reported to the IRS or line 1a (short-term) or 8-a (long-term) where basis is reported.	110
1099-R	Distribution from IRAs or Distribution from Retirement Plans	4a 4b	1099-R Worksheet (Distribution codes 5, 6, 8, 9, A, E, J, K, N, P, R, T, U and W are all <u>out-of-scope</u>)	121
1099-G	Unemployment Compensation or Taxable State Tax Refund	Sched 1, line 19 Sched 1, line 10	1099-G Worksheet	127
SSA-1099	Social Security Benefits	5b	Social Security Benefits Worksheet	132
RRB-1099	Railroad Retirement Benefits	5b	Social Security Benefits Worksheet and 1099-R Worksheet	132
W-2G	Certain Gambling Winnings	Schedule 1, line 21	Form W-2G Worksheet	140
1099-C	Cancellation of Debt	Schedule 1, line 21	1099-C Worksheet	143
1098-T	Tuition Statement (Scholarships & Grants)	1 With SCH annotation	Student Information Worksheet and 1098-T Worksheet	215
1098-E	Student Loan Interest	Schedule 1, line 33	1098-E Student Loan Interest Deduction Worksheet	161

Taxpayers may be missing documents showing their income for a few reasons:

- Missing W-2: The taxpayer has not received a W-2 from his employer. If this is the case, we cannot file their taxes until they return with all documents for the tax year.
- Alimony/Maintenance: The taxpayer or spouse receives alimony or separate maintenance payments made under a court order. See *Volunteer Manual – Income: Alimony Payments Received* for more information. Note that payments made under an agreement executed before 1985 are out of scope of the program.
- Cash Income: The taxpayer was paid in cash. See *Volunteer Manual – Income: Cash Income* for steps to report cash income.

All income is taxable unless it is specifically excluded by law. The Income section of Form 1040 lists possible income sources, and includes both earned and unearned income. See *Volunteer Manual – Credits: EITC* for information about what qualifies as earned income.

Taxable Income

Taxable income is any income that is subject to tax. It must be reported on a tax return, unless the amount is so small that the individual is not required to file a return. Many types of taxable income are reported on a W-2 or 1099 form.

Nontaxable Income

Nontaxable income is income that is exempt from tax. If a return must be filed, some types of nontaxable income will be shown on the return but will not be added into the amount of income subject to tax.



Do not confuse taxable vs. nontaxable income with earned vs. unearned income.

Taxable Income – continued

- | | | |
|---|---|--|
| - Wages, salaries, bonuses, commissions | - Gambling winnings | - Recovery of prior-year deduction ² (<i>medical, property taxes, etc.</i>) |
| - Alimony | - Hobby income | - Refund of state taxes ² |
| - Annuities | - Interest | - Rents (gross rent) |
| - Awards | - Interest on life insurance dividends | - Rewards |
| - Back pay | - IRA distributions | - Royalties |
| - Breach of contract | - Jury duty fees | - Severance pay |
| - Business income/Self-employment | - Military pay (not exempt from taxation) | - Self-employment |
| - Compensation for personal services | - Military pension | - Social Security benefits - portion may be taxable- (<i>See page 132</i>) |
| - Debts forgiven ¹ | - Non-employee compensation | - Supplemental unemployment benefits |
| - Director's fees | - Notary fees | - Taxable scholarships and grants |
| - Disability benefits (employer-funded) | - Partnership, Estate, and S-Corporation (<i>Schedule K-1s, Taxpayer's share</i>) | - Tips and gratuities |
| - Discounts | - Pensions | - Unemployment compensation |
| - Dividends | - Prizes | - Worldwide income |
| - Employee awards | - Punitive damage | |
| - Employee bonuses | - Railroad retirement – Tier I (portion may be taxable) | |
| - Estate and trust income | - Railroad retirement – Tier II | |
| - Farm income | | |
| - Fees | | |
| - Gains from sale of property or securities | | |

Footnotes:

1. If the taxpayer received a Form 1099-C, Cancellation of Debt, in relation to his main home, it can be nontaxable
2. If itemized in year paid and taxes were reduced because of deduction

Taxable vs. Nontaxable Income, Cont.

Nontaxable Income

- Aid to Families with Dependent Children (AFDC)
- Child support
- Damages for physical injury (other than punitive)
- Death payments
- Dividends on life insurance
- Federal Employees' Compensation Act payments
- Federal income tax refunds
- Gifts
- Inheritance³ or bequests
- Insurance proceeds: Accident, Casualty, Health, Life
- Interest on tax-free securities
- Interest in EE/I bond redeemed for qualified higher education expenses
- Meals and lodging for the convenience of employer
- Payments to the beneficiary of a deceased employee
- Relocation payments
- Payments or payments in lieu of worker's compensation
- Rental allowance of clergyman
- Sickness and injury payments
- Social Security benefits - portion may be nontaxable – *see page 132*
- Supplemental Security Income (SSI)
- Temporary Assistance for Needy Families (TANF)
- Veterans' benefits
- Welfare payments (including TANF) and food stamps
- Worker's compensation and similar payments

Footnotes:

3. If the taxpayer received a Form 1099-C, Cancellation of Debt, in relation to their main home, it can be nontaxable
4. If itemized in year paid and taxes were reduced because of deduction.
5. An inheritance is not reported on the income tax return, but a distribution from an inherited pension or annuity is subject to the same tax as the original owner would have had to pay.

Enter Income in ProSeries

Income can generally be entered using the Forms Bar on the left or by using the Forms button on the tool bar.

The screenshot displays the ProSeries software interface. The main window is titled "Federal Information Worksheet" and contains various sections for entering taxpayer information, including "Dependent of Someone", "Presidential Election", "Credit for Qualified Retirement Investments", "American Opportunity Credit", "Credit for the Elderly or Disabled", and "Foreign Tax Credit (Form 1116)".

An "Open Forms" dialog box is open, showing a list of forms available for entry. The dialog box includes a search bar and a list of forms organized by category. The "FORMS INDEX" section lists the following forms:

- 1040 Wks
- Info Wks
- Healthcare Wks (1 Error)
- Client Billing
- Common Forms
- Schedule 1
- Schedule 2
- Schedule 3
- Schedule 4
- Schedule 5
- Schedule 6
- Info Wks
- Form 1040A
- W-2 Wks
- 1099-G Wks
- 1099-R Wks
- 1099-MISC Wks
- Social Sec
- Schedule A
- Schedule B
- Schedule C
- Schedule D
- Schedule E Wks
- K-1 Partner
- K-1 S Corp
- K-1 Trust
- Form 2106
- Form 2441
- Education Costs
- Client Status
- Can't find a form...
- General Info.
- EF & Banking
- Income

The "Open Forms" dialog box also includes a search bar and a list of forms organized by category. The "FORMS INDEX" section lists the following forms:

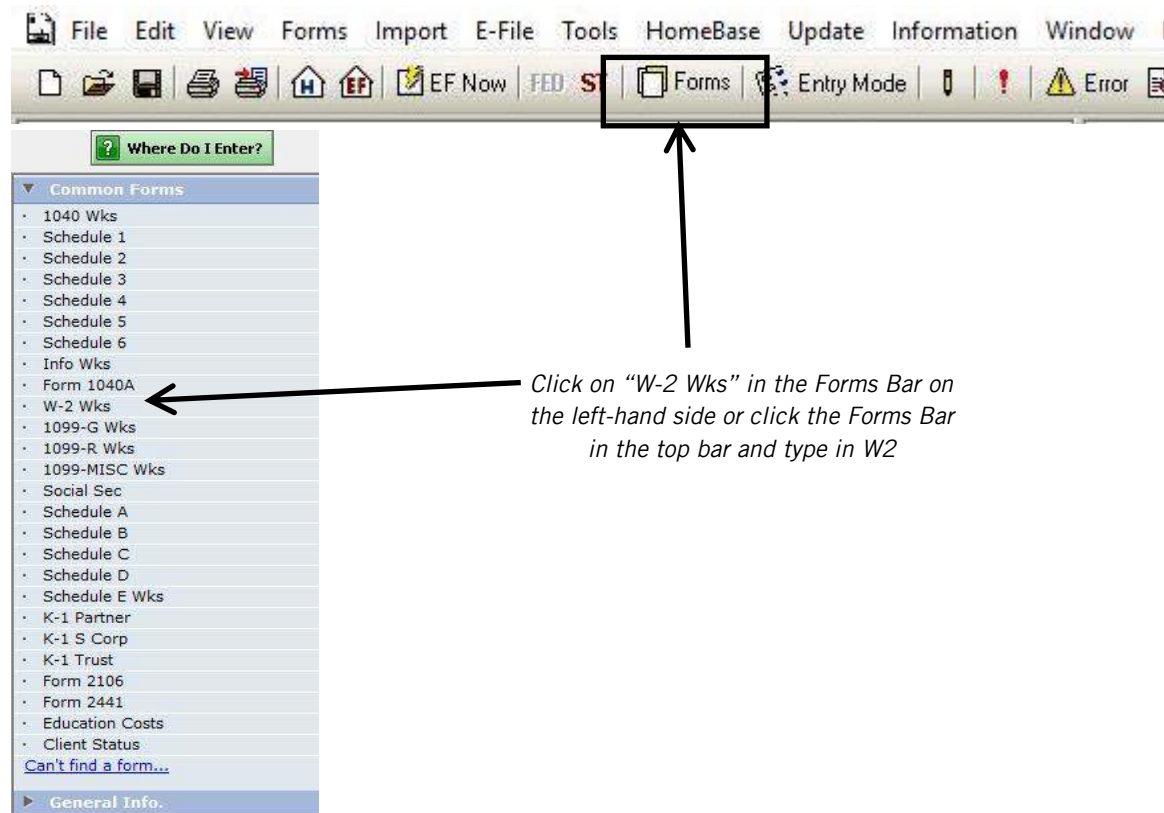
- Id Verification
- Client Status
- W-2 Wks
- W-2G Wks
- 1098-T Wks
- Form 1099-K Wks
- 1099-MISC Wks
- 1099-G Wks
- St Refund Wks
- Form 1099-Q
- ESA/QTP Wks
- 1099-R Wks
- IRA Contrib Wks
- IRA Info Wks
- Canada RRP Wks
- 1099-SA Wks
- Wages, etc. Wks
- Earned Inc Wks
- Keogh/SEP Wks
- Social Sec Wks
- Other Income
- NOL Worksheet
- NOL Class
- Health LTC Wks
- Student Loan
- Educator Exp
- Education Costs
- Student Info-T
- Student Info-S
- Student Info-D
- Tax Payments
- Std Dedn Wks
- Exemptions
- Dep Support
- Qual Div/Cap Gn
- Child Tax Cr
- EF Info Wks
- EF Auth Stmt
- EF Quick Coll
- QC Fee Disc
- EF TPG Wksht
- RT App 1-4
- RT App 5-6
- RT Fee Disc
- Consent to Use
- Consent to Disc
- EF Refund Adv
- ER App RA p1-7
- ER App RA p8-9
- 7216 Use RA
- 7216 Disclo RA
- QBI Ded Wksht
- QBI Summary
- EF Republic Bnk
- RB Oral Disc
- RB Need to Know
- RB App & Agmt
- RB IL Disc
- RB ME Disc
- RB MD Disc
- RB MN Disc
- RB NY Disc
- RB Use Cnsnt
- RB Disc Cnsnt
- EF River City
- RCB Agreement
- RCB Use Consent
- RCB Disc Cnsnt
- Aud Asst Mbrshp
- AA Prep Agrmt
- AA Use Cnsnt
- AA Disc Cnsnt
- Schedule A
- Medical Wks
- State Tax Ded
- Recovery Excl



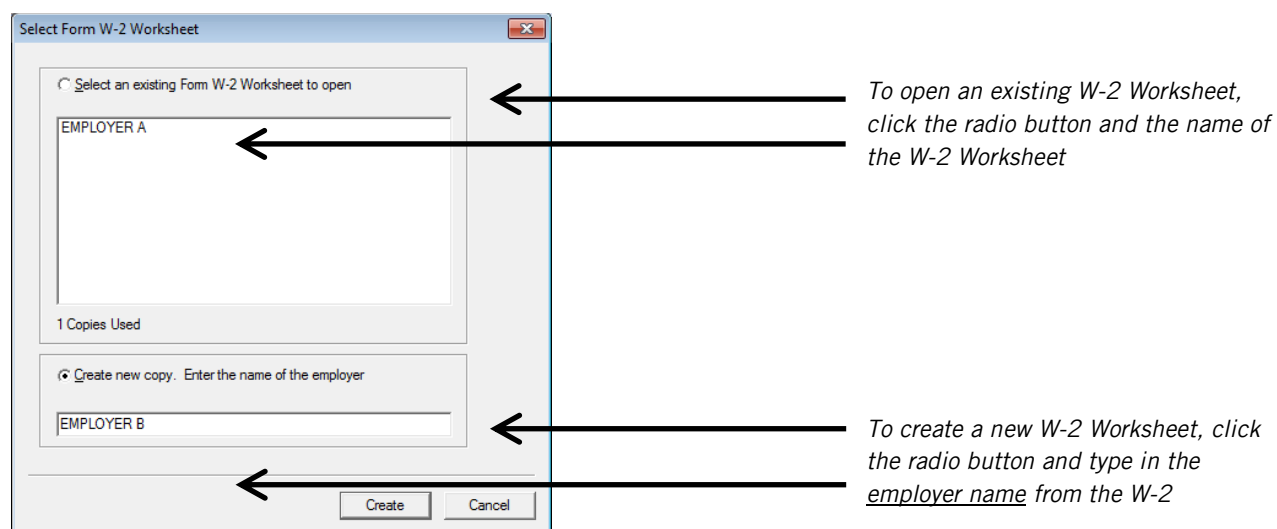
Be sure to reference *Volunteer Manual – Site Operations: Out of Scope Situations* to determine if the taxpayer has any sources of income that are out of scope of the program.

W-2 Worksheet

In ProSeries, W-2 income information is entered using a W-2 Worksheet. A separate W-2 Worksheet must be created for each W-2 the taxpayer and spouse have. To start or edit a W-2 worksheet use the Forms Bar.



This will bring up the "Select Form W-2 Worksheet" dialog box, as shown below:



See the next page for details about filling out a W-2 Worksheet.

The W-2 Worksheet in ProSeries must be an exact copy (box for box) of the original W-2 given to you by the client.

Form W-2 Worksheet (EMPLOYER B)

Form 1040 Form W-2 Worksheet
► Keep for your records

Name as shown on return
JOHN DOE

Social Security Number
874-56-5213

QuickZoom to another W-2 Worksheet to enter another Form W-2
QuickZoom to W-2 and W-2G Summary to see a summary of Forms W-2

Employer EIN
Employer Name **EMPLOYER A**
Name (cont.)
Street Address or P. O. Box
City State ZIP Foreign Addr. ☐
Foreign Country

☐ Spouse's W-2 ☐ Do not transfer this W-2 to next year
☐ Automatically calculate lines 3 through 6 and line 16.
Caution: Box 12 entries for deferred compensation will change lines 3 through 6 automatically.

1 Wages, tips, other comp 2 Federal tax withheld
3 Social security wages 4 Social sec tax withheld
5 Medicare wages and tips 6 Medicare tax withheld
7 Social security tips 8 Allocated tips
► Enter unreported tips in Part III on Page 2 below.

13b ☐ Retirement plan
☐ Foreign source income eligible for exclusion on **Form 2555**
☐ Active duty military pay
QuickZoom to elect to include non-taxable combat pay in income for EIC QuickZoom

Box 12 Code	Box 12 Amount	If Box 12 code is:
		A: Enter amount attributable to RRTA Tier 2 tax
		M: Enter amount attributable to RRTA Tier 2 tax
		P: Double click to link to Form 3903, line 4
		R: Enter MSA contribution for Taxpayer
		Spouse
		W: Enter HSA contribution for Taxpayer
		Spouse
		G: <input type="checkbox"/> Employer is not a state or local government

Box 15 State	Employer's state I.D. no.	Box 16 State wages, tips, etc.	Box 17 State income tax

Box 20 Locality name	Box 18 Local wages, tips, etc.	Box 19 Local income tax	Associated State

9 Verification Code 9
10 Dependent care benefits (Check if employer furnished care at work) ☐ 10
Dependent care benefits - Amount forfeited from flexible spending account
11 Distributions from Section 457 and other nonqualified plans (See help, if EIC, Child Care, Child Tax Credit, or IRAs.) 11

Caution! Be sure to double check that all amounts match the W-2 after you fill in lines 1 and 2

Don't forget STATE tax information

Check this box if entering the spouse's W-2

Check this box to automatically calculate lines 3-6 and 16. Fill in or check off all other boxes

Select codes from the drop-down

Keep in mind:

- Every lettered or numbered box with a value on the W-2 should be entered onto the ProSeries W-2 Worksheet.
- The most commonly used fields are near the top of the W-2 Worksheet.
- Box 13 information from the W-2 is entered in one of three places, depending on the information:
 - Retirement plan is just *above* Box 12. This is the most commonly checked box.
 - Statutory employee is halfway down the worksheet, in Part I.
 - Third-party sick pay is near the *bottom* of the worksheet, in Part VI.
- The Employer's State ID number is sometimes different from the federal EIN – be sure to enter the correct one. If the Employer's State ID number is blank, use the federal EIN.
- Create a separate W-2 Worksheet for each W-2 that the taxpayer and spouse have.

Note: Use Form 4137 to figure the Social Security and Medicare tax owed on tips that the client did not report to his employer, including any allocated tips shown on Form (s) W-2 that he must report as income. He must also report the income on Form 1040, line 7. By filing this form, his Social Security and Medicare tips will be credited to his Social Security record.

ITIN Clients

A client with an ITIN may have a W-2 showing a Social Security number. In that instance, scroll down to the **bottom of the W-2 Worksheet** and enter the SSN that you see on the paper W-2. The client's ITIN is his true taxpayer ID number, but the W-2 Worksheet must be changed to reflect exactly what appears on the paper W-2 or else the return will be rejected when e-filed. If the paper W-2 shows a truncated SSN, ask the taxpayer what the full number is.

You can also utilize this portion of the W-2 Worksheet to correct any other employee information including name and address.

For more information on ITIN numbers set to expire this year, see *Volunteer Manual – What's New*, page 5.

Form W-2 Worksheet (EMPLOYER A)

13 c ☐ Third-party sick pay
☐ Non-standard W-2 (handwritten, typewritten, or altered in any way)
☐ Corrected W-2
☐ Income from Paid Family Leave
 Control number (optional)

Employee information: Correct to match employee information on W-2

Employee's SSN. **874-56-5213** ←

First name M.I. Last name Suff.
JOHN **DOE**

Address City St ZIP code
233 MAIN STREET, Apt. 2 **Chicago** **IL** **60606**

Foreign Country

Fill in the SSN that appears on the W-2 here

Scholarship and Fellowship Payments

If the taxpayer received a Form W-2 for a scholarship or fellowship, include the information on a new W-2 Worksheet as you would any other W-2. Scholarships and fellowships may be fully or partially taxable. See the *Volunteer Manual – Credits: Postsecondary Education Expenses* section starting on page 205 for more information about tuition, grants and scholarships, including Form 1098-T amounts.

Form 1099-INT: Interest Income

VOID CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.

Payer's RTN (optional)

OMB No. 1545-0112

20 --

Form 1099-INT

Interest Income

Copy 1

For State Tax Department

1 Interest income

2 Early withdrawal penalty

3 Interest on U.S. Savings Bonds and Treas. obligations

4 Federal income tax withheld

5 Investment expenses

6 Foreign tax paid

7 Foreign country or U.S. possession

8 Tax-exempt interest

9 Specified private activity bond interest

10 Market discount

11 Bond premium

12 Bond premium on Treasury obligations

13 Bond premium on tax-exempt bond

14 Tax-exempt and tax credit bond CUSIP no.

15 State

16 State identification no.

17 State tax withheld

Form 1099-INT

www.irs.gov/form1099int

Department of the Treasury - Internal Revenue Service

Interest income is typically reported to the taxpayer on Form 1099-INT.

Box 1 shows taxable **interest income** and is reported on Form 1040, line 2b.

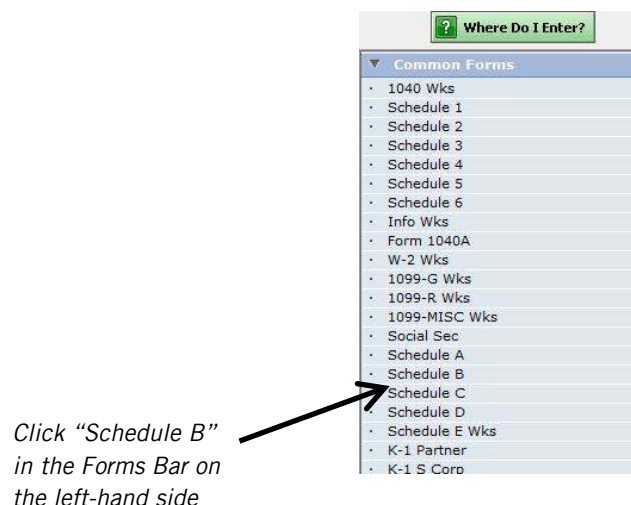
Box 2 shows any **early withdrawal penalty** amount and is an adjustment to income reported on Form 1040, Schedule 1, line 30. Some taxpayers withdraw funds from a time deposit before the maturity date of the account and, therefore, incur an interest penalty. See *Volunteer Manual – Adjustments to Income: Penalty on Early Withdrawal* for information about the adjustment to income.

Box 3 shows **interest on United States savings bond and Treasury obligations**. Be sure to ask the taxpayer about this interest income.

If a taxpayer received less than \$10 in interest income from an individual payer in the tax year, the payer may choose not to issue a form 1099-INT. However, the taxpayer must still report all interest income on the tax return.

Some interest is not taxable; examples include state and local bonds, qualified Series EE and Series I savings bonds used to pay higher education expenses, and interest earned on a traditional IRA.

In ProSeries, 1099-INT information is entered using the **Interest Income Smart Worksheet on Schedule B**.



Interest Income Smart Worksheet

Be sure to use Part I – Interest and not Part II – Ordinary Dividends on Schedule B. Information from multiple 1099-INT forms is entered directly into this Smart Worksheet.

Schedule B: Interest & Dividend Income

Interest Income Smart Worksheet

Payer's Name Double-Click on payer to enter additional info	Box 1 Interest Inc. OID Int*	Box 2 Early Withdrawal Penalty	Box 3 US Savings Bond/Treas. Obligations	Box 8 Tax-exempt Interest	Box 9 Private Activity Bond
MY BANK	35.				

1. Enter the Payer's Name found on Form 1099-INT

2. Enter the amount from Box 1 into the worksheet.

3. Select an Interest Type from the drop-down menu - most of the time, this will be blank for regular taxable interest

(blank) Regular taxable interest

ME1 - ME bond interest in federal income

MD1 - MD nontaxable int -taxable federal

MA1 - MA bank interest

NH1 - NH nontaxable int -taxable federal

NJ1 - NJ nontaxable int -taxable federal

TN1 - TN nontaxable int -taxable federal

WV1 - WV bond interest in federal income



If there are amounts in Boxes 6 or 7 of Form 1099-INT, do not enter them on this worksheet. Instead, see *Volunteer Manual – Credits: Foreign Tax Credit* for more information.

CORRECTED

entry, ZIP Payer's RTN (optional) OMB No. 1545-0112

1 Interest income 20 --

\$ Form 1099-INT

2 Early withdrawal penalty

number \$

3 Interest on U.S. Savings Bonds and Treas. obligations

\$

4 Federal income tax withheld 5 Investment expenses

\$ \$

6 Foreign tax paid 7 Foreign country or U.S. possession

\$ \$

Interest Income

Copy 1

For State Tax Department

If the total interest received is under \$1,500, the total is simply transferred and reported on lines 2a and 2b of Form 1040. However, if total interest received is greater than \$1,500, ProSeries will generate Schedule B to be filed with the return. If this occurs, be sure to address all errors that may appear on Schedule B, such as questions about Foreign Accounts and Trusts.

Form 1099-DIV: Dividends and Distributions

<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0110 20 -- Form 1099-DIV		Dividends and Distributions Copy 1 For State Tax Department
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1a Total ordinary dividends \$	2a Total capital gain distr. \$	
PAYER'S federal identification number RECIPIENT'S identification number		1b Qualified dividends \$	2b Unrecap. Sec. 1250 gain \$	
RECIPIENT'S name		2c Section 1202 gain \$	2d Collectibles (28%) gain \$	
Street address (including apt. no.)		3 Nondividend distributions \$	4 Federal income tax withheld \$	
City or town, state or province, country, and ZIP or foreign postal code		5 Investment expenses \$	6 Foreign tax paid \$	
Account number (see instructions)		7 Foreign country or U.S. possession \$	8 Cash liquidation distributions \$	
FATCA filing requirement <input type="checkbox"/>		9 Noncash liquidation distributions \$	10 Exempt-interest dividends \$	
		11 Specified private activity bond interest dividends \$	12 State 13 State identification no. \$ \$	
		14 State tax withheld \$		

Form **1099-DIV** www.irs.gov/form1099div Department of the Treasury - Internal Revenue Service

Dividends and distributions are reported to the taxpayer on Form 1099-DIV.

Box 1a shows the **total ordinary dividends** amount and is reported on Form 1040, line 3b. Ordinary dividends are corporate distributions paid in cash. They come from a corporation's net earnings and profits.

Box 1b shows the **qualified dividends** amount and is reported on Form 1040, line 3a. Qualified dividends are eligible for a lower tax rate than other ordinary income.

Box 2a shows the **total capital gains distributions** amount and is reported on Form 1040, Schedule 1 line 13. These are distributions paid to shareholders out of profitable investment sales from the company's portfolio, and are not a result of the taxpayer's sale of shares.

Boxes 2b through 2d involve advanced topics regarding capital gains and Schedule D.

In ProSeries, 1099-DIV information is entered using the Dividend Income Smart Worksheet. You can open it by clicking Schedule B in the Forms Bar on the left-hand side of the screen, or through the 1040 Postcard page 2.

1040 Wks: 1040 Worksheet

1040 Postcard page 2

QuickZoom ... QuickZoom

1040 Postcard page 2, lines 1 -3a

QuickZoom ... QuickZoom

Wages, salaries, tips, etc. Attach Form(s) W-2
Taxable interest. Attach Schedule B if required
Tax-exempt interest. **Do not** include on line 8a
 Ordinary dividends. Attach Schedule B if required
 Qualified dividends (see instrs)

Dividend Income Smart Worksheet

Be sure to use Part II – Ordinary Dividends and not Part I - Interest on Schedule B. Information from multiple 1099-DIV forms is entered directly into this Smart Worksheet.

Schedule B: Interest & Dividend Income

Part II – Ordinary Dividends (Enter all dividend income here)

Enter dividend income in the Smart Worksheet below. **Double-Click** from each line to enter additional information for that dividend. This includes section 1202 gains, collectibles, (28%), US treasury interest on dividends, investment expenses, withholding, exempt-interest dividends, private activity bonds, adjustments, margin interest, and foreign tax amounts.

Dividend Income Smart Worksheet					
Payer's Name Double-Click on payer to enter additional info	Box 1a Tot Ordinary Dividends	Box 1b Qualified Dividends	Box 2a Cap. Gain Distrib.	Box 2b Unrecap. Sec 1250	Box 3 Nondividend Distributions
INTERNATIONAL VALUE FUNDS	881.	600.	125.		

Enter the Payer's Name found on Form 1099-DIV

Enter the amounts from Box 1a, 1b, 2a and 3 into the corresponding boxes on the worksheet



If there are amounts in Boxes 6 or 7 of Form 1099-DIV, do not enter them on this worksheet. Instead, see *Volunteer Manual – Credits: Foreign Tax Credit* for more information.

CORRECTED

entry, ZIP	1a Total ordinary dividends	OMB No. 1545-0110	Dividends and Distributions
	1b Qualified dividends	20 --	
	2a Total capital gain distr.	Form 1099-DIV	Copy 1 For State Tax Department
	2b Unrecap. Sec. 1250 gain		
number	2c Section 1202 gain	2d Collectibles (28%) gain	
	3 Nondividend distributions	4 Federal income tax withheld	
	5 Investment expenses	6 Foreign tax paid	
code	7 Foreign country or U.S. possession	8 Cash liquidation distributions	
	9 Noncash liquidation distributions	10 Exempt-interest dividends	
FCA filing	11 Specified private activity		

If the total dividend income received is under \$1,500, the total is simply transferred and reported on lines 3a and 3b of Form 1040. However, if total dividend income received is greater than \$1,500, ProSeries will generate Schedule B to be filed with the return. If this occurs, be sure to address all errors which may appear on Schedule B, such as questions about Foreign Accounts and Trusts.

Cash Income

Cash income is income received as self-employment or in the form of cash from services. Income is considered self-employment if the taxpayer had a trade or business with a mission to make a profit.

Reporting Requirement

All taxpayers are required to report all income from cash, services, and property unless a specific law states otherwise. This includes cash earned from side jobs, barter exchanges of goods and services, awards, and gambling proceeds. Income must be reported even if the taxpayer did not receive a 1099-MISC.

There is no minimum amount that a taxpayer may exclude from gross income. It is a common taxpayer misconception that if a taxpayer did not receive a 1099-MISC or did not earn more than \$600, the income does not need to be reported.



State Agency Payments for Child Care

Payments from state agencies to family caregivers who care for children are taxable and may be found on Form 1099-MISC in either box 7 or box 3. If family caregivers are **not conducting a business** of caring for children, this income is reported on Form 1040, Schedule 1 line 21 (other income). If the family caregivers are conducting a business of caring for children, this income is reported on Schedule C-EZ/C. State agencies may not know if the family caregiver(s) are operating a business and may prefer to report the payments on Form 1099-MISC, box 7.

Where to Report

Income reported in box 7 of the 1099-MISC is considered non-employee compensation. After being entered in the 1099-MISC worksheet it is reported on Schedule C, line 1. For more information, see *Volunteer Manual – Income: Form 1099-MISC* and *Volunteer Manual – Income: Schedule C*.

Other income is reported on Form 1040, Schedule 1 line 21. Other income is subject to income tax.

In general, the following are out-of-scope:

- Had a business with expenses of over \$25,000
- Used an accounting method other than cash
- Had inventory or cost of goods sold at any time during the year
- Had employees or contract labor
- Had a net loss from this business
- Had vehicle leases of over 30 days
- Actual auto expenses (including if used actual expenses for same car in a prior year)
- Received any credit card or similar payments that included amounts that are not includable in income
- Is required to file Form 4562, Depreciation and Amortization
- Has expenses for business use of his home
- Has prior-year unallowed passive activity losses from his business
- Hobby or not-for-profit activities
- Income from controlled substances (such as marijuana)
- Needs to file any type of Form 1099

Business Expenses In Scope for VITA:

- Advertising
- Car and Truck Expenses (actual expenses are out-of-scope, see a full list on page 107)
- Commission and Fees (\$600 or more is out-of-scope if Form 1099 is required)
- Insurance (for example, professional liability)
- Other Interest (operating loans – not mortgage interest)
- Utilities
- Legal and Professional Services
- Office Expense
- Rent or Lease (vehicle leases of more than 30 days are out-of-scope)
- Repairs and Maintenance (capital property is out-of-scope)
- Supplies
- Taxes and Licenses
- Travel and Meals

Supporting Documents for Cash Income – Recordkeeping

Supporting documents of gross receipts must be kept by the taxpayer. Examples include:

- Cash register receipts
- Bank statement and deposit slips
- Receipt books
- Invoices
- Credit card charge slips
- Forms 1099-MISC
- Any format the taxpayer uses to keep a consistent record of business receipts

Form 1099-MISC: Miscellaneous Income

<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED					
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Rents	OMB No. 1545-0115 20 -		Miscellaneous Income
		\$			
		2 Royalties	\$	Form 1099-MISC	
PAYER'S federal identification number	RECIPIENT'S identification number	3 Other income	4 Federal income tax withheld	Copy 1 For State Tax Department	
		\$	\$		
RECIPIENT'S name Street address (including apt. no.) City or town, state or province, country, and ZIP or foreign postal code		5 Fishing boat proceeds	6 Medical and health care payments		
		\$	\$		
		7 Nonemployee compensation	8 Substitute payments in lieu of dividends or interest		
Account number (see instructions)		FATCA filing requirement <input type="checkbox"/>	9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds	
			\$	\$	
			11	12	
13 Excess golden parachute payments		14 Gross proceeds paid to an attorney			
\$		\$			
15a Section 409A deferrals	15b Section 409A income	16 State tax withheld	17 State/Payer's state no.	18 State income	
\$	\$	\$		\$	

Form **1099-MISC** www.irs.gov/form1099misc Department of the Treasury - Internal Revenue Service

Taxpayers with earnings reported on Form 1099-MISC, Box 7, are considered to be self-employed or independent contractors. These amounts are reported on Schedule C-EZ or Schedule C¹.

Box 3 shows payment amounts from various sources such as the beneficiary of a deceased employee, prizes, awards, or taxable damages.

Box 4 shows any backup withholding. This amount is reported as federal income tax withheld.

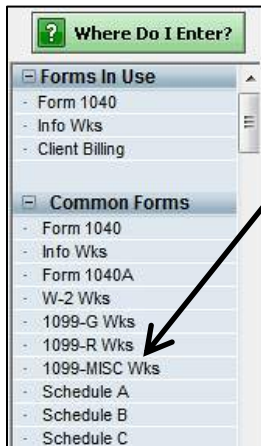
Box 7 shows nonemployee compensation. If earnings are reported in this box, the taxpayer is generally considered to be **self-employed** or an independent contractor (although state caregiver payments aren't always). These amounts are reported on Schedule C-EZ or **Schedule C**.² Read below for further information about self-employment income.

¹Note: Ladder Up volunteers should always use Schedule C in ProSeries.

²Net losses and profits are reported on Form 1040, Schedule 1 line 12. Clients did not necessarily "have a business," but simply performed services in which it was determined that an employer-employee relationship did not exist. Taxes were not taken out of the amount recorded on the 1099-MISC and the client will owe taxes on that amount.

Clients may need to complete Schedule SE, Self-Employment Tax, and pay self-employment tax on their net earnings from self-employment if the net earnings from self-employment were \$400 or more. This is the method by which self-employed persons, or those considered self-employed, pay into the Social Security and Medicare trust funds. ProSeries automatically calculates self-employment tax when necessary.

1099-MISC Worksheet



In ProSeries, 1099-MISC information is entered using a 1099-MISC Worksheet. As with the W-2 Worksheet, a separate 1099-MISC Worksheet must be created for each 1099-MISC that the taxpayer and spouse have. Use the Forms Bar on the left to create a new or edit an existing 1099-MISC Worksheet.

To open an existing 1099-MISC Worksheet, click the radio button and the name of the 1099-MISC Worksheet

To create a new 1099-MISC Worksheet, click the radio button and type in the payer name from the 1099-MISC

Continue to the next page for details about filling out a 1099-MISC Worksheet and Schedule C, if necessary.

1099-MISC Worksheet, Cont.

Form 1099-MISC Worksheet (CHICAGO CLEANERS)

Form 1099-MISC Income Worksheet

Name(s) Shown on Return _____ Social Security Number _____

QuickZoom to another Form 1099-MISC Worksheet _____ QuickZoom
 QuickZoom to the Form 1099-MISC Summary _____ QuickZoom

Payer's EIN 23-XXXXXXX or SSN _____
 Payer's Name CHICAGO CLEANERS
 Name (cont.) _____

☐ Spouse's 1099-MISC ☐ Do not transfer this 1099-MISC to next year

Box 7	Nonemployee compensation <u>7,200.</u> Double click to link to: Schedule C <input type="checkbox"/> Schedule F <input type="checkbox"/> <input type="checkbox"/> Report on Form 1040, line 7 (or Form 1040NR, line 8) and Form 8919 If checked, enter Reason Code for Form 8919 (see Help) _____ Code on 8919 _____ <input type="checkbox"/> If Reason Code A or C, enter determination date _____ <input type="checkbox"/> Other Income
Box 1	Rents _____
Box 2	Royalties _____ Double click to link rents or royalties to: Schedule C <input type="checkbox"/> Schedule E <input type="checkbox"/> Form 4835 <input type="checkbox"/> Check to link Box 1 rents to: Other Income <input type="checkbox"/>
Box 3	Other income _____ Double click to link to: Schedule C <input type="checkbox"/> Schedule F <input type="checkbox"/> Form 4835 <input type="checkbox"/> For Form 1040, Other Income line: <input type="checkbox"/> Tribal Member Gaming Payments <input type="checkbox"/> Alaska Permanent Fund <input type="checkbox"/> Other income
Box 8	Substitute payments in lieu of dividends or interest _____
Box 4	Federal income tax withheld _____
Box 16	First state State tax withheld _____
Box 17	State <u>IL</u> Payer's state no. _____
Box 18	State income _____
Box 16	Second state State tax withheld _____
Box 17	State <u>IL</u> Payer's state no. _____
Box 18	State income _____

Enter the Payer EIN from the 1099-MISC and double-check the name

Check if 1099-MISC is for the taxpayer's spouse to get correct SS crediting

Transfer any amount from Box 7

If Box 7 shows an amount, **Schedule C** also needs to be completed. See page 101 for further instructions

Check "Other Income" if the 1099-MISC is not subject to payroll tax (for example, state payments for child care)

If there is an amount in Box 3, transfer the amount here and check the "Other income" box

Enter any federal or state tax withheld in Boxes 4 and 16-18

*Taxpayers rarely have state income tax withheld

Form 1099-MISC and Schedule C

When a taxpayer receives a Form 1099-MISC showing nonemployee compensation in Box 7, you will need to complete a Schedule C along with the 1099-MISC Worksheet. In order to create and link a Schedule C, complete the following:

Form 1099-MISC Worksheet (MOE SERVICES)

Box 7 Nonemployee compensation **7,200.**

Double click to link to: Schedule C ...
Schedule F ...

☐ Report on Form 1040, line 7 (or Form 1040NR, line 8) and Form 8919
If checked, enter Reason Code for Form 8919 (see Help) Code on 8919 ____

☐ If Reason Code A or C, enter determination date
☐ Other Income

From Box 7 of the 1099-MISC Worksheet, double click the space next to "Schedule C"

Select Schedule C

☐ Select an existing Schedule C to link

☒ Create new copy to link: Enter the Schedule C principal business or profession:

HOUSEKEEPING

0 Copies Used Remove Link

Link Cancel

Click the radio button to create a new Schedule C

Enter the **type of work** as the name,
Not the payer's name

The new Schedule C will appear in the Forms Bar – click on it and complete it

More information about completing Schedule C starts on page 101

Where Do I Enter?

Forms In Use

- Form 1040
- Info Wks
- 1099-MISC Wks (MOE SERVICES)
- Earned Inc Wks
- Schedule C (HOUSEKEEPING) (9 Errors)
- Sch SE, p1-T
- SE Adj Wks
- Form 1040-V
- 1099-Misc Sum
- Carryover Wks
- Tax Summary Rpt
- Tax History
- Client Billing

Common Forms

- Form 1040
- Info Wks

Form 1099-MISC Worksheet (MOE SERVICES)

Box 7 Nonemployee compensation **7,200.**

Double click to link to: Schedule C ... **HOUSEKEEPING**
Schedule F ...

☐ Report on Form 1040, line 7 (or Form 1040NR, line 8) and Form 8919
If checked, enter Reason Code for Form 8919 (see Help) Code on 8919 ____

☐ If Reason Code A or C, enter determination date
☐ Other Income

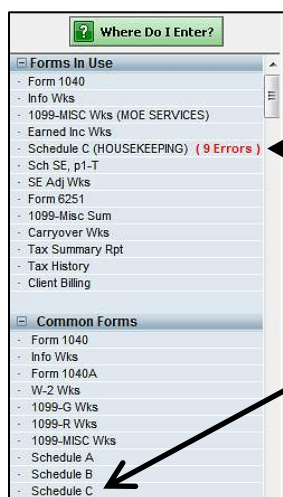
Box 1 Rents
Box 2 Royalties

Double click to link rents or royalties to: Schedule C ...
Schedule E ...
Form 4835 ...

Check to link Box 1 rents to: Other Income ☐

Schedule C: Profit or Loss from Business

Schedule C is used to report income from a business or profession operated as a sole proprietor or independent contractor. Taxpayers with amounts in Box 7 of Form 1099-MISC need to complete Schedule C in order to report cash income and calculate possible self-employment taxes. Back Real Estate Taxes on primary residence paid in current year cannot be deducted except on Schedule C in the amount related to the business use of the property. To start a new or complete an existing Schedule C in ProSeries:

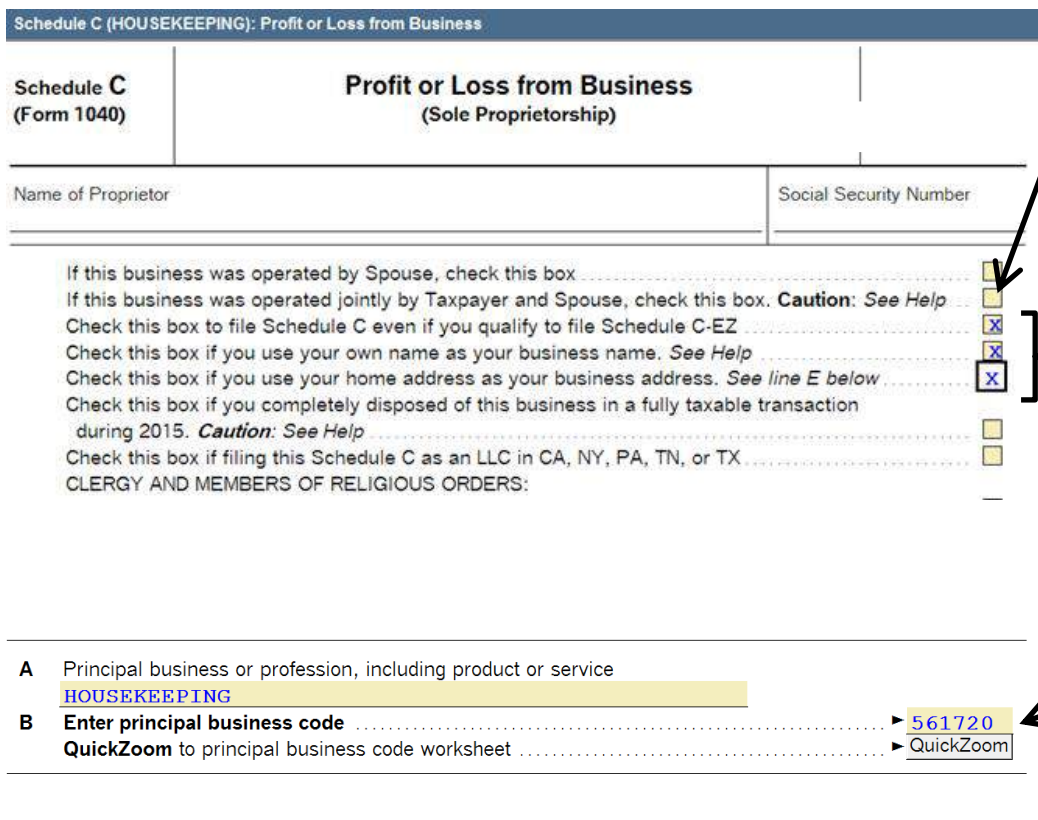


From the Forms Bar, click on an existing **Schedule C** linked to a **1099-MISC**

OR

To start a new Schedule C for a taxpayer's **self-employment income without a form 1099-MISC**, click on "Schedule C" from the Common Forms section of the Forms Bar

Then begin filling out Schedule C:



Schedule C (HOUSEKEEPING): Profit or Loss from Business

Schedule C (Form 1040) **Profit or Loss from Business (Sole Proprietorship)**

Name of Proprietor _____ Social Security Number _____

If this business was operated by Spouse, check this box ☐

If this business was operated jointly by Taxpayer and Spouse, check this box. **Caution: See Help** ☐

Check this box to file Schedule C even if you qualify to file Schedule C-EZ ☒

Check this box if you use your own name as your business name. *See Help* ☒

Check this box if you use your home address as your business address. *See line E below* ☒

Check this box if you completely disposed of this business in a fully taxable transaction during 2015. **Caution: See Help** ☐

Check this box if filing this Schedule C as an LLC in CA, NY, PA, TN, or TX ☐

CLERGY AND MEMBERS OF RELIGIOUS ORDERS: ☐

A Principal business or profession, including product or service
HOUSEKEEPING

B Enter principal business code 561720
QuickZoom to principal business code worksheet

Check the appropriate box to indicate if this is the spouse's Schedule C or a joint business

Always use Schedule C

Check the fourth and fifth boxes for business name and address

Click the QuickZoom button to locate the principal business code for the taxpayer's work

Check the box for the appropriate principal business code:

Select the choice that most closely matches the work performed

Then navigate back to Schedule C using the Forms Bar

Continue filling in Schedule C:

Select "Cash" as the accounting method – other methods are out of scope

Most clients materially participate in the operation of the business, see rules for material participation below

Answer "No" on line I
Note: If the taxpayer is required to file Form 1099 (paid \$600 to another taxpayer), the return is out-of-scope

Material participation tests. (Client that do not meet the material participation test are out-of-scope!)

You materially participated in a trade or business activity for a tax year if you satisfy any of the following tests:

1. You participated in the activity for more than 500 hours.
2. Your participation was substantially all the participation in the activity of all individuals for the tax year, including the participation of individuals who didn't own any interest in the activity.
3. You participated in the activity for more than 100 hours during the tax year, and you participated at least as much as any other individual (including individuals who didn't own any interest in the activity) for the year.
4. The activity is a significant participation activity, and you participated in all significant participation activities for more than 500 hours. A significant participation activity is any trade or business activity in which you participated for more than 100 hours during the year and in which you didn't materially participate under any of the material participation tests, other than this test.
5. You materially participated in the activity (other than by meeting this fifth test) for any 5 (whether or not consecutive) of the 10 immediately preceding tax years.
6. The activity is a personal service activity in which you materially participated for any 3 (whether or not consecutive) preceding tax years. An activity is a personal service activity if it involves the performance of personal services in the fields of health (including veterinary services), law, engineering, architecture, accounting, actuarial science, performing arts, consulting, or any other trade or business in which capital isn't a material income-producing factor.
7. Based on all the facts and circumstances, you participated in the activity on a regular, continuous, and substantial basis during the year.

You didn't materially participate in the activity under test (7) if you participated in the activity for 100 hours or less during the year. Your participation in managing the activity doesn't count in determining whether you materially participated under this test if:

- Any person other than you received compensation for managing the activity, or
- Any individual spent more hours during the tax year managing the activity than you did (regardless of whether the individual was compensated for the management services).

Make sure all contractor or business income for the same type of work is included.

Schedule C (HOUSEKEEPING): Profit or Loss from Business			
Part I Income			
1 a	Enter other gross receipts or sales not reported on a 1099-MISC	1 a	
1 b	Enter gross receipts or sales reported on a 1099-MISC <ul style="list-style-type: none"> QuickZoom to Form 1099-MISC Income transferred from Form 1099-MISC 	1 b	
1 c	Enter gross receipts or sales reported on a 1099-K <ul style="list-style-type: none"> QuickZoom to Form 1099-K Income transferred from Form 1099-K 	1 c	
1 d	Receipts or sales from line 1a, 1b and 1c	1 d	
1 e	Enter income reported to you on Form W-2 if the <ul style="list-style-type: none"> "Statutory Employee" box on that W-2 is checked but not entered on W-2 QuickZoom to Form W-2 Worksheet Income transferred from the W-2 income worksheet Income reported to you on Form W-2 if the "Statutory Employee" box on that form was checked. 	1 e	
1 f	Total gross receipts or sales. Add lines 1a through 1e. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked. <ul style="list-style-type: none"> Income less than 1099-MISC Box 7 explanation 	1 f	
2	Returns and allowances	2	
3	Subtract line 2 from line 1f	3	
4	Cost of goods sold (from line 42)	4	
5	Gross profit. Subtract line 4 from line 3	5	
	Enter other income (not reported on 1099)		
	QuickZoom to Form 1099-G		
	Income transferred from Form 1099-G worksheet		
	From Cancellation of Debt Worksheets		
6	Other income, including Federal and state gasoline or fuel tax credit		

For the same type of work, enter any other income not reported on 1099-MISC

Income from any linked 1099-MISC Worksheet(s) in ProSeries will transfer to Schedule C

Income from 1099-K can be entered here.

1099-K: Merchant Card and Third Party Payments

Form 1099-K shows income that was received by clients from a payment settlement entity (PSE), a third-party company that handles transactions from debit cards, credit cards, and even PayPal. If a client had 200 or more transactions with a PSE that totaled \$20,000 or more, then he will receive a Form 1099-K. This type of income is in scope the business is itself is in scope. Form 1099-K data is entered in the 1099-K worksheet (the best way to get there is to use the QuickZoom button for line 1c of Schedule C)

Form 1099-K: Merchant Card and Third Party Network Transactions. The form includes fields for filer's name, address, EIN, and taxpayer identification number. It also has sections for gross amount of payment, number of payment transactions, and federal income tax withheld. The form is dated 2010 and is labeled 'Copy 1 For State Tax Department'.

Schedule C Expenses

Next, enter any work-related expenses the taxpayer has to report. A business expense must be both ordinary and necessary to be a deductible expense. An ordinary expense is one that is common and accepted in the taxpayer's industry. A necessary expense is one that is helpful and appropriate for the taxpayer's trade or business.



Ladder Up clients can have a maximum of \$25,000 in expenses and be eligible for service. The taxpayer must be able to provide documentation for all expenses in the event of an IRS audit. The taxpayer **cannot** elect to ignore expenses to meet the eligibility limit.

Examples of these expenses include the following:

- Advertising
- Car and truck expenses¹
- Commissions and fees
- Insurance
- Other interest
- Legal and professional services and fees
- Office expenses
- Rent or lease expenses
- Repairs and maintenance
- Supplies
- Taxes and licenses
- Travel
- 50% of business meals and entertainment (ProSeries software will automatically calculate)²
- Utilities (including telephone)

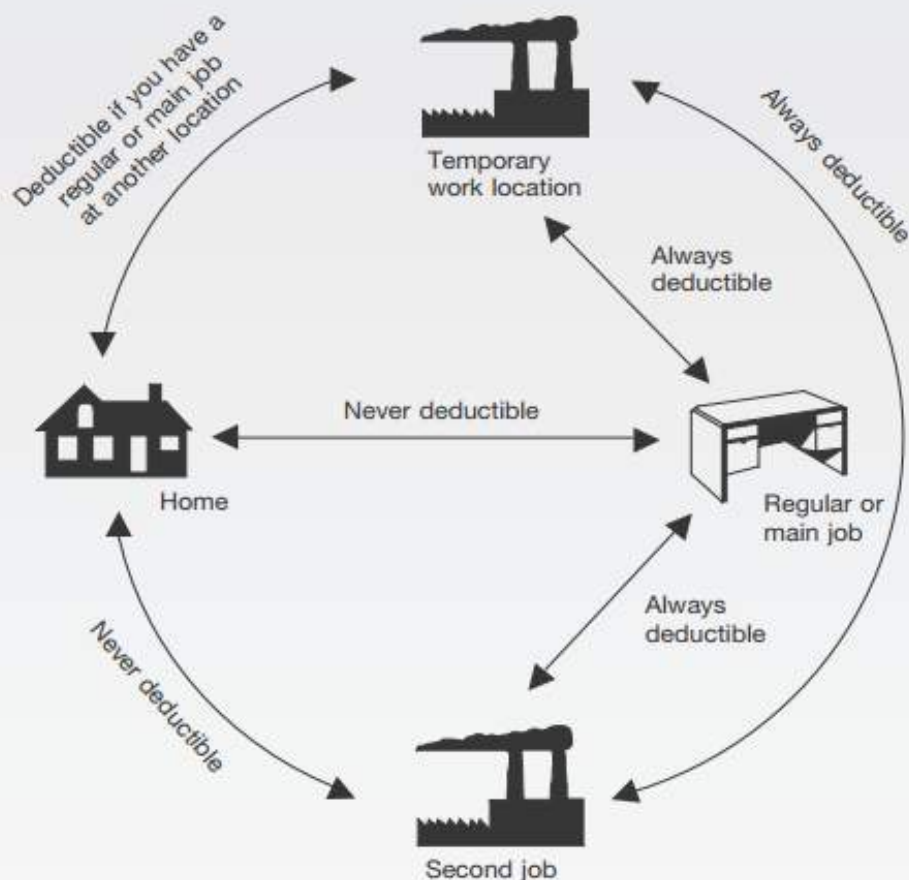
¹ **Business mileage:** Taxpayers may not include miles they commute between home and work, or miles driven for meals. Taxpayers **may add only parking, tolls or car washes**. "Business miles" includes travel between home and a temporary workplace when the taxpayer has one or more regular places of work. If the taxpayer has no regular place of employment, only the travel from one temporary place to another is counted. See graphic on next page. Taxpayers electing to use actual expenses instead of business mileage are out of scope, including taxpayers who used actual expenses for the same vehicle in a prior year.

² Only **meals while traveling away from home** for business or meals that are business-related entertainment are deductible.



Deductible Transportation Expenses

Most employees and self-employed persons can use this chart.
(Don't use this chart if your home is your principal place of business.)



Home: The place where you reside. Transportation expenses between your home and your main or regular place of work are personal commuting expenses.

Regular or main job: Your principal place of business. If you have more than one job, you must determine which one is your regular or main job. Consider the time you spend at each, the activity you have at each, and the income you earn at each.

Temporary work location: A place where your work assignment is realistically expected to last (and does in fact last) one year or less. Unless you have a regular place of business, you can only deduct your transportation expenses to a temporary work location outside your metropolitan area.

Second job: If you regularly work at two or more places in one day, whether or not for the same employer, you can deduct your transportation expenses of getting from one workplace to another. If you don't go directly from your first job to your second job, you can only deduct the transportation expenses of going directly from your first job to your second job. You can't deduct your transportation expenses between your home and a second job on a day off from your main job.

Enter any applicable expenses in Part II of Schedule C.

Schedule C (HOUSEKEEPING): Profit or Loss from Business

Part II Expenses Enter expenses for business use of your home **only** on line 30.

To enter assets (except autos, home office), **QuickZoom** to the Asset Entry Worksheet ▶ QuickZoom
 To enter home office assets, **QuickZoom** to the Form 8829 Asset Entry Worksheet ▶ QuickZoom
 To enter auto information, **QuickZoom** to the Car/Truck Expenses Worksheet ▶ QuickZoom
 To view a calculated report of all depreciation information for this Schedule C, **QuickZoom** to the Depreciation Report for this Schedule C ▶ QuickZoom
QuickZoom to Form 4562 for this Schedule C ▶ QuickZoom

- Treat all MACRS assets for this activity as qualified Indian reservation property? ... Yes ☐ No ☒
- Treat all assets acquired after August 27, 2005 as qualified GO Zone property? Regular ☐ Extension ☐ No ☒
- Treat all assets acquired after May 4, 2007 as qualified Kansas Disaster Zone property? Yes ☐ No ☒
- Was this business located in a Qualified Disaster Area? Yes ☐ No ☒

8	Advertising	8		20	Rent or lease:	
9	Car and truck expenses	9		a	Vehicles, mach, equip:	
10	Commissions & Fees ...	10			Enter mach, equip, etc	
11	Contract labor	11			From Car/Truck Wks ...	
					Total vehicles, etc	20 a

QuickZoom to create a Car-Truck worksheet for expenses

Read on for important notes regarding car and truck expenses

Special Note for Uber, Lyft, and Amazon Drivers

The tax summary which can be found within the Uber or Lyft App for drivers can be useful (but may not include all expenses). Encourage taxpayers to keep their own records outside of the app.

For drivers with car loans on their vehicles: If the loan includes costs for a warranty on the purchase of the vehicle, the warranty coverage on an asset is NOT a deductible asset (only the loan amount and interest). Warranties are typically considered out-of-scope.

Part I Income

1 a Enter other gross receipts or sales **not** reported on a 1099-MISC 1a 30,000.00

1 b Enter gross receipts or sales reported on a 1099-MISC 1b

- QuickZoom to Form 1099-MISC ▶ QuickZoom
- Income transferred from Form 1099-MISC ▶

1 c Receipts or sales from line 1a and line 1b 1c 30,000.00

1 d Enter income reported to you on Form W-2 if the "Statutory Employee" box on that W-2 is checked 1d

Supporting Statements

Check this box to **NOT** print this supporting statement ☐

Schedule C (DRIVER)/Ln 1a: Other receipts

Description	Amount
Gross Fares	24,000.00
Tolls	300.00
Split Fare Fee	100.00
Safe Rides Fee	200.00
Incentive Payment	150.00
Referrals	250.00
LYFT INCOME	5,000.00
Total	30,000.00

7 Items

1e 30,000.00

2

3 30,000.00

4

5 30,000.00

6

7

Part II Expenses Enter expenses for business use of your home **only** on line 30.

This will be ALL Income – not just what hit the bank account. For example, for UBER tolls are both an expense and an income (since they are “reimbursed” for tolls).

For the ride-share drivers, don't forget to include all the fees and commissions as expenses

Car and Truck Expenses

If the taxpayer used their vehicle for work, then click on the box for Line 9 to create a Car-Truck Worksheet, which will allow you to enter details of the car or truck use. Title the Car-Truck Worksheet with the make and model of the car or truck used by the taxpayer and then talk with the taxpayer to answer the questions in the first part of the worksheet.

Enter the approximate miles driven for each category

Enter the approximate date the car started being used for business purposes

This will automatically calculate

Schedule C (HOUSEKEEPING) -- Car - Truck Wks (FORD150)		Vehicle 1	Vehicle 2	Vehicle 3
Vehicle Information Complete for all vehicles				
1	Make and model of vehicle	FORD150		
2	Date placed in service	09/06/2010		
3	Type of vehicle	A1 - Auto		
4a	Ending mileage reading			
b	Beginning mileage reading			
c	Total miles for the year	750		
5	Business miles for the year	400		
6	Commuting miles for the year			
7	Other personal miles for the year	350		
8	Percent of business use	53.33 %		
9	Months for special allocation. See Tax Help			
10	Is another vehicle available for personal use?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
11	Was the vehicle available for personal use during off-duty hours?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
12	Was the vehicle used primarily by a more than 5% owner or related person?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
13a	Is there evidence to support the business use claimed?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
b	If 'Yes,' is the evidence written?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		



Be sure the taxpayer knows they will need to be able to substantiate these expenses in the event of an audit.

Car and Truck Expenses, Cont.

The taxpayer has a choice to make: They can either deduct their vehicle expenses using the standard mileage rate or they can deduct their actual expenses.

Note:

Returns deducting actual expenses for the current or any prior year are out-of-scope of the program.

Schedule C (HOUSEKEEPING) -- Car - Truck Wks (FORD150)			
Standard Mileage Rate			
14	Does vehicle qualify for standard mileage rate? ...	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No
15	Was the vehicle leased?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Yes <input type="checkbox"/> No
16	Standard mileage deduction	230.	
Actual Expenses			
17	Expenses:		
a	Gasoline, oil, repairs, insurance, etc		
b	Vehicle registration, license (excluding property taxes)		
c	Vehicle lease or rental fees:		
1	30 days or more		
2	29 days or less		
3	Total vehicle lease/rental fees		
d	Leased vehicle inclusion amount:		
1	Year lease began		
2	FMV of leased vehicle		
3	Number of lease days in year		
4	Inclusion amount		
18	Expenses subtotal		

Standard Mileage Rate

If the taxpayer uses the standard mileage rate for a year, they cannot deduct their actual car expenses for that year. The client **can add parking fees and tolls** to their standard mileage expense. The standard mileage rate for 2018 is 54.5 cents per mile for business miles driven. The business portion of auto loan interest (no principal) can also be included on line 16c of Schedule C.

Actual Car Expenses *(Returns that deduct actual expenses for cars and trucks are out of scope.)*

If the taxpayer does not use the standard mileage rate, he may be able to deduct his actual expenses, which include:

- Depreciation
- Licenses
- Gas
- Oil
- Tolls
- Lease payments
- Insurance
- Garage rent
- Parking fees
- Registration fees
- Repairs
- Tires

Schedule SE: Self-Employment Tax

Taxpayers need to complete Schedule SE for self-employment tax if net earnings exceed \$400. Self-employment tax only refers to the Social Security and Medicare taxes that would normally be taken out of an employee's paycheck by an employer. SE taxes apply regardless of age and whether or not the taxpayer is already receiving Social Security or Medicare benefits. For calendar year 2018, the self-employment tax is 15.3% (12.4% for Social Security and 2.9% for Medicare).

Quarterly Payments of SE Tax

To help avoid a balance due, plus potential penalty charges from the IRS, Form 1040-ES is used to figure estimated payments. The taxpayer will need to use amounts from the prior year's tax return in order to complete the form. More information about estimated taxes can be found in Publication 505.

The taxpayer can also use the Electronic Filing Tax Payment System (EFTPS) to make payments online.

Automatic Calculation

After you input profit and loss information into the Schedule C, ProSeries will automatically calculate the Self-Employment Tax that should be applied and populate Schedule SE. Schedule SE can be searched for by clicking the "Can't find a form" link in the Forms Bar. Open the form and confirm that it has automatically calculated.

Sch SE, p1-T: Self-Employment Tax	
Schedule SE (Form 1040)	Self-Employment Tax
Name of person with self-employment Income (as shown on Form 1040 or Form 1040NR)	Social security number
<i>Before you begin:</i> To determine if you must file Schedule SE, see the instructions.	
Section A – Short Schedule SE	
Caution. Government Instructions in Help explain whether to use the Short or Long Schedule SE.	
QuickZoom to Section B - Long Schedule SE (Schedule SE, page 2)	QuickZoom
QuickZoom to the SE Adjustments Worksheet to enter adjustments to Schedule SE	QuickZoom
1 a Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A	<input type="text"/>
b If you received social security retirement or disability benefits, enter the amount of Conservation Reserve Program payments included on Schedule F, line 4b, or listed on Schedule K-1 (Form 1065), box 20, code Z	<input type="text"/>



The employer-equivalent portion of the taxpayer's self-employment tax can be subtracted from total income as an adjustment. See the Adjustments to Income section of this manual for more information.

Capital Gains and Losses

When a capital asset is sold, the difference between the amount it sold for and the cost of the asset, or “basis” is a capital gain or a capital loss. To report a capital gain or loss the taxpayer will need to know the basis or adjusted basis, the holding period, and the proceeds from the sale. These items are typically reported on Form 1099-B and furnished to the taxpayer.

Basis/Adjusted Basis

- The original cost of the asset
- Adjusted basis includes original cost plus any increases or decreases to that cost (such as commissions, fees, depreciation, deductible casualty losses, insurance reimbursements, major improvements)
- Brokers must report cost or other basis on Form 1099-B, unless the securities sold were non-covered securities
- Taxpayers must use codes to report if 1099-B was received, and whether or not it showed basis reported to the IRS
- If Form 1099-B does not include how much a taxpayer paid, then he must provide this information. If a taxpayer needs help determining the basis and does not have the original purchase documents (or other records showing date of purchase and cost), refer him or her to his stockbroker. If a taxpayer purchased the asset and cannot provide his basis in the property, the IRS will deem it to be zero. Refer the taxpayer to a professional tax preparer if he acquired stock by means other than a purchase (e.g., through inheritance, a gift or employee stock option plan) and does not know the basis. The determination of basis in these situations is beyond the scope of VITA.
- There are times when cost alone cannot be used as basis. In some cases, the fair market value (FMV) or adjusted basis is used.

Example:

Alice paid \$1,100 for 100 shares of ABC, Inc. stock, so the original basis per share was \$11 (\$1,100/100). Alice received 10 additional shares of ABC stock as a nontaxable stock dividend. Her \$1,100 basis must be spread over 110 shares (100 original shares plus the 10-share stock dividend).

If Alice's basis in the stock was \$1,100 for 100 shares, then her original basis per share was \$11 (\$1,100/100). So, the 10 additional shares means Alice's basis per share decreased to \$10 per share (\$1,100/110). If Alice sells her stock 18 months later for \$1,200, she would be taxed on her gain of \$100.

Holding Period

- Short-term property is held one year or less
- Long-term property is held more than one year (long-term capital gains are taxed at a lower rate than short-term gains)
- The holding period begins the day after the shares were purchased and includes the day the shares were sold. If investment assets are inherited, the capital gain or loss is treated as long-term.
- Brokers must report whether the gain or loss is short-term or long-term on Form 1099-B, unless the securities sold were non-covered securities. Form 1099-B reflects gross or net proceeds for a stock or mutual fund. Form 1099-B will also indicate the date the stock was sold.

Capital Losses

If the taxpayer's capital losses exceed his capital gains, the excess can be deducted on his tax return and used to reduce other income, such as wages, up to an annual limit of \$3,000, or \$1,500 if he is married filing separately. You may deduct capital losses only on investment property, not on property held for personal use. If your total net capital loss is more than the yearly limit on capital loss deductions, you can carry over the unused part to the next year and treat it as if you incurred it in that next year.

Tax Return

Capital gains and losses are reported on Schedule D, Capital Gains and Losses, and then transferred to Schedule 1 line 13 of Form 1040. In many cases the details of each transaction must be reported, and that is typically done on one or more forms 8949.

Form 1099-B: Proceeds From Broker and Barter Exchange Transactions

1099-B is prepared by stockbrokers and reports proceeds from transactions to the taxpayer and the IRS. Taxpayers must report all capital gains.

<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		Applicable check box on Form 8949		OMB No. 1545-0715	Proceeds From Broker and Barter Exchange Transactions
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.				17 Form 1099-B	
		1a Description of property (Example 100 sh. XYZ Co.)			
		1b Date acquired	1c Date sold or disposed		
PAYER'S federal identification number	RECIPIENT'S identification number	1d Proceeds \$	1e Cost or other basis \$		
		1f Accrued market discount \$	1g Wash sale loss disallowed \$		
RECIPIENT'S name		2 Short-term gain or loss <input type="checkbox"/> Long-term gain or loss <input type="checkbox"/> Ordinary <input type="checkbox"/>	3 If checked, basis reported to IRS <input type="checkbox"/>		
Street address (including apt. no.)		4 Federal income tax withheld \$	5 If checked, noncovered security <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code		6 Reported to IRS: Gross proceeds <input type="checkbox"/> Net proceeds <input type="checkbox"/>	7 If checked, loss is not allowed based on amount in 1d <input type="checkbox"/>		
Account number (see instructions)		8 Profit or (loss) realized in 2017 on closed contracts \$	9 Unrealized profit or (loss) on open contracts—12/31/2016 \$		
CUSIP number	FATCA filing requirement <input type="checkbox"/>	10 Unrealized profit or (loss) on open contracts—12/31/2017 \$	11 Aggregate profit or (loss) on contracts \$		
14 State name	15 State identification no.	16 State tax withheld \$	12 Check if proceeds from collectibles <input type="checkbox"/>		
			13 Bartering \$		

Box 1a shows a description of the property such as the corporation's name and the number of shares of stock that were exchanged.

Box 1b shows the acquisition date of any securities sold.

Box 1c shows the trade date of the sale or exchange.

Box 1d shows the proceeds from all dispositions of securities.

Box 1e shows the cost or other basis of securities sold.

Box 1f shows the amount of accrued market discount.

Box 2 shows if the gain or loss is short-term or long-term.

Box 3 If checked, the basis in box 1e has been reported to the IRS and one of the check boxes in box 2 must be checked.

Box 4 shows backup withholding if any.

Box 5 If checked this is a non-covered security, which means that the broker is not required to complete boxes 1b, 1e, 1f, 1g and 2.

Box 6 shows whether the proceeds in box 1d are gross or net of commissions and fees on the sale.

Boxes 7 – 13 are typically not applicable to our clients.

The odds are that you will never see an actual 1099-B form. Brokers are allowed to prepare a substitute form 1099-B that contains the same information. They virtually always do this, typically showing many transactions on a single page. Often they include a 1099-INT and/or 1099-DIV in the same document, so you may need to do a little bit of detective work to locate the part of the document where the proceeds, basis, date sold, and other data are reported.

Completing Schedule D

You are now ready to start completing Schedule D. The first thing that you should do is to examine all of the 1099-B data to make sure that the only sales reported are for common stocks or mutual funds. If the client has sold assets other than these or their own residence (for example, bonds, investment real estate, collectibles, or commodities) then the return is outside the scope of VITA programs and the client should be referred to a paid preparer. You should also verify that the basis data appears for all transactions. If not, see *Volunteer Manual – Income: Capital Gains and Losses*, page 110 and handle accordingly. Finally, if the client tells you that the reported basis data is incorrect, you should inquire as to the details – these transactions will need special handling as will be described later.

You are now ready to complete Schedule D. To do so, click “Schedule D” in the list of common forms on the left-hand side of the ProSeries window.

First locate on the 1099-B the section for transactions with basis reported to the IRS. Typically brokers split up the detailed transactions into at least four possible groups, depending on whether they are short term or long term and whether or not basis was reported to the IRS. If you can locate sub-totals for short-term gains/losses with basis reported to the IRS and long-term gains/losses with basis reported to the IRS you can enter the data quickly by doing the following:

- Subtract the proceeds and the basis for any such transactions that are marked as being a wash sale – you’ll handle those in a minute. Do the same for any such transactions where the client has told you that the basis is incorrect.
- Scroll down the Schedule D window until you reach the section that is labelled “Part I” and locate line 1a.
- Enter the remaining proceeds and cost for short-term gains/losses in columns d and e respectively:

Schedule D: Capital Gains & Losses				
Part I Short-Term Capital Gains and Losses – Generally Assets Held One Year or Less				
	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, col (g)	(h) Gain or (loss) Subtract col (e) from col (d) and combine the result with col (g)
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.				
1a Totals for all short-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.	4,375.	2,025.		2,350.
1b Short-term totals from all Form(s) 8949 with box A checked.				
2 Short-term totals from all Form(s) 8949 with box B checked.				

- Now continue scrolling down the page until you get to Part II and locate line 8a, and enter the remaining proceeds and cost for long-term gains/losses in columns d and e respectively.
- You do **not** need to enter the data for each sale involved in these transactions, which makes it a big time-saver.

For the remaining transactions, you will need to enter the data separately for each transaction. To do this, scroll back toward the top of Schedule D until you get to the section labelled “Capital Gains and Losses Condensed Entry Table”.

Description of Property			Date Sold	Date Acquired	S/L
Sales Price (Proceeds)	Cost or Other Basis	Wash Loss Disallowed	Reported on Form 1099B?	Basis Reported to IRS?	Trans Type
Corrected Basis (if applicable)	Adjusted Gain/Loss	Federal Withholding	Brokerage (optional)		TSJ
			Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>	
			Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>	
			Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>	
			Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>	

You'll note that the table is set up so that there are three possible lines of data for each transaction, and the label at the top of the table will show what goes in each box. Unless the basis is incorrect (uncommon) for most of our clients you will only need to enter data in the first two lines for each transaction. The following shows how the table is completed for three transactions. The first two are regular stock sales, one a short term loss and the other a long term loss. The third example is for a wash sale.

Description of Property			Date Sold	Date Acquired	S/L
Sales Price (Proceeds)	Cost or Other Basis	Wash Loss Disallowed	Reported on Form 1099B?	Basis Reported to IRS?	Trans Type
Corrected Basis (if applicable)	Adjusted Gain/Loss	Federal Withholding	Brokerage (optional)		TSJ
100 SHARES IBM CORP			04/29/2016	03/04/2015	L
14,700.	16,000.		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	S
	-1,300.				
100 SHARES EQUIFAX			12/02/2016	08/19/2016	S
11,403.	13,142.		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	S
	-1,739.				
100 SHARES CNA FINANCIAL			02/19/2016	12/13/2013	L
2,891.	4,197.	1,306.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	W
	0.				
			Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>	

A wash sale occurs when there is a loss on the sale and the taxpayer purchased the same or a substantially identical security within thirty days before or after the sale. Brokers are required to identify such sales on the 1099-B. The taxpayer does not receive credit for the loss at the time of the wash sale – instead that loss is deferred until the later sale of the substantially identical security. If you enter the amount of the wash sale loss in the “Wash Loss Disallowed” block ProSeries will zero out the loss and code the tax return appropriately.

If the 1099-B has a transaction for which the basis is incorrect, and if the 1099-B shows that basis has not been reported to the IRS, then simply report the correct basis in the “Cost or Other Basis” block and no further handling is needed. If the incorrect basis has been reported to the IRS, then you should report the basis shown on the 1099-B in the “Cost or Other Basis” block, and report the correct basis in the “Corrected Basis (if applicable)” block – ProSeries will calculate the “Adjusted Gain/Loss” and will code the transaction with code “B” in column F of form 8949 and the amount of the adjustment to basis in column G.

On very rare occasions you may see a client with a large number – sometimes dozens – of transactions on their 1099-B that have to be individually reported. There is a somewhat complicated procedure for sending a copy of the 1099-B to the IRS rather than entering each transaction. If you think that might be the best way to handle the client, please see your site leader who will have access to the required procedures.

Once everything has been completed, you should check Schedule 1 line 13 of the form 1040 to make sure the gain or loss has been properly carried over.

Worksheet for Capital Loss Carryovers

A taxpayer cannot take net losses of more than \$3,000 (\$1,500 for married taxpayers filing separately) in figuring taxable income for any single tax year. The allowable loss is referred to as the deduction limit. Unused losses can be carried over to later years until they are completely used up. The carryover losses are combined with the gains and losses that actually occur in the next year.

If a client had a loss carryover from the year prior to the one you are working on, and if Ladder Up prepared that return and you transferred the file, then the loss data should already be populated. In other cases, you will need to manually enter the loss.

To do this, scroll all the way to the bottom of Schedule D and click on the Capital Loss Carryover Worksheet for the year that you are working on:

QuickZoom to Qualified Dividends and Capital Gain Tax Worksheet	▶ QuickZoom
QuickZoom to Schedule D Tax Worksheet	▶ QuickZoom
QuickZoom to Unrecaptured Section 1250 Gain Worksheet	▶ QuickZoom
QuickZoom to 28% Rate Gain Gain Worksheet	▶ QuickZoom
QuickZoom to Capital Loss Carryover Worksheet for 2018	▶ QuickZoom
QuickZoom to Capital Loss Carryforward Worksheet for 2019	▶ QuickZoom

When the worksheet opens, you will need to fill in the four lines at the top using the client’s prior year tax return. Be sure to enter losses as a negative number. For our clients there is no need to fill in the Alternative Minimum Tax Data although some of it may populate automatically.

Once you have done this you should be able to see the loss carryover on Schedule D, either line 6 of Part I or line 14 of Part II.

Capital Loss Carryover Worksheet			
Schedule D Lines 6 and 14		Capital Loss Carryover Worksheet Capital Loss Carryover from 2017 to 2018 ► Keep for your records	
Name(s) Shown on Return		Social Security Number	

2017 Capital Loss Information Smart Worksheet			
	Regular Tax	Alternative Minimum Tax	
A Net short-term capital gain or (loss). (2017 Schedule D, line 7)	350.	350.	
B Net long-term capital gain or (loss). (2017 Schedule D, line 15)	-4,372.	-4,372.	
C Allowable net capital (loss). (2017 Schedule D, line 21)	-3,000.	-3,000.	
D Taxable income before exemptions. (2017 Form 1040, line 41 or Form 1040NR, line 39)	23,562.		
E Alternative minimum taxable income before exemptions. (2017 Form 6251, line 28)			
F Ownership: <input checked="" type="checkbox"/> Taxpayer <input type="checkbox"/> Spouse <input type="checkbox"/> Joint			

		Regular Tax	Alternative Minimum Tax
1 Enter the amount from your 2017 Form 1040, line 41. If a loss, enter as a negative amount	1	23,562.	
2 Enter the loss from your 2017 Schedule D, line 21, as a positive amount	2	3,000.	3,000.
3 Combine lines 1 and 2. If zero or less, enter -0-	3	26,562.	3,000.
4 Enter the smaller of line 2 or line 3	4	3,000.	3,000.

Schedule K-1

Schedule K-1 is used to report the taxpayer's share of income, other distributions, deductions, and credits from partnerships, S Corporations, and some estates and trusts. One copy of Schedule K-1 is sent to the IRS and is later matched with individual returns. Another copy of Schedule K-1 is sent to the taxpayer. Ask the taxpayer if he received a Schedule K-1 from such an entity that reflects his share of income, reportable on their Form 1040. It is important to correctly report this income to avoid notices or correspondence from the IRS.

Several forms are used to report Schedule K-1:

- Form 1041: Sent to fiduciaries of a domestic decedent's estate, trust, or bankruptcy estate
- Form 1065: Used by Partnerships that are not subject to income tax and are flow-through entities with reported income flowing to each shareholder. Shareholders pay tax on their allocated share of income.
- Form 1120S: Used by S Corporations to report the taxpayer's share of the corporation's income (reduced by any tax the corporation paid on the income). S corporations, similar to Partnerships, are flow-through entities with reported income flowing to each shareholder. Shareholders pay tax on their allocated share of income.

Income reported on Schedule K-1 will be included on the taxpayer's return in various places depending upon the type of income. **Income reported on Schedule K-1 that is within the scope of the VITA/TCE program *only* includes:**

- Interest Income (Form 1040, line 2b, unless Schedule B is required)
- Dividend Income (Form 1040, lines 3a - qualified dividends and 3b - ordinary dividends, unless Schedule B is required)
- Net short-term capital gains and losses (Schedule D, line 5)
- Net long-term capital gains and losses (Schedule D, line 12)
- Tax-exempt interest income (Form 1040, line 3a)
- Royalty income (Schedule E, Form 1040, line 17)

Any expenses on Schedule K-1 make the return out of scope.

Schedule K-1, Cont.

Schedule K-1 (Form 1065) <small>Department of the Treasury Internal Revenue Service</small>		651113 <small>OMB No. 1545-0123</small>																	
For calendar year 2015, or tax year beginning _____, 2015 ending _____, 20____		<input type="checkbox"/> Final K-1 <input type="checkbox"/> Amended K-1																	
Partner's Share of Income, Deductions, Credits, etc. <small>▶ See back of form and separate instructions.</small>		Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items																	
Part I Information About the Partnership		1 Ordinary business income (loss)																	
A Partnership's employer identification number		15 Credits																	
B Partnership's name, address, city, state, and ZIP code		2 Net rental real estate income (loss)																	
C IRS Center where partnership filed return		3 Other net rental income (loss)																	
D <input type="checkbox"/> Check if this is a publicly traded partnership (PTP)		4 Guaranteed payments																	
Part II Information About the Partner		5 Interest income																	
E Partner's identifying number		6a Ordinary dividends																	
F Partner's name, address, city, state, and ZIP code		6b Qualified dividends																	
G <input type="checkbox"/> General partner or LLC member-manager <input type="checkbox"/> Limited partner or other LLC member		7 Royalties																	
H <input type="checkbox"/> Domestic partner <input type="checkbox"/> Foreign partner		8 Net short-term capital gain (loss)																	
I1 What type of entity is this partner?		9a Net long-term capital gain (loss)																	
I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here <input type="checkbox"/>		9b Collectibles (28%) gain (loss)																	
J Partner's share of profit, loss, and capital (see instructions):		9c Unrecaptured section 1250 gain																	
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: left;">Beginning</th> <th colspan="2" style="text-align: left;">Ending</th> </tr> </thead> <tbody> <tr> <td>Profit</td> <td style="text-align: right;">%</td> <td></td> <td style="text-align: right;">%</td> </tr> <tr> <td>Loss</td> <td style="text-align: right;">%</td> <td></td> <td style="text-align: right;">%</td> </tr> <tr> <td>Capital</td> <td style="text-align: right;">%</td> <td></td> <td style="text-align: right;">%</td> </tr> </tbody> </table>		Beginning		Ending		Profit	%		%	Loss	%		%	Capital	%		%	10 Net section 1231 gain (loss)	
Beginning		Ending																	
Profit	%		%																
Loss	%		%																
Capital	%		%																
K Partner's share of liabilities at year end:		11 Other income (loss)																	
Nonrecourse \$ _____		12 Section 179 deduction																	
Qualified nonrecourse financing \$ _____		13 Other deductions																	
Recourse \$ _____		14 Self-employment earnings (loss)																	
L Partner's capital account analysis:		17 Alternative minimum tax (AMT) items																	
Beginning capital account \$ _____		18 Tax-exempt income and nondeductible expenses																	
Capital contributed during the year \$ _____		19 Distributions																	
Current year increase (decrease) \$ _____		20 Other information																	
Withdrawals & distributions \$ (_____)		*See attached statement for additional information.																	
Ending capital account \$ _____		For IRS Use Only																	
<input type="checkbox"/> Tax basis <input type="checkbox"/> GAAP <input type="checkbox"/> Section 704(b) book																			
<input type="checkbox"/> Other (explain) _____																			
M Did the partner contribute property with a built-in gain or loss?																			
<input type="checkbox"/> Yes <input type="checkbox"/> No																			
If "Yes," attach statement (see instructions)																			

Schedule K-1, Cont.



Use Common Forms to find Schedule K-1 (Form 1120S) or the click "Forms" on the top bar

Sch K-1 Wks-S Corporations (CORPORATION NAME)

Schedule K-1 (Form 1120S) **Shareholder's Share of Income, Credits, Deductions, etc.**

► Keep for your records

QuickZoom to another copy of Schedule K-1 ► QuickZoom

Shareholder's Name Social Security Number

Part I Information About the Corporation

A Corporation's Employer Identification Number **B** Corporation's Name **CORPORATION NAME**

Address City State ZIP Code

Part II Information About the Shareholder

Shareholder is Taxpayer ☒ Spouse ☐ Joint ☐

At-Risk Status (check one):

All investment in corporation is at-risk ☒

Some investment in corporation **not** at-risk ☐

QuickZoom to Form 6193 for at-risk limitations ► QuickZoom

QuickZoom to At-Risk Limitations Allocation Worksheet ► QuickZoom

QuickZoom to AMT At-Risk Limits Allocation Worksheet ► QuickZoom

Final / Amended **Final K-1 and Amended K-1 Checkboxes**

☐ Final K-1 ☐ Amended K-1

Be sure to name the Schedule K-1

Enter the corporation's ID number

Schedule K-1, Cont.

Sch K-1 Wks-Partnerships (WIDGET CORPORATION)

Part III Partner's Share of Current Year Income, Deductions, Credits, Other Items

1	Ordinary business income (loss)	
	Check if "materially" participated in the business activities	<input type="checkbox"/>
	Check if "working interest" in oil or gas well	<input type="checkbox"/>
2	Net rental real estate income (loss)	
	Check if "materially" participated in rental real estate activities	<input type="checkbox"/>
	Check if "actively" participated in rental real estate activities	<input type="checkbox"/>
	Check if rental of property is a type subject to recharacterization rules	<input type="checkbox"/>
	Check if rental real estate activity is a trade or business	<input type="checkbox"/>
3	Other net rental income (loss)	
	Check if rental of property is a type subject to recharacterization rules	<input type="checkbox"/>
	Check if rental activity is a trade or business	<input type="checkbox"/>
4	Guaranteed payments	
	QuickZoom if guaranteed payments for use of capital	QuickZoom
5	Interest income	60.
	Interest income from U.S. obligations included in box 5	
6 a	Ordinary dividends	
6 b	Qualified dividends	
	Interest income from U.S. obligations included in box 6	
7	Royalties	100.
	Double-click to link royalties to Schedule E Worksheet	Royalties
	QuickZoom to Schedule E Worksheet	QuickZoom

Enter the information from Part III

If you enter Royalties, Schedule E must be linked and completed.



An error will show up in the Forms In Use bar if the Schedule is not completed.

Form 1040, Schedule 1 line 17

17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	100.
18	Farm income or (loss). Attach Schedule F	18	
19	Unemployment compensation (see instr.)	19	

Royalties will appear on Line 17

Distributions from Pensions, IRs, etc.

Individual Retirement Arrangements (IRA)

Retirement plans are funded by pre-tax or post-tax contributions

Traditional IRA: Fully taxable unless nondeductible contributions have been made. If a taxpayer has nondeductible contributions, he is out of scope and should see a paid preparer

Roth IRA: Tax-free and may be excluded from income if the distribution is made after the five year period beginning the first day of a taxable year in which a contribution was made to a Roth IRA for the taxpayer's benefit and the distribution is:

- made on or after the client is 59.5 years of age; or
- made because the taxpayer is disabled; or
- made to a beneficiary or to an estate; or
- made to pay certain first-time homebuyer amounts (up to \$10,000 lifetime limit)

Nonqualified distributions: If the conditions above are not met, the distribution is non-qualified and additional taxes may apply. In this case the return is out of scope and the taxpayer should see a professional tax preparer.

Qualified distributions: The IRA trustee will indicate the distribution is qualified by using code Q in box 7. The entire distribution is not taxable.

Savings Incentive Match Plans for Employees (SIMPLE) IRA: Some employers offer their employees (including self-employed individuals) the chance to contribute part of their pay to an IRA as part of a SIMPLE plan. The employer is generally required to make contributions on behalf of eligible employees. The contributions are generally not included in the employee's income and are fully taxable when the employee receives them in later years.

Simplified Employee Pension (SEP) IRA: Some employers offer their employees (including self-employed individuals) the chance to contribute part of their pay to an IRA as part of a SEP plan. The contributions are generally not included in the employee's income and are fully taxable when the employee receives them in later years.

How are Traditional and Roth IRA rollovers handled?

A rollover is a tax-free distribution from one retirement account to another. Box 7 on Form 1099-R will show a "G" if the rollover was from a Traditional IRA directly to another retirement account and will show an "H" if it was from a Roth IRA directly to another account. If there is an amount in box 2, the distribution may be partially taxable. For a distribution with a code other than "G" or "H" which the taxpayer says was rolled over, verify that the rollover was completed within 60 days. If the taxpayer did not roll the distribution to another account in 60 days, the taxpayer will likely be taxed on the amount. In this case, refer the taxpayer to a professional preparer.

Note: Distributions from SIMPLE IRAs can be rolled over within two years. Taxable SIMPLE IRA rollovers are out of scope.

Pension and Annuities

Fully taxable:

- Taxpayer did not pay any part of the cost of his pension or annuities
- Employer did not withhold part of the cost from the taxpayer's pay while he worked
- Employer withheld part of the cost from the taxpayer's before-tax pay while he worked

Partially taxable:

The Simplified Method can be used order to determine the taxable amount. If the client does not provide enough information to calculate the tax using the Simplified Method, Ladder Up cannot process the return and it is out of scope. The Simplified Method Worksheet can be found at the bottom of the 1099-R Worksheet in ProSeries (see page 123).

The Simplified Method calculates the taxpayer's cost basis for each monthly payment. The number of monthly payments is based on the taxpayer's age (and the spouses age if a joint/survivor annuity is selected by the taxpayer) on the annuity start date. The calculation is not changed for subsequent events such as divorce, marriage, or death.

Taxpayer's cost basis / Number of Monthly payments = Monthly Tax-Free Portion

You will need:

- The cost in the plan (total employee contribution on Form 1099-R)
- The taxpayer's age on the date the annuity began
- Total of tax-free amounts from previous years, available from the taxpayer's prior-year worksheet

Form 1099-R: Distribution from Pension, Annuities, Retirement

<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0119		Form 1099-R		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	
PAYER'S name, street address, city or town, state or province, country, and ZIP or foreign postal code		1 Gross distribution	\$ 20 --		Copy 1 For State, City, or Local Tax Department		
		2a Taxable amount	\$				
PAYER'S federal identification number		2b Taxable amount not determined <input type="checkbox"/>	Total distribution <input type="checkbox"/>				
RECIPIENT'S identification number		3 Capital gain (included in box 2a)	4 Federal income tax withheld				
RECIPIENT'S name		5 Employee contributions / Designated Roth contributions or insurance premiums	6 Net unrealized appreciation in employer's securities				
Street address (including apt. no.)		7 Distribution code(s)	IRA/SEP/SIMPLE <input type="checkbox"/>	8 Other			
City or town, state or province, country, and ZIP or foreign postal code		9a Your percentage of total distribution %	9b Total employee contributions \$				
10 Amount allocable to IRR within 5 years \$	11 1st year of desig. Roth contrib. <input type="checkbox"/>	12 State tax withheld \$	13 State/Payer's state no.	14 State distribution \$			
Account number (see instructions)		15 Local tax withheld \$	16 Name of locality	17 Local distribution \$			

Form 1099-R www.irs.gov/form1099r Department of the Treasury - Internal Revenue Service

Generally, payers of pension and annuity income send Form 1099-R to recipients. Sometime clients will have a letter on bank letterhead that provides substantially the same information as Form 1099-R. In that case, you can accept the bank letter in place of the 1099-\$.

Retirement income may be partially or fully taxable. **The total pension or annuity income is reported on Form 1040, line 4a; the taxable portion is reported on Form 1040, line 4b.**

Box 1 shows the **total amount** received during the year and is reported on Form 1040, line 4a. Note: Some portion of the amount shown in Box 1 of the 1099-R may not be taxable. See details for Box 7.

- Total distribution: If the second box is checked, the distribution was total and closed out the taxpayer's account.

Box 4 shows the federal income tax withheld.

Box 2a generally shows the **taxable amount** of the distribution. However, if there is no entry, there may still be a taxable portion. See details for box 2b.

Box 7 identifies the distribution received and helps determine the tax treatment of the distribution.

Codes:

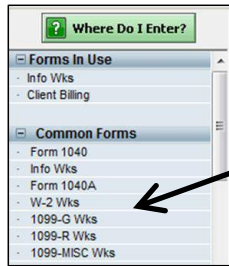
Box 2b indicates:

- Taxable amount: If the first box is checked, the payer could not determine this amount.
- If box 2a is blank determine the taxable amount by using the Simplified Method. For information, see pages 122, and 125-126.

- 1: Early distribution subject to additional 10% tax unless rolled over. The additional tax is reported on Form 1040, Schedule 4, line 59.
- 2: Early distribution, exception applies
- 3: Disability, see details on page 125
- 7: Normal distribution (no additional tax applies)
- Q: As a Roth distribution, the entire amount is not taxable

Exceptions when Box 7 is marked with Code 1, Early Distribution

If an exception applies but Box 7 shows code 1, Form 5329 must be filed. For example, a taxpayer may have used the distribution to pay medical expenses in excess of 10% of his adjusted gross income. Other exceptions include paying for education. The taxable amount shown in Box 2a of Form 1099-R is entered on line 1 of Form 5329. On line 2, enter the amount that can be excluded and the exception number shown in the Form 5329 instructions. See the Other Taxes and Payments section of Publication 4012 for a complete list of exceptions.



In ProSeries, 1099-R information is entered using the Form 1099-R Worksheet. As with the W-2 Worksheet, a separate 1099-R Worksheet must be created for each 1099-R the taxpayer and spouse have. Use the Forms Bar on the left to create a new, or edit an existing, 1099-R worksheet.

Form 1099-R Worksheet (PENSION PLAN A)

Form 1040 **Form 1099-R Worksheet**
 ▶ Keep for your records

Name _____ Social Security Number _____

Enter additional distribution information on page 2.
 Enter Simplified Method information on page 3.

QuickZoom to another Form 1099-R Worksheet ▶ QuickZoom
 QuickZoom to the Form 1099-R Summary for a summary of all Forms 1099-R ▶ QuickZoom

Check Applicable Box : ☐ 1099-R ☐ CSA-1099-R ☐ CSF-1099-R ☐ RRB-1099-R

Payer Federal ID _____ Corrected ☐
 Payer Name **PENSION PLAN A** Non standard ☐
 Name (cont.) _____
 Street Address or P. O. Box _____
 City State ZIP
 Foreign Country _____

If Spouse's 1099-R, check this box ☐ Do not transfer this 1099-R to next year ☐

This section is for RRB-1099-R use only

1 Gross distribution	_____	2 a Taxable amount (See Help)	_____
2 b Taxable amount not determined	<input type="checkbox"/>	Total distribution	<input type="checkbox"/>
3 Capital gain	_____	4 Federal tax withheld	_____
5 Contributions/Design Roth/Insur	_____	6 Net unrealized appreciation	_____
7 Distribution code(s)	_____	IRA/SEP/SIMPLE <input type="checkbox"/> Roth IRA <input type="checkbox"/>	

Check off the correct box to indicate Form 1099-R, CSA-1099-R or CSF-1099-R, RRB-1099

Enter payer information

Check this box if the 1099-R is for the spouse

Transfer any amounts from each box of the 1099-R to the worksheet

Also check off the IRA/SEP/SIMPLE box if applicable

If this box is marked with an "X", then ask the taxpayer:

- Was this from a traditional IRA?
- Were the contributions deducted from income in the year they were made?

If the answer is "YES", the entire distribution is taxable.

A Roth IRA will show code Q in box 7.

Qualified disability income reported on Form 1099-R with a Distribution Code 3 in Box 7 is reported as earned income wages on line 1 of Form 1040 until the minimum retirement age is met, provided that box E on page 2 of the ProSeries 1099-R worksheet is checked.

Since taxpayers under age 65 may qualify for the Earned Income Credit (EIC), be sure to check box E of the Form 1099-R worksheet page 2.

Beginning on the day after reaching the minimum retirement age (per the employer), these payments are taxable as unearned pension income and are no longer reported as wages. Once the taxpayer reaches the minimum retirement age, do not check box E and ProSeries will enter the total and taxable pension payments on Form 1040, lines 4a and 4b.

Disability Payments:			
E	If code 3 in box 7 (disability), check if the recipient is under the minimum retirement age	<input checked="" type="checkbox"/>	

If the box is checked and the taxpayer is under age 65, the taxpayer is also considered for EIC. However, if not appropriately checked, EIC will be disallowed even if the taxpayer qualifies.

Taxable Amount Not Determined, Simplified Method

If box 2b is checked and box 2a is empty on the Form 1099-R then the taxable amount needs to be determined in order to prepare the return.

Form 1099-R Worksheet (PENSION PLAN A)			
1	Gross distribution	16,000.	2 a Taxable amount (See Help)
2 b	Taxable amount not determined	<input checked="" type="checkbox"/>	Total distribution
3	Capital gain		4 Federal tax withheld
5	Contributns/Desig Roth/Insur		1,500.
6	Net unrealized appreciation		
7	Distribution code(s)	7	IRA/SEP/SIMPLE
			Roth IRA
12-1	State tax withheld		13-1 State
14-1	State distribution		Payer's state No.
15-1	Local tax withheld		State use code (See Help)
16-1	Name of locality		

8	Other		%	
9 a	Percentage of total distribution		9 b	Total employee contributions
10	Amount allocable to IRR within 5 years			11,500.
11	1st year of desig. Roth contrib.			
	Account number			

1099-R, Taxable Amount Not Determined, Simplified Method, Cont.

Form 1099-R Worksheet (ABC CORPORATION)

To elect the Simplified Method for this distribution, enter the annuity starting date on line 2.

1	Total pension received this year reported on Form 1099-R	1	16,000.
2	Starting date of annuity	2	11/01/2010
	▶ If annuity start date is after Dec. 31, 1997, check if annuity is payable based on the life of more than one individual. If checked, enter the combined ages of the annuitant and survivor on line 6. <input type="checkbox"/>		
3	Plan cost at the annuity starting date	3	11,400.
4	Death benefit exclusion	4	
5	Add lines 3 and 4	5	11,400.
6	Age (or combined ages) at annuity starting date	6	65
7	Age factor (payment months)	7	260
8	Divide line 5 by line 7	8	43.85
9	Number of months payments were made in 2015	9	7
10	Multiply line 8 by line 9	10	307.
11	Amounts previously recovered after 1986	11	
12	Cost remaining at beginning of 2015. Subtract line 11 from line 5	12	11,400.
13	Nontaxable cost. Smaller of line 10 or line 12 but no more than line 1	13	307.
14	Taxable pension for year. Subtract line 13 from line 1	14	15,693.
15	Taxable amount from 1099-R, box 2a	15	
16	Taxable amount of this distribution. Smaller of line 14 and line 15	16	15,693.
17	Total cost recovered. Add lines 11 and 13	17	307.
18	Balance of cost to be recovered. Subtract line 17 from line 5	18	11,093.

The following lines must be completed to calculate the taxable amount

- **Start date of annuity:** Enter the date of the first payment received
- **Plan cost at annuity start date:** The cost is usually the net investment in the plan as of the annuity start date. This amount should be reported in Box 9b on Form 1099-R for the first year the taxpayer received payments from the plan.
- **Age (or combined ages) at annuity starting date:** If the taxpayer elected joint survivorship, enter the age or combined ages of the policyholder and the survivor. ProSeries will not automatically calculate this figure so be sure to figure the correct age at the date of the first payment.
- **Number of months payments were made in 2018:** Enter the number of months for which this year's payments were made. E.g. first payment received in March means that 10 months of payments were made (12 months in a year - January and February did not have payments = 10 months of payments made).

Be sure to include an amount on Line 11 (amounts previously recovered) if the payments began before 2018. If the client file was transferred, this information will automatically be populated.

If information is missing or otherwise incorrect you can calculate this number manually, use the following formula:

1. Complete lines 2, 6, and 9 with information provided by the taxpayer



If you do not have complete information to accurately fill in lines 2, 6, and 9, make the full amount of the pension taxable.

Form 1099-G: Certain Government Payments

<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0120		Certain Government Payments
PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Unemployment compensation	<div style="font-size: 2em;">20</div> --	
		2 State or local income tax refunds, credits, or offsets		
PAYER'S federal identification number RECIPIENT'S identification number		3 Box 2 amount is for tax year	4 Federal income tax withheld	Copy 1 For State Tax Department
RECIPIENT'S name Street address (including apt. no.) City or town, state or province, country, and ZIP or foreign postal code		\$	\$	
		5 RTAA payments	6 Taxable grants	
		\$	\$	
Account number (see instructions)		7 Agriculture payments	8 Check if box 2 is trade or business income <input type="checkbox"/>	
		\$		
City or town, state or province, country, and ZIP or foreign postal code		9 Market gain		
		\$		
		10a State	10b State identification no.	11 State income tax withheld
				\$
				\$

Form **1099-G** www.irs.gov/form1099g Department of the Treasury - Internal Revenue Service

Form 1099-G reports certain government payments for the year. The types of payments in scope of the program are unemployment compensation and state or local income tax refunds. The majority of TAP clients do not have taxable state or local income refunds to report (will only be taxable if they itemized deductions in year that generated the refund..

Box 1 shows the **unemployment compensation** payment amount and is reported on Form 1040, Schedule 1 line 19.

Box 2 shows **state or local income tax refunds, credits, or offsets**. Part or all of the amount *may* be included as income for 2018 on Form 1040, Schedule 1 line 10. See right and page 129 for more information.

Box 4 shows the amount of **federal income tax withheld**. This amount must be recorded accurately to calculate the correct amount that the taxpayer will be refunded or will owe the IRS. The amount in Box 4 is included on Form 1040, line 16.

When are amounts in Box 2 counted as income?

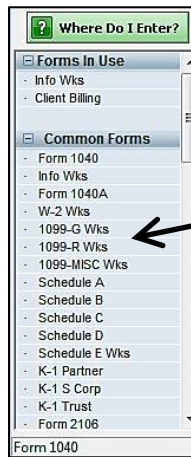
If the taxpayer claimed the standard deduction on the tax return for 2017, any refund amount will not be counted as income on the 2018 return.

If the taxpayer itemized deductions for 2017, the state or local refund *may* be taxable in part or in whole. See page 129 for details.

If the state refund was for a year prior to 2017 (indicated in box 3) but was received in 2018, the return is out of scope for the program.

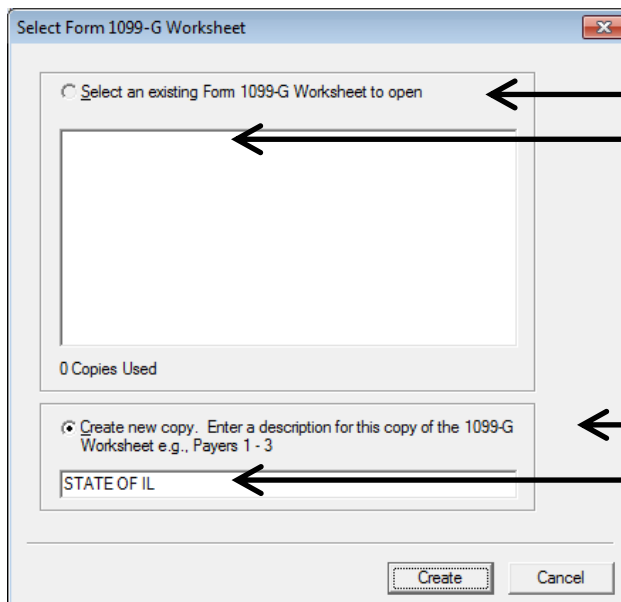
1099-G Worksheet

In ProSeries, 1099-G information is entered using the 1099-G Worksheet. Use the Forms Bar to start a new or edit an existing 1099-G Worksheet:



Click on "1099-G Wks" in the Forms Bar on the left-hand side

That action will automatically bring up the Select Form 1099-G Worksheet dialog box, as shown below:



To open an existing 1099-G Worksheet, click the radio button and the name of the 1099-G Worksheet

To create a new 1099-G Worksheet, click the radio button and type in the payer name from the 1099-G

See the next page for details about filling out a 1099-G Worksheet.

Unemployment Compensation (1099-G)

Form 1099-G Worksheet (UNEMPLOYMENT)

Form **1040**

Form 1099-G Worksheet Certain Government Payments

2

► Keep for your records

Name(s) Shown on Return

Social Security No.

If filing electronically you **MUST** complete payer information on the EF Smart Worksheet below.

Enter 2014 state and local income tax refunds on Federal Carryover Worksheet QuickZoom
QuickZoom to State and Local Income Tax Refund Worksheet QuickZoom
QuickZoom to another Form 1099-G Worksheet QuickZoom
Worksheet Description **UNEMPLOYMENT**

Note that information from multiple Forms 1099-G can be entered on the worksheet. Simply move on to the next Payer column.

Box	Description	Payer 1	Payer 2	Payer 3
	Ownership (defaults to taxpayer):			
	Check if Taxpayer	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Check if Spouse	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Check if Joint	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Payer's Federal ID number	36-3042127		
	Enter the abbreviation of State or Locality issuing this payment:			
10 a	State abbreviation	IL		
	Locality abbreviation			
	Payer's name	STATE OF IL		
1	Unemployment compensation	9,000.		
a	Amount repaid			
2	State or local income tax refunds, credits, or offsets			
3	Box 2 amount is for tax year			
	For 2013 and prior years, enter taxable amount on the State and Local Refund Worksheet ► QuickZoom			
4	Federal income tax withheld	968.		
5	RTAA payments			
6	Taxable grants			
7	Agriculture payments			
	(Double-click) to:			
a	Link to Schedule F Line 4a, 39a			
b	Link to Schedule F Line 6a, 41			
c	Link to Form 4835 Line 3a			
d	Link to Form 4835 Line 5a			
8	Check if the amount in box 2 applies to income from a trade or business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	(Double-click) to:			
a	Link to Schedule C line 6			
b	Link to Schedule F line 8b, 43b			
	Enter the taxable portion of the amount in box 2 to be reported on Schedule C or F			
9	Market gain			
a	Link to Schedule F Line 4a, 39a			
b	Link to Form 4835 Line 3a			
10 b	State identification no			
11	State income tax withheld	425.		
12 a	Locality name			
13	Local Income Tax Withheld			

Check the appropriate box if the 1099-G is for the spouse

Enter the payer number
EIN is required for transferred files
Unemployment Comp: 36-3042127
State refund: 37-6002057

Enter "IL" for the state

Enter the payer name

Enter the amounts from Boxes 1, 4, and 11, if any.

Boxes 4 and 11 may be empty on the taxpayer's 1099-G.



Enter the Payer's address information at the bottom of the Worksheet

State and Local Income Tax Refunds (1099-G)

State refunds are **NOT** taxable if...

the client claimed the standard deduction on the tax return for 2017

State refunds **MAY** be taxable if...

the client itemized deductions for 2017 and deducted state and local income taxes

OR

the taxpayer elected to deduct state and local general sales taxes instead of state and local income taxes

What if the client doesn't have his 1099-G but received a state refund?

Speak with the client to determine whether the information is needed for the return. Ask to see his 2017 return if he brought it. Ask if he itemized last year, and whether he has a home mortgage. Most Ladder Up clients only itemize if they have a home mortgage. You can look up 1099-G refund information using this link and the taxpayer's SSN: <https://mytax.illinois.gov/>



The client's 2017 federal tax return must be referenced to determine what portion, if any, of the state refund must be included in income for 2018. If the client did not bring a copy of his 2017 return but had his return completed at a Ladder Up site, check with the Site Leader to see if the ProSeries file can be retrieved.

If the state refund was for a year prior to 2017 but was received in 2018, the return is out of scope for the program.

☐ VOID ☐ CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Unemployment compensation \$	OMB No. 1545-0120 <div style="font-size: 2em; font-weight: bold;">20</div> --	Certain Government Payments Copy 1 For State Tax Department
2 State or local income tax refunds, credits, or offsets \$	3 Box 2 amounts for tax year \$		4 Federal income tax withheld \$	
5 RTAA payments \$		6 Taxable grants \$		
7 Agriculture payments \$		8 Check if box 2 is trade or business income <input type="checkbox"/>		
9 Market gain \$		10a State 10b State identification no. 11 State income tax withheld \$ \$ \$		
PAYER'S federal identification number RECIPIENT'S identification number		RECIPIENT'S name: Street address (including apt. no.) City or town, state or province, country, and ZIP or foreign postal code		
Account number (see instructions)		Form 1099-G		

Form **1099-G**
www.irs.gov/form1099g
Department of the Treasury - Internal Revenue Service

State and Local Income Tax Refunds (1099-G), Cont.

Start a 1099-G Worksheet if one hasn't been started already. See page 129 for instructions on how to start a worksheet. You can create a new worksheet for the state refund or use the next Payer column in an existing worksheet, if room remains.

Form 1099-G Worksheet (UNEMPLOYMENT)

Box	Description	Payer 1	Payer 2	Payer 3
	Ownership (defaults to taxpayer): Check if Taxpayer <input checked="" type="checkbox"/> Check if Spouse <input type="checkbox"/> Check if Joint <input type="checkbox"/>			
	Payer's TIN **-***2127			
10 a	Enter the abbreviation of State or Locality issuing this payment: State abbreviation IL Locality abbreviation			
1	Payer's name State of IL			
a	Unemployment compensation			
2	Amount repaid			
3	State or local income tax refunds, credits, or offsets 147. Box 2 amount is for tax year 2017 For 2016 and prior years, enter taxable amount on the State and Local Refund Worksheet QuickZoom			
4	Federal income tax withheld			
5	RTAA payments			
6	Taxable grants			

Check the appropriate box if the 1099-G is for the spouse

Enter the payer number

Enter "IL" for the state

Enter the payer name

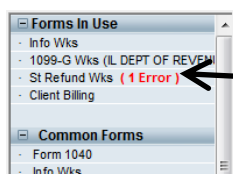
Enter the amount from Box 2

Note: Boxes 1, 4, and 11 are typically empty on a 1099-G for state refunds

Form 1099-G Worksheet (IL DEPT OF REVENUE)

Form 1099-G Electronic Filing Information Smart Worksheet Complete only if filing electronically - See Tax Help for additional info.	
Payer 1 If CORRECTED check here <input type="checkbox"/> Payer Information: State Identification Number Federal Identification Number 37-6002057 Name, street address, city, state, ZIP code and telephone number. State of IL PO BOX 12345 SPRINGFIELD IL 11111 Telephone number Ext:	Recipient 1 Recipient Information: Identification Number 345-XX-XXXX Name JESSICA JONES Street address Apartment No. 1 MY STREET 2A City State Zip code CHICAGO IL 60606 Account No. (optional)
Payer 2 If CORRECTED check here <input type="checkbox"/>	Recipient 2 Recipient Information: Identification Number Name

Scroll to the bottom to enter the Payer's address information at the bottom of the Worksheet



Filling in the refund amount automatically creates a State Tax Refund Worksheet in ProSeries.

Forms SSA-1099, RRB-1099 and RRB-1099-R

Social Security benefits are reported on Form SSA-1099. Tier 1 railroad retirement benefits are referred to as "Social Security equivalent benefits" and, for tax purposes, are treated like Social Security benefits. They are shown on Form RRB-1099.

Railroad Retirement Benefits (RRB) are reported on two forms and require two entry screens.

Tier 1 railroad retirement benefits are referred to as "Social Security equivalent benefits" and, for tax purposes, are treated like Social Security benefits. They are shown on Form RRB-1099 (Blue Form).

Treat the benefits reported on this form just like the information reported on Form SSA-1099. Tier 2 benefits are reported on Form RRB 1099-R (Green Form).

Whether Social Security benefits are taxable or not depends on total income and filing status. If a client received income from other sources, his benefits will not be taxed unless his modified adjusted gross income is more than the base amount for his filing status as shown below.

Modified adjusted gross income (MAGI) is equal to:

- (a) One-half of the Social Security benefits (and equivalent Tier 1 railroad retirement benefits)
- PLUS**
- (b) Adjusted Gross Income from Form 1040 Line 7, including tax-exempt interest

The base amounts are as follows:

- \$25,000 if the filing status is Single, Head of Household, or Qualifying Widow(er)
- \$32,000 if the filing status is Married Filing Jointly
- \$25,000 if the filing status is Married Filing Separately and the taxpayer lived apart from his spouse for all of the year
- \$0 if the filing status is Married Filing Separately and the taxpayer lived with his spouse at any time during the year



Once the SSA-1099 and RRB-1099 information, along with all other taxpayer income, adjustments, credits, and deductions, is correctly entered into ProSeries, the taxable portion, if any, is automatically calculated.

Include in a taxpayer's return:

Taxpayer's benefits from Form SSA-1099 and spouse's benefits from Form SSA-1099, if filing a joint return

Do NOT include:

Any dependent's Form SSA-1099 for benefits received in the dependent's name

Part II – Federal Filing Status

- ☐ 1 Single
- ☐ 2 Married filing jointly
- ☒ 3 Married filing separately
- ☒ Taxpayer did **not** live with spouse at any time during year
- ☐ Taxpayer eligible to claim spouse's exemption (see Help)
- ☐ 4 Head of household



Remember to mark if the taxpayer did not live with their spouse – this greatly affects the taxability of SS benefits

Form SSA-1099

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		Box 2: Beneficiary's Social Security Number
Box 3: Benefits Paid in 2015	Box 4: Benefits Repaid to SSA in 2015	Box 5: Net Benefits for 2015 (Box 3 minus Box 4)
DESCRIPTION OF AMOUNT IN BOX 3		DESCRIPTION OF AMOUNT IN BOX 4
<div style="position: relative; height: 150px;"> SAMPLE </div>		Box 6: Voluntary Federal Income Tax Withheld
		Box 7: Address
		Box 8: Claim Number (Use this number if you need to contact SSA.)

Form SSA-1099-SM (1-2015) DO NOT RETURN THIS FORM TO SSA OR IRS


Box 1 shows the benefits recipient. Remember, only the taxpayer's and spouse's benefits are entered on the return. Do not include payments in a dependent's name.

Box 3 shows benefits paid, before adjustments. The **Description of Amount in Box 3** includes both benefits and adjustments. A common adjustment is **Medicare premiums** deducted from benefits.

Box 5 shows **net benefits** paid for the year.

Box 6 shows **federal income tax withheld**. This box may be empty.

Form RRB-1099 (Tier 1 Benefits)

PAYER'S NAME, STREET ADDRESS, CITY, STATE, AND ZIP CODE UNITED STATES RAILROAD RETIREMENT BOARD 844 N RUSH ST CHICAGO IL 60611-2092 PAYER'S FEDERAL IDENTIFYING NO. 36-3314600		20XX		PAYMENTS BY THE RAILROAD RETIREMENT BOARD	
1. Claim Number and Payee Code		3. Gross Social Security Equivalent Benefit Portion of Tier 1 Paid in 2014		COPY C - FOR RECIPIENT'S RECORDS. THIS INFORMATION IS BEING FURNISHED TO THE INTERNAL REVENUE SERVICE.	
2. Recipient's Identification Number		4. Social Security Equivalent Benefit Portion of Tier 1 Repaid to RRB in 2014			
Recipient's Name, Street Address, City, State, and Zip Code 		5. Net Social Security Equivalent Benefit Portion of Tier 1 Paid in 2014			
		6. Workers' Compensation Offset in 2014			
		7. Social Security Equivalent Benefit Portion of Tier 1 Paid for 2013			
		8. Social Security Equivalent Benefit Portion of Tier 1 Paid for 2012			
		9. Social Security Equivalent Benefit Portion of Tier 1 Paid for Years Prior to 2012			
		10. Federal Income Tax Withheld		11. Medicare Premium Total	

FORM RRB-1099 **DO NOT ATTACH TO YOUR INCOME TAX RETURN**

Box 3 Gross Social Security Equivalent Benefit portion of Tier 1 paid during the tax year.

The amount in Box 3 already includes the amount in Box 7.

Box 4 SSEB portion of Tier 1 repaid to the Railroad Retirement Board

Box 5 Net SSEB portion of Tier 1 received during the tax year (amount in Box 3 – amount in Box 4). A figure in parenthesis indicates a negative figure meaning that you repaid more than you received or were credited with receiving during the tax year.

Box 6 This amount is for informational purposes. This is the amount of any workers' compensation deducted from SSEB payments. This amount is included in the amount shown in Box 3.

Box 10 Shows federal income tax withheld

Box 11 Total amount of Medicare parts B, C and/or D premiums deducted from the railroad retirement annuity payments during the year.

Forms RRB-1099-R (Tier 2 Benefits)

Note: Form RRB-1099-R requires Advanced certification

PAYER'S NAME, STREET ADDRESS, CITY, STATE, AND ZIP CODE UNITED STATES RAILROAD RETIREMENT BOARD 844 N RUSH ST CHICAGO IL 60611-2092		20XX		ANNUITIES OR PENSIONS BY THE RAILROAD RETIREMENT BOARD	
PAYER'S FEDERAL IDENTIFYING NO. 36-3314600		3. Employee Contributions		COPY B - REPORT THIS INCOME ON YOUR FEDERAL TAX RETURN. IF THIS FORM SHOWS FEDERAL INCOME TAX WITHHELD IN BOX 9 ATTACH THIS COPY TO YOUR RETURN. THIS INFORMATION IS BEING FURNISHED TO THE INTERNAL REVENUE SERVICE.	
1. Claim Number and Payee Code		4. Contributory Amount Paid			
2. Recipient's Identification Number		5. Vested Dual Benefit			
Recipient's Name, Street Address, City, State, and Zip Code		6. Supplemental Annuity			
		7. Total Gross Paid (Sum of boxes 4, 5 and 6)			
		8. Repayments			
		9. Federal Income Tax Withheld			
		10. Rate of Tax		11. Country	
				12. Medicare Premium Total	

FORM RRB-1099-R

Tier 2 benefits must be entered on the 1099-R worksheet. Remember to click the RRB-1099-R box near the top of the worksheet! This will bring up a version of the worksheet aligned with the RRB-1099-R form.

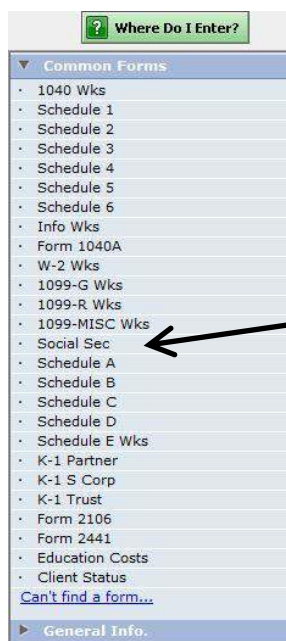
Box 3 shows the amount the employee paid towards the benefits and is needed to help calculate the taxable portion of the payment.

Box 9 shows the amount of federal income tax withheld

Boxes 4, 5, 6 and 7 show the total amount paid (box 7) broken down into the various types of payments (boxes 4, 5 and 6)

Forms SSA-1099 and RRB-1099

In ProSeries, SSA-1099 and RRB-1099 information is entered using the Social Security Benefits Worksheet. To get to the Worksheet click on Social Security in the Forms Bar:



Click on "Social Sec" in the Forms Bar on the left-hand side

Social Security and Railroad Retirement Benefits

Social Security Benefits Worksheet		20																		
<div style="display: flex; justify-content: space-between;"> <div> Form 1040 Line 20 </div> <div style="text-align: center;"> Social Security Benefits Worksheet ▶ Keep for your records </div> </div>																				
Name(s) Shown on Return		Social Security Number																		
Social Security/Railroad Retirement benefits received in 2014 ▶ <input type="checkbox"/>																				
A Total net benefits from Box 5 of all SSA-1099 forms B Total federal tax withheld from box 6 of all SSA-1099 forms C Total Medicare B premiums withheld from all SSA-1099 forms D Total Medicare C premiums withheld from all SSA-1099 forms E Total Medicare D premiums withheld from all SSA-1099 forms Note: If self-employed, Medicare premiums are deductible as Self-Employed Health Insurance. If self-employed, enter premiums on the business activity form (Schedule C, F, etc), not on Lines C, D and E above. F Total net benefits from Box 5 of all RRB-1099 forms G Total federal tax withheld from box 10 of all RRB-1099 forms H Total Medicare premiums from Box 11 of all RRB-1099 forms	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Taxpayer</th> <th style="text-align: center;">Spouse</th> </tr> </thead> <tbody> <tr><td style="height: 20px;"></td><td style="height: 20px;"></td></tr> <tr><td style="height: 20px;"></td><td style="height: 20px;"></td></tr> <tr><td style="height: 20px;"></td><td style="height: 20px;"></td></tr> <tr><td style="height: 20px;"></td><td style="height: 20px;"></td></tr> <tr><td style="height: 20px;"></td><td style="height: 20px;"></td></tr> <tr><td style="height: 20px;"></td><td style="height: 20px;"></td></tr> <tr><td style="height: 20px;"></td><td style="height: 20px;"></td></tr> <tr><td style="height: 20px;"></td><td style="height: 20px;"></td></tr> </tbody> </table>	Taxpayer	Spouse																	
Taxpayer	Spouse																			
Earlier Year Lump-Sum Benefits Smart Worksheet																				
If you received a lump-sum payment that includes benefits for one or more earlier years after 1983, QuickZoom to the Earlier Year Lump-Sum Social Security Worksheet to enter lump-sum payment for an earlier year(s) ▶ QuickZoom																				
If earlier year payments are entered, check this box to not make the lump-sum election ▶ <input type="checkbox"/>																				
1 Add amounts from line A and line F above. Also enter this amount on Form 1040, line 20a 2 Enter one-half of line 1 3 Add the amounts on Form 1040, lines 7 (before adoption benefits exclusion), 8a (before U.S. savings bond interest exclusion), 8b, 9a, 10 through 14, 15b, 16b, 17 through 19, and line 21. Also include certain income of bona fide residents of American Samoa or Puerto Rico. 4 Enter the total of any exclusions/adjustments for: • Foreign earned income or housing exclusion 5 Add lines 2, 3, and 4 6 Amount from Form 1040, lines 23 through 32, plus any write-in amounts on line 36 (other than foreign housing deduction) 7 Subtract line 6 from line 5 8 Enter \$25,000 (\$32,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 2015) 9 Subtract line 8 from line 7. If zero or less, enter -0-	1 2 3 4 5 6 7 8 9																			
If line 9 is zero or less, stop here; none of your social security benefits are taxable. Enter -0- on Form 1040, line 20b. If you are married filing separately and you lived apart from your spouse for all of 2015, enter 'D' to the right of the word 'benefits' on line 20a. If line 9 is more than zero, go to line 10.																				
10 Enter \$9,000 (\$12,000 if married filing jointly; \$0 if married filing separately and you lived with your spouse at any time in 2015) 11 Subtract line 10 from line 9. If zero or less, enter -0- 12 Enter the smaller of line 9 or line 10 13 Enter one-half of line 12 14 Enter the smaller of line 2 or line 13 15 Multiply line 11 by 85% (.85). If line 11 is zero, enter -0- 16 Add lines 14 and 15 17 Multiply line 1 by 85% (.85) 18 Taxable social security benefits. Enter the smaller of line 16 or line 17 If prior year lump-sum benefits were received, go to line 19, otherwise, skip line 19 and enter the amount from line 18 on line 20. 19 Taxable benefits with lump-sum election. Enter the amount from line 20 of the Lump-Sum Social Security Worksheet QuickZoom to the Lump-Sum Social Security Worksheet 20 Taxable Social Security benefits. Enter the smaller of line 18 or line 19 Also enter this amount on Form 1040, line 20b	10 11 12 13 14 15 16 17 18 19 20	▶ QuickZoom																		

Enter both the taxpayer and spouse's benefits on this worksheet

Transfer net benefits
from box 5 to line A

Transfer federal tax withheld from box 6 to line B

Transfer Medicare premiums deducted to lines C-E

Transfer RRB-1099 information to lines F-H. Be sure to include this separately on different lines from any Social Security benefits.

The remaining lines of the Social Security benefits worksheet will then be automatically populated

Entering Form RRB-1099- R

Tier 2 benefits (blue form) are entered on a 1099-R worksheet. Open the worksheet and click the option for RRB-1099-R, the subsequent fields will change to match the fields of that form.

Form 1099-R Worksheet (United States Railroad) Refund

Form 1040 **Form 1099-R Worksheet**
 ▶ Keep for your records

Name _____ Social Security Number _____

Enter additional distribution information on page 2.
 Enter Simplified Method information on page 3.

QuickZoom to another Form 1099-R Worksheet ▶ QuickZoom
 QuickZoom to the Form 1099-R Summary for a summary of all Forms 1099-R ▶ QuickZoom

Check Applicable Box : 1099-R ▶ ☐ CSA-1099-R ▶ ☐ CSF-1099-R ▶ ☐ RRB-1099-R ▶ ☒

Payer Federal ID 36-3314600
 Payer Name United States Railroad
 Name (cont.) Retirement Board
 Street Address or P. O. Box 844 N. Rush St.
 City Chicago State IL ZIP 60611-2092
 Foreign Country

Corrected ☐
 Non standard ☐

If Spouse's RRB-1099-R, check this box .. ▶ ☐ Do not transfer this RRB-1099-R to next year ☐

For RRB-1099-R. See Help.

3 Employee Contributions	_____	4 Contributory Amount Paid	_____
		Taxable Amount of Line 4	_____
5 Vested Dual Benefit	_____	6 Supplemental Annuity	_____

7 Total Gross Paid	_____	Taxable Amount of Line 7	_____
Taxable amount not determined	▶ <input type="checkbox"/>	Lump-sum distribution	▶ <input type="checkbox"/>
Capital gain (lump-sum only)	_____	9 Federal tax withheld	_____
8 Repayments	_____	12 Medicare Premium Total	_____
Distribution Code	_____ ▶ (Does not apply) ▶ <input type="checkbox"/>	(Does not apply) ▶ <input type="checkbox"/>	

12 -1 State tax withheld	_____	13 -1 State	_____	Payer's state No.	_____
14 -1 State distribution	_____			State use code (See Help)	_____
15 -1 Local tax withheld	_____	16 -1 Name of locality	_____		
17 -1 Local distribution	_____				

▶ Check if NOT from a qualified retirement plan or IRA (see Help) ▶ ☐
 ▶ If box 7 code is J or T, check if a qualified Roth IRA distribution (see Help) ... ▶ ☐
 ▶ If box 7 code is J, enter amount used for first time home purchase _____

Ask the client if they receive regular monthly payments. If so, use distribution code 7.

If Box 3 shows a positive amount, use the simplified method found on page 122 to calculate the taxable amount. Box 3 is the amount of the payment that can be deducted over the life of the pension. This is entered on Line 3 in the very last section of the 1099-R worksheet to calculate the taxable amount.

Disability Income – SSDI and SSI

Social Security Disability Insurance (SSDI)

SSDI benefits may be paid to people who cannot work because of a medical condition expected to last at least one year or result in death. A disabled or blind individual must have paid Social Security taxes to become insured for these benefits. Certain family members may also qualify for benefits based on an employee's work.

SSDI payments fall under the same taxable/nontaxable rules as other Social Security benefits reported on Form SSA-1099. A taxpayer with a filing status of Single will pay taxes on his SSDI benefits if his modified adjusted gross income is more than \$25,000. Married taxpayers filing jointly will have to pay taxes if their combined modified adjusted gross income is greater than \$32,000. See page 132 for the definition of **modified adjusted gross income** (MAGI) and for more information about how to handle Social Security benefits.

Supplemental Security Income (SSI)

SSI is administered by the Social Security Administration and pays monthly benefits to people with limited income and resources who are disabled, blind, or age 65 or older. SSI recipients may or may not also receive Social Security benefits, and the two are treated differently for tax purposes.

SSI payments are not subject to federal taxes, so recipients do not have to report payments on their tax returns. If a client comes in with a statement of SSI eligibility or payments received, you can simply set the document aside. However, it is unlikely that a client who receives SSI will have another income documents as they do not typically overlap.

Form W-2G: Certain Gambling Winnings

3232 <input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-0038	
PAYER'S name, street address, city or town, province or state, country, and ZIP or foreign postal code		1 Gross winnings	2 Date won
		3 Type of wager	4 Federal income tax withheld
		5 Transaction	6 Race
		7 Winnings from identical wagers	8 Cashier
		9 Winner's taxpayer identification no.	10 Window
PAYER'S federal identification number	PAYER'S telephone number	11 First I.D.	12 Second I.D.
WINNER'S name		13 State/Payer's state identification no.	14 State winnings
Street address (including apt. no.)		15 State income tax withheld	16 Local winnings
City or town, province or state, country, and ZIP or foreign postal code		17 Local income tax withheld	18 Name of locality
Under penalties of perjury, I declare that, to the best of my knowledge and belief, the name, address, and taxpayer identification number that I have furnished correctly identify me as the recipient of this payment and any payments from identical wagers, and that no other person is entitled to any part of these payments.			
Signature ►		Date ►	

Form **W-2G** Cat. No. 10138V www.irs.gov/w2a Department of the Treasury - Internal Revenue Service

20 --
Form W-2G
Certain Gambling Winnings

For Privacy Act and Paperwork Reduction Act Notice, see the **2016 General Instructions for Certain Information Returns.**

File with Form 1096

Copy A
For Internal Revenue Service Center

Form W-2G may be issued to the taxpayer for certain gambling winnings. Total gambling winnings must be reported on Form 1040, Schedule 1, line 21. **If the taxpayer also had gambling losses, the losses can be deducted on Schedule A. As always, the taxpayer must be itemizing in order to take advantage of this deduction.** See *Volunteer Manual – Deductions: Itemized* for more information about itemized deductions.

Box 1 shows **gross winnings**. The payer must furnish a Form W-2G if the taxpayer's winnings exceed certain thresholds that vary based on the gambling activity.

Box 2 shows federal income tax withheld. Be sure to include this amount on the taxpayer's return in ProSeries.

Note: The State of Illinois has no deduction for gambling losses. Therefore gambling earnings are always fully taxable on the state return. ProSeries will automatically handle this calculation.

Sometimes gambling winnings are from states outside of Illinois. If a client has winnings from Indiana or Wisconsin, they can go to the Library in March for assistance with filing of their state returns. Olive Harvey may be able to assist clients with Indiana income depending on volunteer availability.

Create a new copy and enter a description

Select Form W-2G Worksheet

☐ Select an existing Form W-2G Worksheet to open

0 Copies Used

☒ Create new copy. Enter a description for this copy of the W-2G Worksheet, e.g., Payers 1-4

CASINO WINNINGS

Create Cancel

Form W-2G Worksheet (CASINO WINNINGS)

Form 1040 **Form W-2G Worksheet** --

► Keep for your records

Name as Shown on Return

QuickZoom to another W-2G Worksheet to enter additional Forms W-2G
QuickZoom to W-2 and W-2G Summary to see a summary of Forms W-2G
QuickZoom to enter gambling losses (to the extent of winnings)

Description: CASINO WINNINGS

Box	Description	Payer 1	Payer 2	Payer 3
	Payer's Federal ID No			
	Payer's name			
	Payer's name (cont)			
T/S	Check if spouse's W-2G	<input type="checkbox"/>	<input type="checkbox"/>	
1	Gross winnings			

Form W-2G Worksheet (CASINO WINNINGS)

If you are filing electronically, you MUST enter the following information:

2	Date won				
3	Type of wager				
5	Transaction				
6	Race				
7	Identical wager winnings				
8	Cashier				
9	Winner's ID number				
10	Window				
11	First identification				
12	Second identification				
13	Payer's state ID no.				
14	State winnings				
16	Local winnings				
19	Non-standard				

Complete the worksheet, including electronic filing information if the taxpayer would like to e-file.

Form W-2G Additional Electronic Filing Information Smart Worksheet

Payer 1	Winner 1
Payer's Federal ID Number	Winner's Name:
Payer's Name:	Address, City, State, ZIP:
Address, City, State, ZIP:	
Telephone Number	
<input type="checkbox"/> Payer has a foreign address (see Tax Help) ...	<input type="checkbox"/> Winner has a foreign address (see Tax Help) ...

Alimony – Payments Received

Alimony or separate maintenance payments made under a court order or pursuant to some (but not all) divorce or separation agreements are taxable income to the person receiving them and are reported directly on Form 1040, Schedule 1 line 11. No tax form is typically received for these payments.

Schedule 1: Additional Income and Adjustments to Income		
Schedule 1 (Form 1040)	Additional Income and Adjustments to Income	201
Name(s) Shown on Form 1040 MARTHA WASHINGTON		Social Security No. ***-**-1775
Additional Income		
1-9b	Reserved	
10	Taxable refunds, credits, or offsets of state and local income taxes	10
11	Alimony received Taxpayer Spouse	11
12	Business income or (loss). Attach Schedule C or C-EZ	12
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	13
14	Other gains or (losses). Attach Form 4797	14
15 a	Reserved	15 b
16 a	Reserved	16 b
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17
18	Farm income or (loss). Attach Schedule F	18
19	Unemployment compensation	19
20 a	Reserved	20 b
21	Other income. List type and amount	21
22	Combine the amounts in the far right column. If you don't have any adjustments to income, enter here and include on Form 1040, line 6. Otherwise go to line 23	22

If the taxpayer's filing status is **Married Filing Jointly**, enter the alimony payments in the Taxpayer and/or Spouse fields to the left of line 11 instead. ProSeries will add the amounts and transfer the sum to line 11.

The person paying alimony can subtract it as an adjustment to income; the person receiving alimony must treat it as income. *Volunteer Manual – Adjustments to Income: Alimony Paid*, page 155 describes how to determine whether a payment under a divorce or separation agreement is alimony and thus taxable to the recipient. You will need to see the actual court order or divorce or separation agreement to determine whether the amounts paid are alimony.

Notes:

- See *Volunteer Manual – Adjustments to Income: Alimony Paid* for how to handle alimony payments made by a taxpayer.
- Clients with divorce or separation agreements executed before 1985 need to be referred to a professional tax preparer. Their returns are out of scope of our program.
- For divorce decrees finalized in 2019 or later, alimony will no longer be taxable to the recipient or deductible to the payer.

Form 1099-C: Cancellation of Debt, Nonbusiness Credit Card Debt

A taxpayer receives Form 1099-C because a Federal government agency or an applicable financial entity (a creditor) has discharged (canceled or forgiven) a debt he owed, or because an identifiable event has occurred that either is or is deemed to be a discharge of debt of \$600 or more. Only certain debt cancellations on non-business credit card debt and home mortgage debt are in scope (see below for details), all other debt cancellation is out of scope.

☐ CORRECTED (if checked)

CREDITOR'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Date of identifiable event	OMB No. 1545-1424	Cancellation of Debt Form 1099-C
		2 Amount of debt discharged	20 --	
		3 Interest if included in box 2		
CREDITOR'S federal identification number	DEBTOR'S identification number	4 Debt description		Copy B For Debtor 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				
Street address (including apt. no.)		5 If checked, the debtor was personally liable for repayment of the debt <input type="checkbox"/>		
City or town, state or province, country, and ZIP or foreign postal code				
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 Department of the Treasury - Internal Revenue Service

Box 1. Shows the date the earliest identifiable event occurred, at the creditor's discretion, the date of an actual discharge that occurred before an identifiable event. See code in box 6.

Box 2. Shows the amount of debt either actually or deemed discharged. Note: If the taxpayer does not agree with the amount, he should contact his creditor.

Box 3. Shows interest if included in the debt reported in box 2. If this is mortgage debt cancellation then interest makes it out of scope.

Box 4. Shows a description of the debt. If box 7 is completed, box 4 also shows a description of the property. This description can help you determine if the cancellation of debt is a type that is in scope.

Box 5. Shows whether the taxpayer was personally liable for repayment of the debt when the debt was created or, if modified, at the time of the last modification. See Pub. 4681.

Box 6. Shows the reason the creditor has filed this form. The codes in this box are described in more detail.

Box 7. If, in the same calendar year, a foreclosure or abandonment of property occurred in connection with the cancellation of debt, the fair market value (FMV) of the property will be shown, or the taxpayer will receive a separate Form 1099-A (1099-A is out of scope). Generally, the gross foreclosure bid price is considered to be the FMV. For an abandonment or voluntary conveyance in lieu of foreclosures, the FMV is generally the appraised value of the property. The taxpayer may have some income or loss because of the acquisition or abandonments. If the property was his main home, see Pub. 523 to figure any taxable gain or ordinary income.

1099-C, Cont.

Screening for Nonbusiness Credit Card Debt Cancellation

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? 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.	Yes - Go To Step 2 No - Go to Step 6
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? Note: If the bankruptcy box is not checked but the taxpayer has subsequently filed bankruptcy, answer "yes."	Yes - Go to Step 6 No - Go to Step 4
Step 4	Was the taxpayer insolvent immediately before the cancellation of debt? Use the Insolvency Determination Worksheet in Pub. 4012 and interview the taxpayer to determine if the taxpayer was insolvent immediately before the cancellation of debt.	Yes - Go to Step 6 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 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)	Liabilities
Homes	Mortgages
Cars	Home equity loans
Recreational vehicles, etc	Vehicle loans
Bank accounts	Personal signature loans
IRAs, 401Ks, etc.	Credit card debts
Jewelry	Past-due mortgage interest, real estate taxes, utilities, and child care costs
Furniture	Student loans
Clothes	Other liabilities
Misc.	
Other Assets	
Total Assets	Total Liabilities
Total Assets	

Total Assets minus Total Liabilities = \$
 (Negative amount equals insolvency)
 (Positive amount equals solvency)



Note: most Ladder Up clients are insolvent and should qualify for this exception. Since this exception is out-of-scope, it is best to **let the client decide if they would like to forgo the exclusion of the debt from income based on the cost of paid preparation and the overall reduction of tax liability.**

ProSeries, Cancellation of Debt

Use the Forms button,
and type in 1099-C

File Edit View Forms Import E-File Tools HomeBase Update Information Window Help

Forms

Most Common Support Questions

What's New on this Form & Other Forms

What are the rules for dependents?

How can I see the TSI indicators for dependents?

Electronic Filing and Bank Products Information

November 16 2018 06:38 AM PST --- 1 New Alerts. Click for more details...

Where Do I Enter?

Forms In Use

1040 Wks

1040 Wks

Healthcare Wks (1 Error)

1040 Wks

Common Forms

1040 Wks

Schedule 1

Schedule 2

Schedule 3

Schedule 4

Schedule 5

Schedule 6

1040A

1040 Wks

099-G Wks

099-R Wks

099-MISC Wks

099-SEC Wks

Schedule A

Schedule B

Schedule C

Schedule D

Schedule E Wks

-1 Partner

-1 S Corp

-1 Trust

Form 1099-C

Open Forms

There are two ways to find the form you want:

* Go directly to the form you want and double-click it. OR

* Type in the form number or form name and ProSeries will take you to the appropriate form in the list.

RB IL Disc	Locality Wks	28% Rate Gn Wks	EIC Worksheet	Sch SE, p1-T
RB ME Disc	Ded Home Mort	Schedule D Tax	Schedule F	Sch SE, p1-S
RB MD Disc	Form 1098-C	Cap Ls Carryovr	Schedule H-T	Sch SE, p2-T
RB MN Disc	Charity Contrib	Cap Ls Carryfwd	Schedule H-S	Sch SE, p2-S
RB NY Disc	Misc Dedns	ESP Comp Wks	Schedule J	SE Adj Wks
RB Use Cnsnt	Item Dedns Wks	Exercise SO	Sch J Base Yr	Form 1040A
RB Disc Cnsnt	Form 1098	Schedule D AMT	Sch J: 2017 Wks	Form 1040EZ
EF River City	Schedule B	Cap Gain Wks	K-1 Partner	Form 1040-V
RCB Agreement	Int/Div Summary	Emp Stock Wks	K1P Addl Info 1	Form 1040X
RCB Use Consent	Seller-Fin	Multiple Lots	K1P Addl Info 2	Original Armts
RCB Disc Cnsnt	Form 8938	Detail Cap Gain	K1P Sec 59e	Form 1045
Aud Asst Mbrshp	8938 Cont Stmt	Form 8949	PTP Wks	1045 Sch A
AA Prep Agrmt	Schedule C	Home Sale Wks	Suppl Evt - P	1045 Sch B
AA Use Cnsnt	Sch C 2 Yr Comp	Home Adj Basis	K-1 S Corp	Form 1095-A
AA Disc Cnsnt	Schedule C-EZ-T	Schedule E, p1	K1S Addl Info 1	Form 1095-B
Schedule A	Schedule C-EZ-S	Schedule E Wks	K1S Addl Info 2	Form 1095-C
Medical Wks	Schedule D	Sch E 2 Yr Comp	K1S Sec 59e	Healthcare Wks
State Tax Ded	D Tax Summary	Schedule E, p2	K1 Trust	Form 1099-A
Recovery Excl	Unrecap 1250 Gn	Schedule EIC	Schedule R	Form 1099-C

Form: Form 1099-C: Cancellation of Debt

Find: 1099-c

OK Cancel Help

Form 1099-C (MIDWEST BANK): Cancellation of Debt

Form 1099-C

Cancellation of Debt

Keep for your records

Name(s) Shown on Return

Your Social Security No.

Owned by (check one):

☒ Taxpayer ☐ Spouse ☐ Joint

CREDITOR'S Name

MIDWEST BANK

Street address

City (province, country, or foreign postal code) State ZIP code

Telephone number

1 Date of identifiable event

2 Amount of debt discharged

3 Interest if included in box 2

CREDITOR'S federal identification number

DEBTOR'S identification number

4 Debt description

Use the
taxpayer's Form
1099-C to enter
the information.

Form 1040, Schedule 1 Line 21

21	Other income. List type and amount (see instructions).		
	Cancelled Debt Income	1,776.	
21		1,776.	

The debt will
appear on
Schedule 1
Line 21, Other
Income

Education Savings Accounts (ESAs)

Coverdell Educational Savings Accounts (ESAs) and Qualified Tuition Programs (QTPs), also called "section 529 plans," are accounts that help individuals save for the cost of elementary, high school, or higher education.

Generally, an individual can establish a Coverdell ESA for a child who is under age 18. Coverdell ESAs (section 530 plans) and QTPs include the following provisions:

- Money is contributed to a special account
- Contributions are not deductible
- Earnings amounts deposited into the account grow tax-free until distributed
- No tax is due on distributions if the beneficiary had qualified education expenses that were at least as much as the distributions during the year.

Be sure to note that the definition of qualified education expenses is different for the various education benefits. Qualified education expenses for ESAs and QTPs are summarized in Appendix B in the back of Publication 970. The details are outlined in the text of that publication.

Ask the taxpayer questions to determine if he is using the funds for qualified education expenses. The taxpayer will receive Form 1099-Q, Payments from Qualified Education Programs (Under Sections 529 and 530), for each of the Coverdell ESAs and QTPs from which money was distributed during the tax year. The amount of gross distribution will be shown in box 1.

Additional information about educational savings accounts, distributions, and qualified education expenses can be found in Publication 970, Tax Benefits for Education.

Refer the taxpayer/beneficiary to a professional tax preparer if:

- The funds were not used for qualified education expenses or
- The distribution was more than the amount of the qualified expenses

An American Opportunity Credit or Lifetime Learning Credit can be claimed in the same year that the beneficiary takes a tax-free distribution from a QTP or Coverdell ESAs, as long as the same expenses are not used for both benefits.



Out-of-Scope for ESA: Distributions from Educational Savings Accounts in which the:

- Funds were not used for qualified education expenses, or
- Distribution was more than the amount of the qualified expenses

Form 1099-Q: Payments from Qualified Education Programs

☐ CORRECTED (if checked)

PAYER'S/TRUSTEE'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		1 Gross distribution	OMB No. 1545-1760 20 -- Form 1099-Q	Payments From Qualified Education Programs (Under Sections 529 and 530) Copy B For Recipient 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 this income is taxable and the IRS determines that it has not been reported.
		2 Earnings		
PAYER'S/TRUSTEE'S federal identification no.	RECIPIENT'S taxpayer identification no.	3 Basis	4 Trustee-to-trustee transfer <input type="checkbox"/>	
RECIPIENT'S name		5 Check one: • Qualified tuition program— Private <input type="checkbox"/> or State <input type="checkbox"/> • Coverdell ESA <input type="checkbox"/>	6 If this box is checked, the recipient is not the designated beneficiary <input type="checkbox"/>	
Street address (including apt. no.)		If the fair market value (FMV) is shown below, see Pub. 970, Tax Benefits for Education, for how to figure earnings.		
City or town, state or province, country, and ZIP or foreign postal code				
Account number (see instructions)				

Form 1099-Q (keep for your records) www.irs.gov/form1099q Department of the Treasury - Internal Revenue Service

Box 1 shows the gross distribution (including in-kind distributions) paid to the taxpayer this year from a qualified tuition program (QTP) under section 529, or a Coverdell ESA (CESA) under section 530. This amount is the total of the amounts shown in box 2 and box 3. See details for more information.

Box 2 shows the earnings part of the gross distribution shown in box 1. Generally, amounts distributed are included in income unless they are used to pay for qualified education expenses, transferred between trustees, or rolled over to another qualified education program within 60 days. Report taxable amounts as "Other Income" on Form 1040. See details for more information.

Box 3 shows the taxpayer's basis in the gross distribution reported in box 1.

Box 4 is checked if a trustee-to-trustee transfer was made from one QTP to another QTP, from one CESA to another CESA, or from a CESA to a QTP. However, in certain transfers from a CESA, the box will be blank.

Box 5 shows whether the gross distribution was from a QTP (private or state) or from a CESA.

Box 6. The designated beneficiary is the individual named in the document creating the trust or custodial account to receive the benefit of the funds in the account.

Distribution codes. For 2018, the payer/trustee may, but is not required to, report (in the box below boxes 5 and 6) one of the following codes to identify the distribution that the taxpayer received:

Code	Description
1	Distributions (including transfers)
2	Excess contributions plus earnings taxable in 2017
3	Excess contributions plus earnings taxable in 2016
4	Disability
5	Death
6	Prohibited transaction

Note. Nontaxable distributions from CESAs and QTPs, including rollovers, are not required to be reported on your income tax return. See Pub. 970 for more information.

Form 1099-Q (EDUCATION): Qualified Education Program Payments					
Form 1099-Q Payments From Qualified Education Programs (Under Sections 529 and 530) ▶ Keep for your records					
Recipient's name JESSICA JONES			Social Security No. 456-78-945X		
Designated Beneficiary and Recipient					
	(1) Taxpayer	(2) Spouse	(3) Dependent	(4) Someone else	(5) Not applicable
A Who was the designated beneficiary of the distribution reported on this form 1099-Q?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
B Who was the recipient of the distribution reported on this form?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
C If the designated beneficiary is a dependent , double-click to link this 1099-Q to the applicable Dependent Student Information Worksheet ▶					
D If the designated beneficiary is someone else , double-click to link this 1099-Q to the applicable Qualified Education Expenses Worksheet ▶					
PAYER'S/TRUSTEE'S name BANK OF CHICAGO		1 Gross Distribution			
Street address 123 HAWK STREET		\$ 3,145.			
City State ZIP code Chicago IL 60606		2 Earnings			
Telephone no. Ext: 		\$			
PAYER'S federal identification number 01-1411111	RECIPIENT'S social security number 456-78-945X		3 Basis		4 Trustee-to-trustee transfer <input type="checkbox"/>
		\$			
RECIPIENT'S name JESSICA JONES		5 Check one:		6 Check if the recipient is not the designated beneficiary <input type="checkbox"/>	
Street address (including apt. no.) 123 HEARTLAND AVE		<ul style="list-style-type: none"> Qualified tuition program — <ul style="list-style-type: none"> Private <input type="checkbox"/> State <input type="checkbox"/> Coverdell ESA <input checked="" type="checkbox"/> 			
City State ZIP code Chicago IL 60606					
Account number					
Distribution Code					
Distribution code, if payer reported code in the box below boxes 5 and 6 ... 1					

Use the client's Form 1099-Q to complete the information in ProSeries

Make sure to mark the appropriate box

Medicaid Waiver Payments

On January 3, 2014, the IRS issued Notice 2014-7 addressing the income tax treatment of certain payments to an individual care provider under a state Home and Community-Based Services Waiver (Medicaid waiver) program. The notice provides that the IRS will treat "qualified Medicaid waiver payments" as difficulty of care payments excludable from gross income. Qualified Medicaid waiver payments are payments by a:

- State
- Political subdivision of a state
- Certified Medicaid provider under a Medicaid waiver program to an individual care provider for nonmedical support services provided under a plan of care to an individual (whether related or unrelated) living in the individual care provider's home.

If a taxpayer received payments described in Notice 2014-7, he may receive a Form 1099-MISC reporting these payments in box 3, Other Income. Generally, an amount reported in box 3 of Form 1099-MISC is reported on Form 1040, Schedule 1, line 21. To exclude the payment from income, he should not include the amount of those payments on Schedule 1, line 21 and should include "Notice 2014-7" in the explanation area.

If the taxpayer received a Form W-2, Wage and Tax Statement, with the amount of the payments reported in box 1, Wages, tips, other compensation, and chooses to exclude the payment from income, include the full amount of those payments on Form 1040, line 1. On Schedule 1, line 21, enter the excludable portion of the payments as a negative amount with "Notice 2014-7" in the explanation area.

A taxpayer may file a Form 1040X, Amended U.S. Individual Income Tax Return, if he received Medicaid waiver payments described in the 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, taxpayers must file Form 1040X within 3 years (including extensions) after the date the original return was filed or within 3 years after the date he 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.

Adjustments to Income

Adjustments to a taxpayer's income come in the form of certain expenses that reduce a taxpayer's total income dollar-for-dollar. **After the adjustments are subtracted from the total income (Form 1040, Line 6), a person's adjusted gross income (AGI) has been calculated and appears on Form 1040, line 7.**

Certain adjustments to income are referred to as deductions, but note that these are different from the standard and itemized deductions. Adjustments help determine the taxpayer's adjusted gross income, while the standard or itemized deduction reduces taxable income. See *Volunteer Manual: Deductions* for more information about standard and itemized deductions.

ProSeries will calculate some of the adjustments automatically based on information entered into the worksheets.

Common Adjustments

Review the intake sheet and be sure to ask whether the taxpayer or spouse:

- Had educator expenses
- Received income from self-employment
- Paid a penalty for early withdrawal of savings
- Paid alimony
- Made a contribution to a traditional IRA
- Received income from jury duty that was turned over to an employer
- Paid student loan interest

Adjustments that are Out of Scope

- Self-employed SEP, SIMPLE, and qualified plans
- Form 8606, Nondeductible IRAs (eliminated after 2017)

Encourage taxpayers who might be able to benefit from the adjustments that are out of scope to consult a professional tax preparer.

To identify the adjustments to income that a taxpayer can claim, click on the Form 1040, Schedule 1 in ProSeries and reference the lines related to adjustments to income (Form 1040, Schedule 1 lines 23 through 35). To determine the taxpayer's adjustments to income, use the IRS intake sheet and talk with the client.



Health Saving Accounts (HSA) require special certification. Check with the site leader to see if there are HSA certified volunteers at your site. If not, the client can go to Harold Washington Library in March for assistance.

Educator Expenses

(Form 1040, Schedule 1, Line 23)

If the taxpayer or spouse was an eligible educator in 2018, they can deduct up to \$250 (\$500 if married filing jointly and both spouses are eligible educators, but not more than \$250 each) of any unreimbursed qualified expenses the client paid or incurred during the tax year.

An individual is an eligible educator if, for the tax year, they meet the following requirements:

1. The individual is a kindergarten through grade 12:
 - Teacher
 - Instructor
 - Counselor
 - Principal, or
 - Aide, and
2. The individual worked at least 900 hours during a school year in a school that provides elementary or secondary education (kindergarten through grade 12), as determined under state law.

Qualified expenses include expenses paid or incurred for:

- Professional development courses (new in 2017)
- Books
- Supplies
- Equipment (including computer equipment, software, and services), and
- Supplementary materials used by the eligible educator in the classroom.

Qualified expenses do not include expenses for home schooling.

Qualified expenses are deductible only to the extent the amount of such expenses exceeds the following amounts received by the taxpayer:

- Interest on qualified U.S. savings bonds excludable from income because the taxpayer paid qualified higher education expenses (i.e. excludable U.S. series EE and I savings bond interest from Form 8815),
- Any distribution from a qualified tuition program excludable from income,
- Any distribution from the taxpayer's Coverdell Education Savings Account excludable from income, and
- Reimbursement that is not listed as income on Form W-2.

Entering Educator Expenses in ProSeries

From Schedule 1, Line 23 of Form 1040, QuickZoom to the Educator Expenses Worksheet:

Schedule 1: Additional Income and Adjustments to Income

Adjustments to Income

23	Educator expenses	23	<input type="text"/>		← QuickZoom from Line 23
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	24	<input type="text"/>		
25	Health savings account deduction. Attach Form 8889	25	<input type="text"/>		
26	Moving expenses for members of the armed forces. Attach Form 3903	26	<input type="text"/>		
27	Deductible part of self-employment tax. Attach Schedule SE	27	<input type="text"/>		
28	Self-employed SEP, SIMPLE, and qualified plans	28	<input type="text"/>		
29	Self-employed health insurance deduction	29	<input type="text"/>		
30	Penalty on early withdrawal of savings	30	<input type="text"/>		
31 a	Alimony paid	31 a	<input type="text"/>		
b	Recipient's SSN	31 b	<input type="text"/>		
32	IRA deduction	32	<input type="text"/>		
33	Student loan interest deduction	33	<input type="text"/>		
34	Reserved	34	<input type="text"/>		
35	Reserved	35	<input type="text"/>		
36	Add lines 23 through 35	36	<input type="text"/>		

Enter the Taxpayer and/or Spouse's qualified expenses in the appropriate column.

Educator Expenses Worksheet

Form 1040 Line 23 **Educator Expenses Worksheet**
 ▶ Keep for your records

Name(s) Shown on Return		Social Security Number 456-78-945X	
Caution: Do not enter the same educator expenses on Schedule A or Form 2106. The program will automatically transfer remaining educator expenses to the Miscellaneous Itemized Deductions Worksheet.			
	Taxpayer	Spouse	
1	Qualified educator expenses	<input type="text"/>	← Enter expenses for both the Taxpayer and Spouse
2	Non-taxable Coverdell ESA distributions	<input type="text"/>	
3	Non-taxable qualified tuition program distributions	<input type="text"/>	
4	Subtract lines 2 and 3 from line 1	<input type="text"/>	
5	Qualified educator expenses from line 4	<input type="text"/>	Lines 2-9 will either populate from information entered elsewhere, or you can QuickZoom to the supporting worksheets to enter new information
6	Excludable interest on series EE and I U.S. savings bonds issued after 1989 from Form 8815, line 14	<input type="text"/>	
7	Subtract line 6 from line 5	<input type="text"/>	
8	Educator expenses deduction. Report this amount on Form 1040, line 23 or Form 1040A, line 16 (see Help)	<input type="text"/>	
9	Subtract line 8 from line 1. This amount transfers to the Miscellaneous Itemized Deductions Worksheet, line 3 when the box on line 10 is not checked	<input type="text"/>	
10	Check the box if you do NOT want to transfer excess educator expenses to Schedule A, Miscellaneous Itemized Deductions Worksheet	<input type="checkbox"/>	← Generally, this box can remain unchecked

Self Employment Tax

Deductible Part of Self-Employment Tax (Form 1040, Schedule 1, Line 27 and Schedule SE)

For self-employed taxpayers, this line will automatically populate after you have completed the Schedule C, which triggers completion of the Schedule SE. Self-employment tax comprises Social Security and Medicare taxes. The employer-equivalent portion of the taxpayer's self-employment tax can be subtracted from total income as an adjustment.

See page 101 for detailed information about Schedule C, and page 109 for more information about Schedule SE.

From Form 1040, Schedule 1, Line 27, you can QuickZoom to the Schedule SE Adjustments Worksheet. Scroll to the bottom to view the calculation. **You should not make any changes or entries in this worksheet.**

Section A – Short Schedule SE
Caution. Government Instructions in Help explain whether to use the Short or Long Schedule SE.
QuickZoom to Section B – Long Schedule SE (Schedule SE, page 2) [QuickZoom](#)
QuickZoom to the SE Adjustments Worksheet to enter adjustments to Schedule SE [QuickZoom](#)

1 a Net farm profit or (loss) from Schedule F, line 34, and farm partnerships, Schedule K-1 (Form 1065), box 14, code A	1 a	
b If you received social security retirement or disability benefits, enter the amount of Conservation Reserve Program payments included on Schedule F, line 4b, or listed on Schedule K-1 (Form 1065), box 20, code Z	b	
2 Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), box 14, code A (other than farming); and Schedule K-1 (Form 1065-B), box 9, code J1. Ministers and members of religious orders, see instructions for types of income to report on this line. See instructions for other income to report	2	9,406.
3 Combine lines 1a, 1b, and 2	3	9,406.
4 Multiply line 3 by 92.35% (.9235). If less than \$400, you do not owe self-employment tax; do not file this schedule unless you have an amount on line 1b Note. If line 4 is less than \$400 due to Conservation Reserve Program payments on line 1b, see the instructions.	4	8,686.
5 Self-employment tax. If the amount on line 4 is: • \$117,000 or less, multiply line 4 by 15.3% (.153). Enter the result here and on Form 1040, line 57 or Form 1040NR, line 55. • More than \$117,000, multiply line 4 by 2.9% (.029). Then, add \$14,508 to the result. Enter the total here and on Form 1040, line 57 or Form 1040NR, line 55.	5	1,329.
6 Deduction for one-half of self-employment tax. Multiply line 5 by 50% (.50). Enter the result here and on Form 1040, line 27, or Form 1040NR, line 27	6	665.

The program will automatically calculate if the return requires the Short or Long SE

Schedule SE Adjustments Worksheet

Schedule SE Adjustments Worksheet

2015

► Keep for your records

Name(s) Shown on Return		Social Security Number 456-78-945X	
	(a) Taxpayer	(b) Spouse	
QuickZoom to the Short Schedule SE (Schedule SE, page 1) QuickZoom	<input type="checkbox"/> QuickZoom	<input type="checkbox"/> QuickZoom	
QuickZoom to the Long Schedule SE (Schedule SE, page 2) QuickZoom	<input type="checkbox"/> QuickZoom	<input type="checkbox"/> QuickZoom	
A Use Long Schedule SE, even if qualified to use Short Schedule SE	<input type="checkbox"/>	<input type="checkbox"/>	
B Approved Form 4029. Exempt from SE tax on all income	<input type="checkbox"/>	<input type="checkbox"/>	
C Chapter 11 bankruptcy net profit or loss for Schedule SE, line 3			
D QuickZoom to the Explanation statement for any adjustment to SE income/loss shown on a partnership K-1. (See Help) QuickZoom	Explain	Explain	

Penalty on Early Withdrawal of Savings

Taxpayers will receive an adjustment to income by reporting penalties they paid for withdrawing funds from a deferred-interest account before maturity. Ask if the taxpayer and/or spouse made any early withdrawals during the tax year. If so, ask to see Form 1099-INT (Interest Income) or Form 1099-OID (Original Issue Discount) documenting the penalty in Box 2 – however, this is out of scope for the program.

☐ VOID ☐ CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		Payer's RTN (optional)	OMB No. 1545-0112	
		1 Interest income	20 --	
		\$	Form 1099-INT	
PAYER'S federal identification number	RECIPIENT'S identification number	2 Early withdrawal penalty		
		\$		
RECIPIENT'S name		3 Interest on U.S. Savings Bonds and Treas. obligations		
		\$		
Street address (including apt. no.)		4 Federal income tax withheld	5 Investment expenses	
		\$	\$	
City or town, state or province, country, and ZIP or foreign postal code		6 Foreign tax paid	7 Foreign country or U.S. possession	
		\$		
		8 Tax-exempt interest	9 Specified private activity bond interest	
		\$	\$	
		10 Market discount	11 Bond premium	
		\$	\$	
FATCA filing requirement <input type="checkbox"/>		12 Bond premium on Treasury obligations	13 Bond premium on tax-exempt bond	
		\$	\$	
Account number (see instructions)		14 Tax-exempt and tax credit bond CUSIP no.	15 State	16 State identification no.
				17 State tax withheld
				\$

Form **1099-INT** www.irs.gov/form1099int Department of the Treasury - Internal Revenue Service

Interest Income
Copy 1
For State Tax Department

See *Volunteer Manual: Income – Form 1099-INT* for more information about interest income.

Alimony Paid

(Form 1040, Schedule 1, Line 31a)

Alimony, also referred to as maintenance, is a payment to or for a spouse or former spouse under a divorce or separation instrument. The payments do not have to be made directly to the spouse or former spouse. For divorce decrees finalized before 2019 the person paying alimony can subtract it as an adjustment to income; the person receiving alimony must treat it as income. **For divorce decrees finalized in 2019 or later, alimony will no longer be taxable to the recipient or deductible to the payer.**

The following rules for alimony apply only to payments under a divorce or separation instrument executed after 1984 and before 2019.

Amounts paid will be considered alimony for federal tax purposes if:

- The payment is to or for a spouse or former spouse under a divorce or separation instrument*
- The taxpayer and spouse or former spouse do not file a joint return with each other
- The taxpayer pays in cash (including checks or money orders)
- The payment is received by (or on behalf of) the spouse or former spouse*
- The divorce or separation instrument does not designate the payment as not alimony
- If legally separated under a decree of divorce or separate maintenance, the taxpayer and former spouse are not members of the same household when the taxpayer makes the payment
- The taxpayer has no liability to make any payment (in cash or property) after the death of the recipient spouse or former spouse, and
- The taxpayer's payment is not treated as child support or a property settlement

**For example, payments made to a third party on behalf of the spouse or former spouse for expenses specified in the instrument, such as medical bills, housing costs, and other expenses, can qualify as alimony.*

Not all payments under a divorce or separation instrument are alimony. Alimony does not include the following payments under a divorce or separation instrument:

- Child support
- Voluntary payments outside the instrument
- Payments that are the spouse's or former spouse's part of community property income
- Noncash property settlements
- Payments to keep up the payer's property, or
- Use of the payer's property

In addition, voluntary payments to a spouse or former spouse made outside of the terms of the divorce or separation instrument are not alimony. For more details regarding the rules summarized above, refer to Publication 504.

Entering Alimony Paid in ProSeries

Alimony paid is entered directly on Form 1040, Schedule 1, line 31a. Note that the taxpayer **must provide the recipient's Social Security Number** in order to subtract alimony payments as an income adjustment. Failure to include this information can result in a penalty or the deduction being disallowed. See *Volunteer Manual – Income: Alimony Payments Received*, page 142 for information on reporting alimony payments received.

Schedule 1: Additional Income and Adjustments to Income

Adjustments to Income

23	Educator expenses	23			
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	24			
25	Health savings account deduction. Attach Form 8889	25			
26	Moving expenses for members of the armed forces. Attach Form 3903	26			
27	Deductible part of self-employment tax. Attach Schedule SE	27			
28	Self-employed SEP, SIMPLE, and qualified plans	28			
29	Self-employed health insurance deduction	29			
30	Penalty on early withdrawal of savings	30			
31 a	Alimony paid	31 a			
b	Recipient's SSN	31 b			
32	IRA deduction	32			
33	Student loan interest deduction	33			
34	Reserved	34			
35	Reserved	35			
36	Add lines 23 through 35	36			

IRA Contributions

(Form 1040, Schedule 1 Line 32)

An IRA (Individual Retirement Arrangement) is a personal savings plan that offers tax advantages for setting aside money for retirement. Some contributions to IRAs may be deducted from income.

There are several different types of IRAs:

- Traditional IRA
- Roth IRA
- Savings Incentive Match Plan for Employees (SIMPLE IRA) (out of scope of the program)
- Simplified Employee Pension (SEP IRA) (out of scope of the program)

Some key features of a traditional IRA are:

- Taxpayers may be able to deduct some or all of their contributions to the IRA (depending on circumstances)
- Generally, amounts in an IRA, including earnings and gains, are not taxed until they are distributed
- Contributions may be eligible for the Retirement Savings Contributions Credit (Form 1040, Schedule 3, Line 51; see *Volunteer Manual – Credits: Retirement Savings Contributions*, page 190, for more information about this credit)

Eligibility Requirements for the IRA Contribution Deduction

If the taxpayer or spouse contributed to a traditional IRA during the tax year, determine if the taxpayer (and spouse, if applicable) met these eligibility requirements for taking an IRA contribution deduction:

Types of IRAs	Verify the types of IRAs to which the taxpayer and spouse contributed. <u>Only contributions to traditional IRAs are deductible.</u>
Age Limit	Taxpayers can contribute to a traditional IRA only if they are less than 70½ years of age at the end of the tax year. Check the taxpayer's birthdate (and spouse's if applicable) indicated on the intake and interview sheet. To meet the age requirement for 2018, a taxpayer must have been born on, or after, July 1, 1948.
Compensation	The taxpayer (or his spouse if filing jointly) received taxable compensation (wages, self-employment income, commissions, taxable alimony, nontaxable combat pay, taxable scholarships or fellowships) during the tax year.
Time Limits	Contributions must be made by the due date for filing the return, not including extensions. Verify with the taxpayer and spouse that the contribution(s) were made (or will be made) by the due date of the return.

Possible Limitations on Deduction

If either the taxpayer (or spouse if filing jointly) was covered by an employer retirement plan for any part of the tax year, only a partial (reduced) deduction or no deduction may be available. (The “Retirement Plan” box on Form W-2 should be checked if a person was covered by an employer plan.) A person also is covered by a plan if he was self-employed and had a SEP IRA, SIMPLE IRA, or qualified retirement plan. The deduction also may be affected by the amount of the taxpayer’s income, his filing status, and Social Security benefits received. Completion of the IRA Contributions Worksheet in ProSeries will help resolve these potential issues.

Although contributions to a Roth IRA cannot be deducted, the taxpayer may be eligible for the retirement savings contribution credit.

IRA Contribution Limits

There is a limit on the amount taxpayers can contribute to traditional IRAs. The total contribution, meaning the combined contributions to all individual retirement accounts, including Roth and traditional IRAs—cannot be more than the smaller of:

- \$5,500 (\$6,500 if age 50 or older by the end of the tax year), or
- The taxpayer's compensation includible in gross income for the tax year

Taxpayers cannot make IRA contributions that are greater than their compensation for the year. Compensation is generally the income a taxpayer has earned from working; it also includes alimony and certain other forms of income. See Publications 17 and 590 for more information on compensation.

Spousal IRAs are also subject to certain limitations. If married taxpayers file a joint return and one spouse's compensation is less than the other spouse's compensation, the most that can be contributed for the tax year to the spousal IRA is the smaller of the following amounts:

- \$5,500 (\$6,500 if age 50 or older), or
- The total compensation includible in the gross income of both spouses for the tax year reduced by all of the following:
 - Traditional IRA contributions for the spouse with the greater compensation for the tax year, and
 - Any contributions for the tax year to a Roth IRA for the spouse with the greater compensation

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 \$5,500 (or \$6,500 for 50 and older) to their own IRA.

Entering IRA Contributions in ProSeries

From Form 1040, Schedule 1 line 32 QuickZoom to the IRA Contributions Worksheet:

Schedule 1: Additional Income and Adjustments to Income

Adjustments to Income

23	Educator expenses	23	
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	24	
25	Health savings account deduction. Attach Form 8889	25	
26	Moving expenses for members of the armed forces. Attach Form 3903	26	
27	Deductible part of self-employment tax. Attach Schedule SE	27	
28	Self-employed SEP, SIMPLE, and qualified plans	28	
29	Self-employed health insurance deduction	29	
30	Penalty on early withdrawal of savings	30	
31 a	Alimony paid	31 a	
b	Recipient's SSN	31 b	
32	IRA deduction	32	
33	Student loan interest deduction	33	
34	Reserved	34	
35	Reserved	35	
36	Add lines 23 through 35	36	

QuickZoom from
Line 32

Traditional IRA contribution amounts for the taxpayer and spouse are entered on Line 1 of the worksheet:

IRA Contributions Worksheet			
IRA Contributions Worksheet ▶ Keep for your records			
Name(s) Shown on Return		Social Security Number 456-78-945X	
<div style="border: 1px solid black; padding: 5px;"> <p>Note: This worksheet pertains only to IRA contributions. To enter IRA distributions, QuickZoom to the Form 1099-R Worksheet</p> <p>To enter additional IRA <i>distribution</i> information, QuickZoom to the IRA Information Worksheet</p> <p>QuickZoom to enter Keogh, SEP and SIMPLE contributions</p> <p>QuickZoom to enter regular Roth IRA contributions</p> <p>QuickZoom to enter excess Coverdell Education Savings Account (Ed IRA) contributions</p> </div>			
Traditional IRA Contributions			
Regular Traditional IRA Contributions		Taxpayer	Spouse
1	Enter traditional IRA contributions made for 2015, including any made between 1/1/2016 and 4/18/2016, any amounts later recharacterized to a Roth IRA, and any excess contributions, but not including any rollovers. Also include any contributions to deemed IRAs under an employer plan		
2	Contributions recharacterized from a Roth IRA (from line 24)		
3	Traditional IRA contributions, from Schedule(s) K-1		
4	Contributions recharacterized (not converted) to a Roth IRA		
▶ If there is a recharacterization indicated on line 4, an			
<div style="border: 1px solid black; padding: 5px;"> <p style="text-align: center;">Recharacterized Traditional IRA Contributions Smart Worksheet</p> <p>If there is a recharacterization indicated on line 4, an explanation must be attached to the tax return.</p> <p>QuickZoom to recharacterization explanation statement Taxpayer Explain Spouse Explain</p> </div>			
5	Traditional IRA contributions. Combine lines 1 through 4		
6	Enter any contribution included on line 5 withdrawn before the due date of the tax return. <i>See Help</i>		
7	Excess traditional IRA contribution credit		
8	Repayments of qualified reservist distributions		
9	Total traditional IRA contributions.		
Additional Traditional IRA Contribution Information		Taxpayer	Spouse
<div style="border: 1px solid black; padding: 5px;"> <p style="text-align: center;">Traditional IRA Basis Smart Worksheet</p> <p>QuickZoom to enter the traditional IRA basis for 2014 and earlier years Taxpayer QuickZoom Spouse QuickZoom</p> </div>			
10	Check if covered by a retirement plan at work. If married filing a separate return, check box in spouse column, if applicable	<input type="checkbox"/>	<input type="checkbox"/>
11	Enter any contributions included on line 9 that were made during 1/1/2016 to 4/18/2016 (<i>See Help</i>)		
12	Age 70-1/2 or older in tax year	???	
Deductible and Non-deductible Traditional IRA Contributions		Taxpayer	Spouse
13	Deductible traditional IRA contributions from worksheet		
14	Nondeductible traditional IRA contributions from worksheet		
QuickZoom to worksheet indicated by the check: <input type="checkbox"/> IRA deduction worksheet QuickZoom <input type="checkbox"/> Worksheet for social security recipients QuickZoom			
15	Amount on line 13 you elect to make nondeductible		
16	Excess traditional IRA contributions, to Form 5329, line 15 Note: You may avoid a penalty by withdrawing the amount on line 16 before due date of return, including extensions.		
17	Deductible traditional IRA contributions, to Form 1040, line 32		
18	Qualified reservist repayments		
19	Nondeductible traditional IRA contributions, to Form 8606, ln 1		

Use the appropriate columns in line 1 to enter amounts for taxpayer and spousal contributions

On line 6, enter any portion of the line 5 amount which was withdrawn before the due date of the return

Complete lines 11-12 if applicable

Line 13 is automatically determined by the information entered in the FIW

The deductible contribution is calculated by ProSeries and populated back to Schedule 1, line 32 of Form 1040

Form 1098-E: Student Loan Interest Paid

If a taxpayer's modified adjusted gross income (MAGI) is less than the specified limit for the tax year, there is a special deduction allowed for some part of or all interest paid during the tax year on a *qualified student loan*. See the table below and Publication 17 for additional detail.

About the Student Loan Interest Deduction

Maximum Benefit	An <u>adjustment</u> to income worth up to \$2,500
Loan Qualifications	Taxpayer must be legally liable for the loan, which: <ul style="list-style-type: none"> • must have been taken out by the taxpayer solely to pay <i>qualified education expenses</i> for an eligible student, and • cannot be from a related person or made under a qualified employer plan
Student Qualifications	An eligible student must: <ul style="list-style-type: none"> • be the taxpayer, taxpayer's spouse, or any dependent of the taxpayer when the loan was taken out, or would have been the taxpayer's dependent except the taxpayer was a dependent of someone else, or had gross income over the exemption amount, or filed MFJ. • enrolled at least half-time in a program leading to a degree, certificate, or other recognized educational credential
Time limit on deduction	The taxpayer can deduct interest paid during the remaining period of the student loan.
Phase-out	The amount of the deduction depends on the income level.

If student loan interest is paid by someone who is not legally liable for it, the payment is treated as received by the person who is legally liable, and the person legally liable is allowed to take the adjustment.

Form 1098-E: Student Loan Interest Statement

☐ CORRECTED (if checked)

RECIPIENT'S/LENDER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number		OMB No. 1545-1576	Student Loan Interest Statement Form 1098-E
RECIPIENT'S federal identification no.	BORROWER'S social security number	20 --	
BORROWER'S name		1 Student loan interest received by lender	Copy B For Borrower 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 the IRS determines that an underpayment of tax results because you overstated a deduction for student loan interest.
Street address (including apt. no.)		\$	
City or town, state or province, country, and ZIP or foreign postal code			
Account number (see instructions)		2 If checked, box 1 does not include loan origination fees and/or capitalized interest for loans made before September 1, 2004 <input type="checkbox"/>	

Form **1098-E** (keep for your records) www.irs.gov/form1098e Department of the Treasury - Internal Revenue Service

If \$600 or more of interest on a qualified student loan was paid during the year, the client will receive a Form 1098-E. Enter the information from the taxpayer's form into ProSeries in order to take the deduction.

Navigate to the Student Loan Interest Deduction Worksheet in ProSeries:

The screenshot shows the ProSeries software interface. The 'Forms' menu is highlighted with a red box. The 'Open Forms' dialog box is open, showing a list of forms. The 'Student Loan' form is highlighted in the list. A red arrow points from the text 'Click on Forms and enter "Student Loan"' to the 'Forms' menu and the 'Student Loan' form in the list.

Click on Forms and enter "Student Loan"

Enter the information from the 1098-E into the worksheet:

Complete Part I of the Worksheet:

Enter the Lender name

Use the dropdown to indicate whether the borrower is the Taxpayer or Spouse

The Social Security number will populate from the FIW once you select Taxpayer or Spouse

Enter the amount from **Box 1** of Form 1098-E

Part II will populate automatically, pulling information from Form 1040 and the information you filled in in Part I

Student Loan Interest Deduction Wks				
Form 1040 Line 33		Student Loan Interest Deduction Worksheet ► Keep for your records		
Name(s) Shown on Return			Social Security Number 456-78-945X	
Part I Information from Form(s) 1098-E, Student Loan Interest Statement				
(a) Lender's name	(b) Borrower (Taxpayer, Spouse)	(c) Borrower's social security number	(d) Prior Year Student Loan Interest	(e) Student loan interest (Box 1)
LENDER A	Taxpayer	456-78-945X		235.
Total student loan interest				235.

Part II Computation of Student Loan Interest Deduction

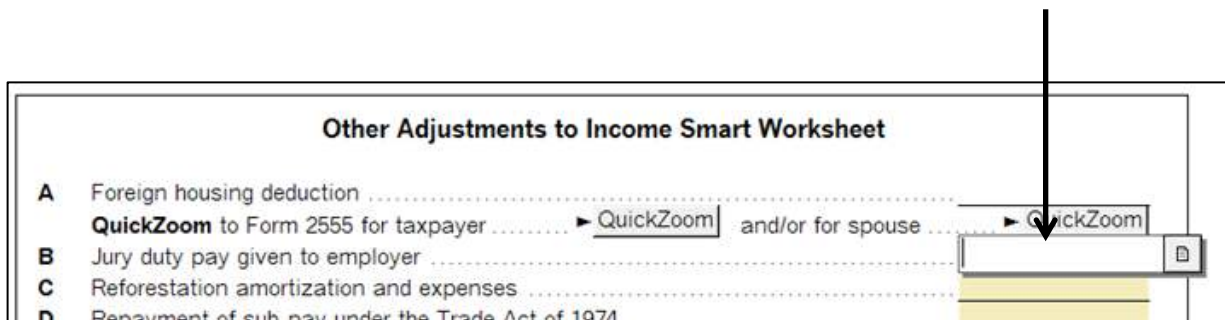
1	Enter the total interest you paid in 2014 on qualified student loans (see Form 1040 instructions).	1	235.
2	Enter the smaller of line 1 or \$2,500	2	235.
3	Modified AGI	3	8,001.
Note: If line 3 is \$80,000 or more if single, head of household, or qualifying widow(er) or \$160,000 or more if married filing jointly, stop here . You cannot take the deduction.			
4	Enter: \$65,000 if single, head of household, or qualifying widow(er); \$130,000 if married filing jointly	4	65,000.
5	Subtract line 4 from line 3. If zero or less, enter -0- here and on line 7, skip line 6, and go on to line 8	5	0.
6	Divide line 5 by \$15,000 or \$30,000 if married filing jointly. Enter the result as a decimal (rounded to at least three places)	6	
7	Multiply line 2 by line 6	7	0.
8	Student loan interest deduction. Subtract line 7 from line 2. Enter the result here and on Form 1040, line 33. Do not include this amount in figuring any other deduction on your return (such as on Schedule A, C, E, etc.)	8	235.

Jury Duty

Jury duty pay given to employer is reported as taxable income in Other income on Form 1040, Schedule 1 Line 21.

However, some employees continue to receive their regular wages when they serve on jury duty even though they are not at work. Sometimes, their jury pay is turned over to their employers.

In this case, the employee still has to report the entire amount of jury duty pay as taxable income, but may claim the amount of jury duty pay given to the employer as an adjustment to income. The amount is shown as a write-in adjustment in the total on Form 1040, Schedule 1, Line 36 in ProSeries.



Other Adjustments to Income Smart Worksheet

A	Foreign housing deduction	
	QuickZoom to Form 2555 for taxpayer ▶ <u>QuickZoom</u> and/or for spouse ▶ <u>QuickZoom</u>	
B	Jury duty pay given to employer	<input type="text"/>
C	Reforestation amortization and expenses	
D	Repayment of sub pay under the Trade Act of 1974	

Deductions

On line 8 of the Form 1040, taxpayers may claim either the standard deduction or they may opt to itemize their deductions. The vast majority of Ladder Up clients will benefit from claiming the standard deduction.

Standard Deduction

If the total of all the client's itemized deductions is less than the standard deduction, ProSeries will choose to use the standard deduction. The basic standard deduction is a reduction to adjusted gross income that varies according to filing status.

In some cases, the standard deduction can consist of two parts, the basic standard deduction and additional standard deduction for age or blindness or both. The additional amount for age will be allowed if the taxpayer is **age 65** or older at the end of the tax year. A taxpayer who reaches age 65 on January 1st of any year is deemed to have reached that age on the preceding December 31st. A taxpayer using the Married Filing Separately status can claim the additional standard deduction due to age or blindness for the spouse if the spouse had no income, is not filing a return, and cannot be claimed as someone else's dependent.

The additional amount for **blindness** will be allowed if the taxpayer is blind on the last day of the tax year. If the taxpayer has some vision they are considered legally blind if they can't see better than 20/200 in their better eye with glasses or contact lenses or if their field of vision is 20 degrees or less. In these cases a certified statement from a doctor or registered optometrist will be required in order for a legally-blind taxpayer to claim the additional deduction amount. Ladder Up is not required to see such statements, but can simply ask the client the status of their vision.

The image shows a portion of a tax form with a checkbox labeled "Legally blind". An arrow points from a text box on the right to this checkbox.

If the client is legally blind, mark the box under his personal information in Part I of the Federal Information Worksheet

Certain individuals are not entitled to the standard deduction:

- A married individual whose filing status is Married Filing Separately whose spouse itemizes deductions (unless one spouse qualifies to file as Head of Household)
- An individual who was a nonresident alien or dual status alien during any part of the year (these returns are out of scope)

Standard Deduction Amounts*

*Note that a taxpayer who can be claimed as a dependent on another person's return is limited to a smaller standard deduction (whether or not the taxpayer actually is claimed as a dependent). ProSeries will calculate the smaller standard deduction.

Filing Status	Standard Deduction	Additional Amount
Single	\$12,000	\$1,600
Married Filing Jointly	\$24,000	\$11,300
Married Filing Separately	\$12,000	\$1,300
Head of Household	\$18,000	\$1,600
Qualifying Widow(er)	\$18,000	\$1,300

Itemized Deductions

A client should itemize deductions if his allowable itemized deductions total more than his standard deduction.

Itemized deductions are certain expenses that a taxpayer can use to lower his taxable income.

Deductions that can be itemized include (taxpayer must have a receipt or form of proof for each in the event of an audit):

- Medical and dental expenses (if in excess of 7.5% of the taxpayer's adjusted gross income)
- State and local income taxes and Real estate taxes and personal property taxes capped at \$10,000
- Charitable contributions
- Home mortgage and investment interest



Itemized Deductions that are out-of-scope:

- Casualty in Presidentially declared disaster areas
- Investment interest
- Form 1098-C, Contributions of Motor Vehicles, Boats and Airplanes
- Taxpayers affected by limits on charitable deductions
- Taxpayers that file Form 8283 to report noncash contributions of more than \$500
- If the taxpayer is donating property that was previously depreciated
- If the taxpayer is donating capital gain property

Itemized deductions and accompanying worksheets are entered on Schedule A:

- Mortgage Interest and Points Smart Worksheet
- Other Points Smart Worksheet
- Qualified Mortgage Insurance Premiums Smart Worksheet
- Cash Contributions Smart Worksheet
- Noncash Contributions Smart Worksheet

Schedule A

Schedule A: Itemized Deductions			
Schedule A (Form 1040)	Schedule A — Itemized Deductions Caution: If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 28.	20	
Name(s) Shown on Return		Social Security Number	
Medical and Dental Expenses			
Medical and dental expenses		1	
Self-employed health insurance			
Medicare premiums			
1 Total medical and dental expenses (see instructions)		1	
2 Enter amount from Form 1040, line 7		2	
3 Multiply line 2 by 7.5% (.075)		3	
4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-		4	
Taxes You Paid (See instructions)			
5 State and Local Taxes			
5a State and Local Taxes:			
a State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, check this box <input type="checkbox"/>		5a	
5b Real Estate Taxes			
a On principal residence			
b Principal residence Form 1098 import			
c On additional homes or land			
d From office in the home			
From Schedule E Worksheet for:			
e Vacation home			
f Principal residence			
Total real estate taxes		5b	
5c Personal property taxes			
Auto registration fees based on value of vehicle			
a Personal use only vehicles			
b Personal portion of business vehicles from car and truck worksheets			
c Other personal property taxes			
Total personal property taxes		5c	
5d Add lines 5a through 5c		5d	
5e Enter the smaller of line 5d and \$10,000 (\$5,000 if married filing separately)		5e	
6 Other taxes. List type and amount:			
Total other taxes		6	
7 Add lines 5e and 6		7	
Interest Paid (See instructions)			
8 Home mortgage interest and points. If you didn't use all of your home mortgage loan(s) to buy, build or improve your home, check this box <input type="checkbox"/>			

Schedule A, Cont.

8a Home mortgage interest and points reported to you on Form 1098 Explain **8a**

A Adjust Home mortgage interest not reported on Form 1098:

- 1** Total home mortgage interest not reported on 1098's from detail.
- 2** Enter amount to deduct on Line 11 if different.

8b Home mortgage interest not reported on Form 1098. If paid to the person from whom you bought the home, enter that person's name, identifying number and address:

8b

Recipient's Name	ID Number	Address
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

If you and someone else were liable for this mortgage and the **other person** received the Form 1098, enter the other person's name and address:

Form 1098 Recipient's Name	Address
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>

Other Points Smart Worksheet

* Check to deduct remaining points this year

Lender's Name	Points Paid on Refinance	Date of Refinance	Loan Length (years)	Deductible Points Remaining	*	Points Deductible Each Year
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="checkbox"/>	<input type="text"/>

A Total amortizable points deductible this year **B** Other points **not** reported on Form 1098 **A Adjust points not reported on Form 1098:**

- 1** Total points not reported on 1098's from detail.
- 2** Enter amount to deduct on Line 12 if different.

8c Total points not reported on Form 1098 **8c**

Schedule A, Cont.

Qualified Mortgage Insurance Premiums Smart Worksheet

A Qualified Mortgage Insurance Premiums

1 Principal Residence - Enter the premiums paid in 2018 for qualified mortgage insurance for a contract entered into after 2006 **not** from Form 1098 import

2 Qualified mortgage insurance premiums from Form 1098 import

3 From office in the home

4 Qualified mortgage insurance premiums from Schedule E Worksheet

5 Total qualified mortgage insurance premiums

B Amount from Form 1040, line 38

C \$100,000 (\$50,000 if married filing separately)

D Is the amount on Line B more than the amount on line C?

☐ **No.** The deduction is not limited. The amount from line A above goes on Schedule A, line 13.

☐ **Yes.** Line C subtracted from line B. If the result is not a multiple of \$1,000 (\$500 if married filing separately), it is increased to the next multiple of \$1,000 (\$500 if married filing separately)

E Line D divided by \$10,000 (\$5,000 if married filing separately). The result is a decimal. If the result is 1.0 or more then 1.0.

F Line A multiplied by line E

G Qualified mortgage insurance premiums deduction. Line F subtracted from line A. The result goes on Schedule A, line 13.

8d Reserved for future use	8d	
9 Investment interest. Attach Form 4952 if required	9	
10 Add lines 8e through 9	10	

Cash Contributions Smart Worksheet

A Miles driven for charitable purposes:

1 All miles for:

a To perform charitable service

b To deliver noncash contributions

c Total. Add lines a and b

B Cash contributions, enter name of charity, type of charity, and amount:

Caution: Do **not** enter Hurricane Harvey, Irma or Maria disaster contributions in this smart worksheet. Instead, use the Hurricane Disaster Areas Smart Worksheet directly below this smart worksheet.

Name of charity	Type	Amount

11 Gifts by cash or check. For gift \$250 or more see instr	11	
--	-----------------	--

Schedule A, Cont.

Noncash Contributions Smart Worksheet

- A** For each noncash contribution, enter the charity and donation information below. Double-click on the Charity Name when entry of additional information is required. For Stocks enter the company name and the number of shares in the description.

Charity and Donation Information	Amount
Charity Name	
Address	
City State ZIP	
Description	
Property type	
Date donated Date acquired	
How acquired Cost or adj basis	
Fair market value How valued	
Charity Name	
Address	
City State ZIP	
Description	
Property type	
Date donated Date acquired	
How acquired Cost or adj basis	
Fair market value How valued	

- | | | | |
|--|-----------|-----------|--|
| 12 Other than by cash or check. For gift \$250 or more see instructions. You must attach Form 8283 if over \$500 | 12 | | |
| 13 Carryover from prior year | 13 | | |
| 14 Add lines 11 through 13 | | 14 | |

Casualty and Theft Losses

- | | | |
|--|-----------|--|
| 15 Casualty or theft loss(es) other than net qualified disaster losses. Attach Form 4684 and enter the amount from line 18 of that form. (see instructions) | 15 | |
|--|-----------|--|

Other Miscellaneous Deductions

- | | | |
|---|-----------|--|
| 16 Other — from list in the instructions. List type and amount:
<div style="border-bottom: 1px solid black; width: 100%;"></div> <div style="border-bottom: 1px solid black; width: 100%;"></div> | 16 | |
|---|-----------|--|

Total Itemized Deductions

- | | | |
|--|-----------|--|
| 17 Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Form 1040, line 8 | 17 | |
| 18 If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/> | | |

Medical and Dental Expenses

(Schedule A)

Medical and dental expenses are deductible only if a taxpayer itemizes his deductions. Further, a taxpayer can deduct only the amount of unreimbursed qualified medical and dental expenses that **exceeds 7.5% percent of his adjusted gross income**

Qualified medical and dental expenses paid by the taxpayer during the tax year can be included for:

- The taxpayer
- The taxpayer's spouse
- Dependents (must have qualified as dependents at the time the medical services were provided or at the time the expenses were paid)

If a child of divorced or separated parents is claimed as a dependent on either parent's return, each parent may deduct the medical expenses they individually paid for the child. Refer to Publication 17 for details.

In addition to the dependents claimed on the taxpayer's return, dependents for purposes of this deduction include:

- (i) a child of the taxpayer not claimed as a dependent because of the rules for children of divorced or separated parents,
- (ii) any person the taxpayer could have claimed as a dependent on his return, and
- (iii) any person the taxpayer could have claimed as a dependent except that the taxpayer (or the taxpayer's spouse if filing jointly) can be claimed as a dependent on someone else's return.

Qualified medical and dental care expenses include:

- Payments for the diagnosis, cure, mitigation, treatment, or prevention of disease, and
- Payments for treatments affecting any structure or function of the body.

Qualified expenses include a broad variety of expenses, including:

- Certain travel and lodging expenses, lodging expenses are limited to \$50 per person per day, and
- Certain health, dental and long-term care insurance premiums.

For 2018, the standard mileage rate for medical purposes is 18 cents per mile driven. For a detailed discussion of qualified expenses, see the instructions for Schedule A and Publication 502.

Be sure the expenses were not paid with pre-tax dollars or reimbursed by an insurance company.

Taxes You Paid

(Schedule A)



Note: For 2018 State and Local and Foreign Real Property Taxes, State and Local Personal Property Taxes, and State, Local and Foreign Income Taxes are limited to a combined \$10,000.

State and Local Income Taxes

State and local income taxes include withheld taxes, estimated tax payments, and other tax payments such as a prior-year refund of a state or local income tax applied to the taxpayer's state or local income taxes for the current year.

Foreign Income Taxes

Generally, income taxes paid to a foreign country can be taken as either:

- An itemized deduction on line 8 of Schedule A, which flows to Form 1040, line 8 or
- A credit against U.S. income tax on Form 1040, Schedule 3, line 48

Ladder Up clients will generally derive greater benefit by opting to take the credit on Form 1040, Schedule 3, line 48. See page 186 for more information about the foreign tax credit.

State, Local, and Foreign Real Estate Taxes

State, local, and foreign real estate taxes that are based on the assessed value of the taxpayer's real property, such as the taxpayer's house or land, are deductible. **Real estate taxes are generally reported on Form 1098, Mortgage Interest Statement, or a similar statement from the mortgage holder.** More information about Form 1098 can be found on page 173.

If the taxes are not paid through the mortgage company (escrow), taxpayers should have a record of what was paid during the year. Some real estate taxes are not deductible, including:

- Taxes for local benefits,
- Taxes for improvements to property,
- Services,
- Transfer and stamp taxes,
- Rent increases due to higher real estate taxes, and
- Homeowner association fees.

State and Local Personal Property Taxes

Deductible personal property taxes are those based on the value of personal property such as a boat or a car. The tax must be charged on a yearly basis, even if it is collected more than or less than once a year.

Nondeductible Interest

Interest that cannot be deducted includes:

- Interest on car loans where the car is used for nonbusiness purposes
- Interest on other personal loans
- Credit card investigation fees
- Loan fees for services needed to get a loan
- Interest on a debt the taxpayer is not legally obligated to pay
- Finance charges for nonbusiness credit card purchases

Home Mortgage Interest

(Schedule A)

A home mortgage is any loan that is secured by the taxpayer's main home or second home. It includes first and second mortgages, home equity loans, and refinanced mortgages. If all of a taxpayer's mortgage fits into one or more of the following three categories at all times during the year, the taxpayer can deduct all of the interest on those mortgages:

1. Mortgages you took out on or before October 13, 1987 (called grandfathered debt).
2. Mortgages you took out after October 13, 1987 but before December 17, 2017, to buy, build, or improve your home (called home acquisition debt), but only if throughout 2018 these mortgages plus any grandfathered debt totaled \$1 million or less (\$500,000 or less if married filing separately).
3. Mortgages you took out after December 17, 2017 to buy, build, or improve your home (called home acquisition debt), but only if these mortgages plus any grandfathered debt totaled \$750,000 or less, (\$350,000 or less if married filing separately).

Note that beginning in 2018 interest on home equity loans cannot be deducted unless the loan is home acquisition debt as defined above.

The dollar limits for the second and third categories apply to the combined mortgages on the taxpayer's main home and second home. If the taxpayer's mortgages do not fit into one or more of the three categories, see Publication 936 to determine how much can be deducted.

Generally, homeowners receive Form 1098, Mortgage Interest Statement, which shows the deductible amount of home mortgage interest paid by the taxpayers. Only taxpayers who are legally liable for the debt can deduct the interest in the year it is paid.

Remember that taxpayers may have more than one mortgage or may have refinanced during the year and may have multiple Mortgage Interest Statements.

Home Mortgage Points

The term "points" is used to describe certain charges paid, or treated as paid, by a borrower to obtain a home mortgage. Points also may be called loan origination fees, maximum loan charges, premium charges, loan discount points, or prepaid interest. Points paid only for the use of money are considered interest and generally can be deducted over the life of the loan subject to certain tests. This amount is reported on Form 1098 (Box 6).

Points paid to refinance a mortgage are generally not deductible in full the year the taxpayer paid them, unless the points are paid in connection with the improvement of a main home and certain conditions are met. See Publication 936 for more details regarding the deductibility of points.

Beware of certain charges that some lenders call "points." Points paid for specific services, such as appraisal fees, preparation fees, VA funding fees, or notary fees, are not interest and are not deductible.

Form 1098: Mortgage Interest Statement

☐ CORRECTED (if checked)

RECIPIENT'S/LENDER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		*Caution: The amount shown may not be fully deductible by you. Limits based on the loan amount and the cost and value of the secured property may apply. Also, you may only deduct interest to the extent it was incurred by you, actually paid by you, and not reimbursed by another person.	OMB No. 1545-0901 <div style="font-size: 2em; font-weight: bold; text-align: center;">20</div> (Rev. July 2016) Form 1098	Mortgage Interest Statement
RECIPIENT'S/LENDER'S federal identification number	PAYER'S/BORROWER'S taxpayer identification no.	1 Mortgage interest received from payer(s)/borrower(s)* \$	2 Outstanding mortgage principal as of 1/1/2016 \$	Copy B For Payer/ Borrower The information in boxes 1 through 9 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 the IRS determines that an underpayment of tax results because you overstated a deduction for this mortgage interest or for these points, reported in boxes 1 and 6; or because you didn't report the refund of interest (box 4); or because you claimed a non-deductible item.
PAYER'S/BORROWER'S name		3 Mortgage origination date	4 Refund of overpaid interest \$	
Street address (including apt. no.)		5 Mortgage insurance premiums \$	6 Points paid on purchase of principal residence \$	
City or town, state or province, country, and ZIP or foreign postal code		7 Is address of property securing mortgage same as PAYER'S/BORROWER'S address? If Yes, box is checked <input type="checkbox"/> If No, see box 8 or 9, below		
10 Other		8 Address of property securing mortgage		
Account number (see instructions)		9 If property securing mortgage has no address, below is the description of the property		

Form **1098** (Keep for your records) www.irs.gov/form1098 Department of the Treasury - Internal Revenue Service



More than one borrower. If you and at least one other person (other than your spouse if you file a joint return) were liable for and paid interest on a mortgage that was for your home, and the other person received a Form 1098 showing the interest that was paid during the year, attach a statement to your return explaining this. Show how much of the interest each of you paid, and give the name and address of the person who received the form. Deduct your share of the interest on Schedule A (Form 1040), line 11, and print "See attached" next to the line. Also, deduct your share of any qualified mortgage insurance premiums on Schedule A (Form 1040), line 13.

Similarly, if you are the payer of record on a mortgage on which there are other borrowers entitled to a deduction for the interest shown on the Form 1098 you received, deduct only your share of the interest on Schedule A (Form 1040), line 10. Let each of the other borrowers know what his or her share is.

Mortgage Interest Form

File Edit View Forms Import E-File Tools HomeBase Update Information Window

Forms Entry Mode Error

1040 Wks: 1040 Worksh

Open Forms

There are two ways to find the form you want:

- * Go directly to the form you want and double-click it. OR
- * Type in the form number or form name and ProSeries will take you to the appropriate form in the list.

Id Verification	Social Sec Wks	EF Quick Coll	RB IL Disc	Locality Wks
Client Status	Other Income	QC Fee Disc	RB ME Disc	Ded Home Mort
W-2 Wks	NOL Worksheet	EF TPG Wksht	RB MD Disc	Form 1098-C
W-2G Wks	NOL Class	RT App 1-4	RB MN Disc	Charity Contrib
1098-T Wks	Health LTC Wks	RT App 5-6	RB NY Disc	Misc Dedns
Form 1099-K Wks	Student Loan	RT Fee Disc	RB Use Cnsnt	Item Dedns Wks
1099-MISC Wks	Educator Exp	Consent to Use	RB Disc Cnsnt	Form 1098
1099-G Wks	Education Costs	Consent to Disc	EF River City	Schedule B
St Refund Wks	Student Info-T	EF Refund Adv	RCB Agreement	Int/Div Summary
Form 1099-Q	Student Info-S	ER App RA p1-7	RCB Use Consent	Seller-Fin
ESA/OTP Wks	Student Info-D	ER App RA p8-9	RCB Disc Cnsnt	Form 8938
1099-R Wks	Tax Payments	7216 Use RA	Aud Asst Mbrshp	8938 Cont Stmt
IRA Contrib Wks	Std Dedn Wks	7216 Disclo RA	AA Prep Agrmt	Schedule C
IRA Info Wks	Exemptions	QBI Ded Wksht	AA Use Cnsnt	Sch C 2 Yr Comp
Canada RRP Wks	Dep Support	QBI Summary	AA Disc Cnsnt	Schedule C-EZ-T
1099-SA Wks	Qual Div/Cap Gn	EF Republic Bnk	Schedule A	Schedule C-EZ-S
Wages, etc. Wks	Child Tax Cr	RB Oral Disc	Medical Wks	Schedule D
Earned Inc Wks	EF Info Wks	RB Need to Know	State Tax Ded	D Tax Summary
Keogh/SEP Wks	EF Auth Stmt	RB App & Agmt	Recovery Excl	Unemp 1250 Gn

Form: Form 1098: Mortgage Interest Statement

Find: 1098

OK Cancel Help

Your First Name

If Joint Return, Spouse's First Name MI Last Name Spouse's Social Security No.

Click on Forms in the Top Bar

Enter 1098 in the search bar

Select Form 1098

Select an existing Form 1098 to open

0 Copies Used

Create new copy. Enter the lender name

HOME MORTGAGE LENDER

Create Cancel

Title the 1098 form with the name of the lender

Form 1098 (HOME MORTGAGE LENDER): Mortgage Interest Statement			
Form 1098		Mortgage Interest Statement	
▶ Not a required statement - Use for import purposes ▶ Data will not transfer year to year if imported in prior year ▶ Keep for your records			
Name(s) Shown on Return		Your Social Security No. 456-78-945X	
Ownership			
Owned by (check one): <input checked="" type="checkbox"/> Taxpayer <input type="checkbox"/> Spouse <input type="checkbox"/> Joint			
Statement Information			
RECIPIENT'S/LENDER'S Name HOME MORTGAGE LENDER			
Street address			
City	State ZIP code		
Telephone number			
RECIPIENT'S federal identification number	PAYER'S social security number 456-78-945X	1 Mortgage interest received from payer(s)	
PAYER'S/BORROWER'S name		2 Points paid on purchase of principal residence	
Street address		3 Refund of overpaid interest	
City	State ZIP code	4 Mortgage insurance premiums	
Account number		5 Property tax	

Boxes on the worksheet correlate to the 1098 form

Be sure to enter the PMI (private mortgage insurance) value, if one is included on the 1098



Once you are done with the worksheet, the information will populate Schedule A.

Form 1098-MA: Mortgage Assistance Payments

<input type="checkbox"/> VOID <input type="checkbox"/> CORRECTED		OMB No. 1545-2221	
FILER'S name, street address, city, state, ZIP code, and telephone no.		Form 1098-MA	
FILER'S federal identification no.	HOMEOWNER'S federal identification no.	1. Total State HFA and homeowner mortgage payments	
		\$	
HOMEOWNER'S name		2. State HFA mortgage assistance payments	
		\$	
Street address (including apt. no.) (optional)		3. Homeowner mortgage payments	
		\$	
City, state, and ZIP code (optional)			
Account number (optional)			
Form 1098-MA		Cat. No. 58017D www.irs.gov/form1098ma Department of the Treasury - Internal Revenue Service	

Mortgage Assistance Payments
Copy A
For Internal Revenue Service Center
For Privacy Act and Paperwork Reduction Act Notice, see the 2016 General Instructions for Certain Information Returns.

Box 1 Shows total payments made to the mortgage servicer through the program

Box 3 Shows the amount that the borrower sent to the state for forwarding to the mortgage servicer.

Box 2 Shows the amount of Box 1 contributed by the state

All amounts reported include both principal and interest.

This informational form is received by borrowers who received mortgage payment assistance from a state "hardest hit" program. **There is no ProSeries form for entering the data.** The amounts in Box 2 are not treated as taxable income to the taxpayer since they are a form of public assistance. The taxpayer's deduction for mortgage interest and real estate taxes is the actual amount paid for such items by the taxpayer if the taxpayer knows them. If the taxpayer qualifies to deduct the full amount of their real estate taxes and interest, then they may also be eligible to use a "safe harbor" calculation if it produces a higher deduction. The "safe harbor" is the sum of all payments made by the taxpayer either to the state housing authority (Block 3) or the mortgage servicer, but not more than the sum of the amounts shown in Box 1 of Form 1098 plus the amount of any real estate taxes shown on Form 1098. Note that the Form 1098 will include payments made by both the taxpayer and the state, so extra care needs to be applied to determine the deductible portion as described in this section.

Gifts to Charity

(Schedule A)

A charitable contribution is a donation or gift to a qualified charitable organization. Taxpayers must itemize deductions to be able to deduct a charitable contribution.

Qualified Charitable Organizations Generally Include:

- Organizations operated exclusively for religious, charitable, educational, scientific, or literary purposes
- Organizations that work to prevent cruelty to children or animals
- Organizations that foster national or international amateur sports competition if they do not provide athletic facilities or equipment
- War Veterans' organizations
- Certain nonprofit cemetery companies and corporations
- The United States, a state, the District of Columbia, a U.S. possession (including Puerto Rico), a political subdivision of a state or U.S. possession, an Indian tribal government or any of its subdivisions that perform substantial government functions

Deductible items include:

- Monetary donations
- Dues, fees, and assessments paid to qualified charitable organizations in excess of the value received
- Fair market value of used clothing and household items in good condition
- Cost and upkeep of uniforms that have no general use, but must be worn while performing donated services to a qualified charitable organization
- Unreimbursed transportation expenses and other travel that relate directly to the services the taxpayer provided for the qualified charitable organization
- Part of a contribution above the fair market value for items received such as merchandise and tickets to charity balls or sporting events
- Transportation expenses, including bus fare, parking fees, tolls, and either the cost of gas and oil or the standard mileage deduction may be taken. See Publication 4012 for the standard mileage deduction rate.

Potential deduction limitations include (see Publication 526 for more details);

- If the taxpayer made a gift to a qualified charitable organization and received a benefit in return, such as food, entertainment, or merchandise, the taxpayer generally can deduct only the amount of the gift in excess of the value of the benefit received.
- If the taxpayer's total cash charitable contributions for the year are greater than 60% of his adjusted gross income, his charitable deduction may be limited.

Recordkeeping

Recordkeeping requirements for charitable contributions of less than \$250 are summarized below. See Publication 526 for recordkeeping requirements for larger contributions.

Noncash contributions less than \$250:

Keep receipts or other written communication from the organization, or the taxpayer's own reliable written records for each item, showing:

- Name and address of the charitable organization
- Date and location of the contribution
- Reasonably detailed description of the donated property
- Fair market value of the donated property and how the value was determined



Taxpayers with more than \$500 in total noncash contributions must file Form 8283 and should be referred to a professional tax preparer. This is up to the client if they would like to forgo the additional deductions based on the cost of paid preparation and the overall reduction of tax liability.

Cash contributions:

Taxpayers cannot deduct a cash contribution, regardless of the amount, unless one of the following records of the contribution is kept:

- A bank record, such as a canceled check, a copy of the canceled check, or a bank statement containing the name of the charity, the date, and the amount
- A written communication from the charity, which includes the name of the charity, date of the contribution, and amount of the contribution

For unreimbursed expenses related to donated services, the taxpayer must have:

- Adequate records of the expenses
- Written acknowledgment from the organization and a description of the taxpayer's services

Only out-of-pocket expenses that are directly related to the donated services can be deducted. The value of time or services donated cannot be deducted.

Entering Gifts to Charity in ProSeries

Navigate to Schedule A from the Forms Bar on the left, and scroll down to the Gifts to Charity section, Lines 11-14.

Schedule A: Itemized Deductions

Gifts to Charity

If the taxpayer made a gift and got a benefit for it, see instructions.

Cash Contributions Smart Worksheet

A Miles driven for charitable purposes:

1 All miles for:

a To perform charitable service

b To deliver noncash contributions

c Total. Add lines a and b

B Cash contributions, enter name of charity, type of charity, and amount:

Caution: Do **not** enter Hurricane Harvey, Irma or Maria disaster contributions in this smart worksheet. Instead, use the Hurricane Disaster Areas Smart Worksheet directly below this smart worksheet.

Name of charity	Type	Amount

11 Gifts by cash or check. For gift \$250 or more see instr 11

12 Other than by cash or check. For gift \$250 or more see instructions. You **must** attach Form 8283 if over \$500 12

13 Carryover from prior year 13

14 Add lines 11 through 13 14

- Monetary donations made by cash, check, or credit card can be entered directly on **Line 11**. You can also use the Cash Contributions Smart Worksheet just above Line 11 in ProSeries to enter several different donations and ProSeries will automatically populate Line 16 with the total cash donations.
- The value of gifts other than by cash or check (e.g., used clothing, furniture, etc.) is entered directly on **Line 12**, or use the Noncash Contributions Smart Worksheet just above Line 17 in ProSeries.
- The total of all Gifts to Charity will automatically be calculated and populate **Line 14**.

Miscellaneous Itemized Deductions

Deductions not subject to the 2% limit are reported on line 16 of Schedule A. Examples include (see Publications 17 and 529 for more):

- Gambling losses to the extent of gambling winnings (taxpayers must have kept a record of their losses) and is still available in 2018.
- Work-related expenses for individuals with a disability that enable them to work, such as attendant care services at their workplace



Note: For 2018 Most Miscellaneous Itemized Deductions have been suspended and are not deductible. This means that items such as union dues and uniforms are no longer deductible.



Nondeductible Miscellaneous Expenses

The types of miscellaneous expenses that are not deductible include (see Publications 17 and 529 for more):

- Commuting expenses
- Political contributions
- The cost of entertaining friends
- Lost or misplaced cash or property
- Travel as a form of education

Qualified Business Income Deduction

For **2018** there is a new deduction called the Qualified Business Income Deduction (QBI) for self-employed individuals. For Ladder Up clients this deduction is typically equal to the lesser of 20% of self-employment income or 20% of taxable income before the deduction. The deduction is **in addition to** the standard deduction or the itemized deduction. By reducing federal taxable income, it may reduce federal income taxes, but will not reduce self-employment taxes or Illinois income taxes. The deduction will appear on Form 1040 line 9.

Once the relevant business income and expenses have been entered on the Schedule C, there will be up to four errors toward the bottom of the Schedule C. Those errors must be cleared in order for ProSeries to compute the QBI:

- Ladder Up clients will typically not have any of their Schedule C income which cannot be used for the QBI, so lines C1 and C2 should typically be zero.

Schedule C (self): Profit or Loss from Business

QBI and AMT Adjustments Smart Worksheet
Enter adjustments below.

	QBI	Alternative Minimum Tax
A Schedule C other preferences and adjustments (see Help)		
B Schedule C at risk disallowed loss (enter as positive amount)		
C 1 Net Sch C gain (loss) attributable to income from former employer not treated as qualified business income	0.	
2 Net Sch C gain (loss) not effectively connected to US trade or business	0.	
D 1 Ordinary gain (loss) from this activity QuickZoom		
2 Ordinary gain (loss) from D1 not related to qualified business income		
3 Section 1231 ordinary gain (loss) from this activity		
E 1 Schedule C passive disallowed loss		
2 Related Disposition passive disallowed loss		

- Volunteers must answer the question whether the taxpayer's Schedule C is for a Specified Service Trade or Business (services in the fields of health, law, engineering...). For higher-income taxpayers, the QBI may be reduced or eliminated for a Specified Service Trade or Business. However, the instructions state "If your taxable income is less than \$157,000 (\$315,000 if married filing jointly), your specified service trade or business is treated as a qualified trade or business". Therefore, the question about whether this is a Specified Trade or Business can typically be answered "no" for Ladder Up clients and the tax return will be correct. (While not directly relevant to VITA clients, the instructions to line 9 of Form 1040 provide additional information about the topic).

- Also, a new QBI Component Worksheet must be created where the eligible QBI expenses are computed (simply create the worksheet by naming it the same as the taxpayer's business name).

Qualified Business Income Deduction Info

This activity is not a qualified trade or business ☐

A Trade or Business Name SELF-EMPLOYED TRADE

B Trade or Business ID Number

C Qualified Business Income 20,000.

D Starting Wages

E Adjustments

F Wages

G Unadjusted Basis Immediately after Acquisition (UBIA) 0.

H Adjustments

I Final UBIA 0.

J Specified Service Trade or Business? ☐ Yes ☒ No

K QBI worksheet to report SELF-EMPLOYED TRADE

Complete these.

You can check line 9 of Form 1040 to see that the deduction was calculated. Remember that if taxable income before the credit is zero, there will be no deduction.

Credits

Tax credits are dollar-for-dollar reductions that decrease a taxpayer's tax liability. There are two types of tax credits – nonrefundable and refundable.

Common Nonrefundable Credits

- Credit for Child and Dependent Care Expenses
- Retirement Savings Contribution Credit
- Child Tax Credit
- Credit for Other Dependents
- Credit for the Elderly or the Disabled
- Education Credits (American Opportunity Credit, Lifetime Learning Credit) – described in the *Volunteer Manual – Credits: Postsecondary Education Expenses* section starting on page 205.

Common Refundable Credits

- Earned Income Tax Credit
- Additional Child Tax Credit
- Health Premium Tax Credit

Examples

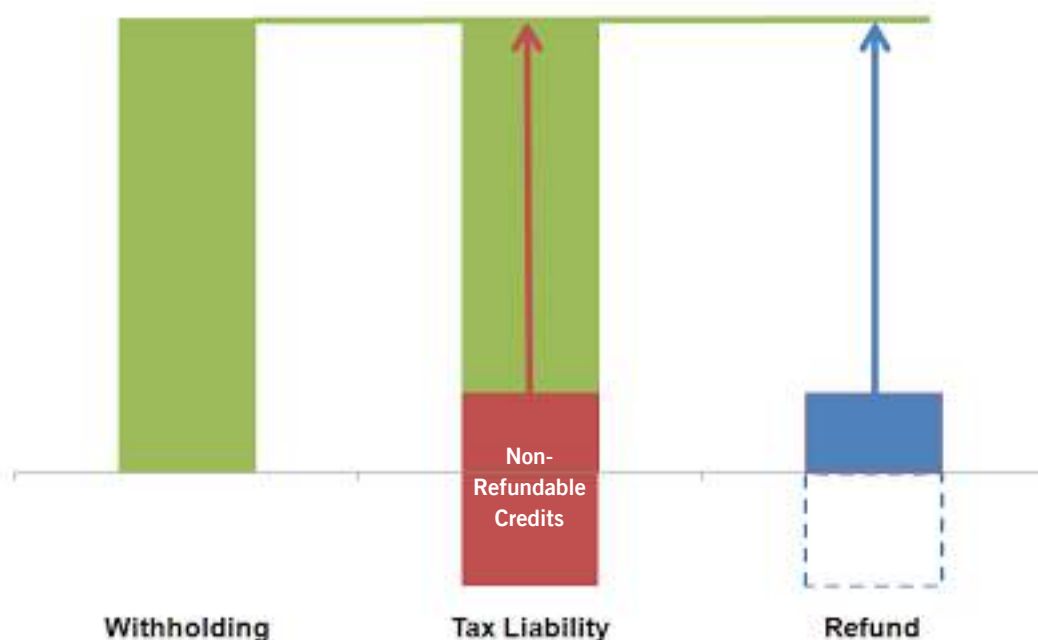
Jill has a tax liability of \$400, however, she qualified for a Child Tax Credit of \$500. The Child Tax Credit is non-refundable therefore all of Jill's tax liability is wiped out but she will not be due a refund.

Conversely, if Jill qualifies for \$500 in the Child Tax Credit and \$500 in the Earned Income Credit she will receive a \$500 refund since the Earned Income Credit is refundable.

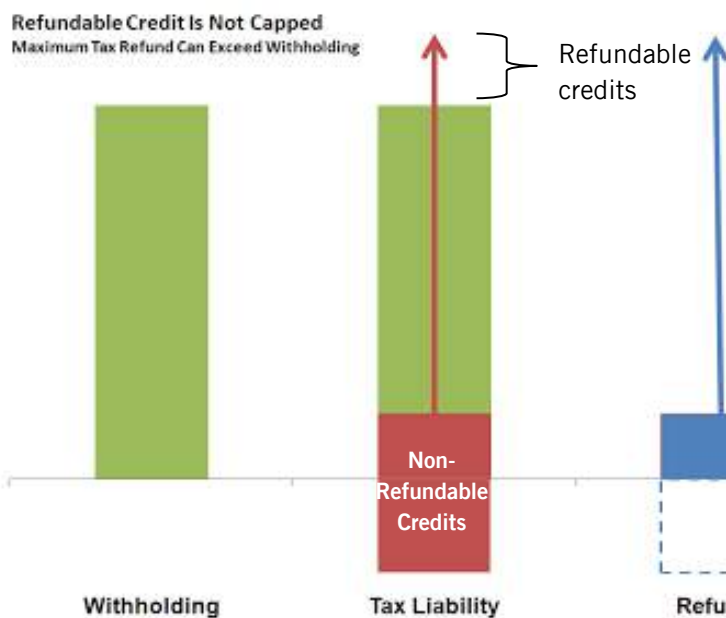


When tax liability (tax owed) exceeds tax withholding (tax paid) the taxpayer will still owe taxes at the time of filing.

Non-Refundable Tax Credit Is Capped by Tax Liability
 Maximum Tax Refund = Tax Withholding



However, after non-refundable tax credits are applied, the taxpayer will get a small refund instead of owing taxes. The non-refundable tax credits are limited by the tax liability. In other words, nonrefundable credits can only reduce the amount of tax owed. The best a person can do with non-refundable tax credits is eliminate all of their tax liability and get all of the withholding back.



However, refundable tax credits are not capped by one's tax liability, as shown in this third chart. The refund can exceed the withholding.

Foreign Tax Credit

Taxpayers who receive Form 1099-INT or Form 1099-DIV may have amounts reported in Box 6, indicating that foreign taxes have been paid on their behalf by the issuer of the document.

Generally, income taxes paid to a foreign country can be taken as:

- An itemized deduction on line 6 of Schedule A and entered on Form 1040, line 8, or
- A nonrefundable credit against U.S. income tax on Form 1040, Schedule 3, line 48



Ladder Up clients will generally derive greater benefit by opting to take the credit on federal Form 1040, Schedule 3, line 48.

A taxpayer can elect to report foreign tax on Form 1040, Schedule 3, line 48, without filing Form 1116 as long as the following conditions are met:

- All of the gross foreign source income was from interest and dividends and all of that income and the foreign tax paid on it were reported on Form 1099-INT, Form 1099-DIV, or Schedule K-1 (or substitute statement).
- He is not filing Form 4563 or excluding income from sources within Puerto Rico.
- The total of his foreign taxes was not more than \$300 (not more than \$600 if married filing jointly).
- All of the foreign taxes were:
 - Legally owed and not eligible for a refund
 - Paid to countries that are recognized by the United States and do not support terrorism

If the taxpayer meets all of the above requirements, enter directly on Form 1040, Schedule 3, line 48, the smaller of:

- the total foreign taxes paid, or
- the amount on Form 1040, line 11

Schedule 3: Nonrefundable Credits			
Schedule 3 (Form 1040)	Nonrefundable Credits	201	
Name(s) Shown on Form 1040 MARTHA WASHINGTON		Social Security No. ***-**-1775	
Nonrefundable Credits			
48	Foreign tax credit. Attach Form 1116 if required	48	
49	Credit for child and dependent care expenses. Attach Form 2441	49	
50	Education credits from Form 8863, line 19	50	
51	Retirement savings contributions credit. Attach Form 8829	51	



Be sure to enter all other income, expenses, adjustments, and credits before comparing line 11 to the foreign taxes paid. If the taxpayer has postsecondary education expenses, re-launch the optimizer after entering the foreign tax credit on Form 1040, Schedule 3, line 48.

If the taxpayer does not elect to or is not eligible to report foreign tax on Form 1040, Schedule 3, line 48, he must complete Form 1116. Form 1116 is out-of-scope for the VITA program. Such taxpayers should be referred to a professional preparer.

Child and Dependent Care Expenses

The tax credit for child and dependent care expenses allows taxpayers to claim a credit for expenses paid for the care of children under age 13 for whom a dependency exemption can be claimed when the expenses were incurred.*

The credit can range from 20% to 35% of a taxpayer's qualifying child or dependent care expenses. The percentage is based on the taxpayer's earned income and adjusted gross income. The amount of the credit cannot be more than the amount of income tax on the return; that is, it can reduce an individual's tax to \$0, but it cannot result in a refund. Form 2441 must be attached to the tax return to claim this nonrefundable credit.

Who is a qualifying person:

- A qualifying child who was under the age of 13 when the expenses were incurred and for whom a dependency exemption can be claimed*
- Any person who was incapable of self-care whom the taxpayer can claim as a dependent or could have claimed as a dependent except that the person had gross income of more than \$4,000 or filed a joint return or that the taxpayer or spouse, if married jointly, could be claimed as a dependent on someone else's 2018 return.
- A spouse who was physically or mentally incapable of self-care.
- The qualifying person must live with the taxpayer for more than ½ the year.
- Incapable of self-care – Cannot dress, clean, or feed themselves because of physical or mental problems. Also persons who must have constant attention to prevent them from injuring themselves or others.

*See Publication 17, *Child and Dependent Care Credit*, for special rules regarding divorced or separated parents or parents who live apart.

Qualified work-related expenses

- Expenses must be paid for the care of the qualifying person to allow the taxpayer and spouse, if married, to work or look for work
- The care includes the cost of services for the qualifying person's well-being and protection
- Expenses to attend Kindergarten or a higher grade are not an expense for care
- Expenses for summer day-camp qualify, but those for overnight camp do not



Only the custodial parent may claim the child and dependent care credit even if the child is being claimed as a dependent by the non-custodial parent under the rules for divorced and separated parents.

Caution: If Dependent Care Benefits are listed in Box 10 of a W-2, then the taxpayer MUST complete Form 2441. If Form 2441 is not completed, the Box 10 amount is entered on Line 1 of the 1040 as taxable income.

Note: If your qualifying child turned 13 during the tax year, your qualifying expenses include the amounts incurred for the child while under 13 when the care was provided.



Note: You will need to fill in the expense dollar amounts in two places in ProSeries:

1. Totals for each child or dependent in Part III of the Federal Information Worksheet – see *Volunteer Manual – FIW Dependents*, page 70.
2. Child & Dependent Care Expense Worksheet for Form 2441 – see next page

Child and Dependent Care Expenses Worksheet

- Fill in the name of the daycare provider, the SSN/EIN of the provider, and the total amount paid.
- The daycare provider must provide either an SSN or an EIN. Exceptions are listed below, but do not typically apply to TAP clients:
 - If the day care provider is a tax-exempt organization, check the “Tax-Exempt” box in column (c) and “TAXEXEMPT” will print in the EIN field.
 - If the taxpayer is living abroad and the provider does not have or is not required to obtain a U.S. TIN, check the “Foreign” box in column (d). Tax returns in this situation are out of scope.
- Part 2 of Form 2441 will automatically populate; complete part 3 if necessary.

Form 2441: Child & Dependent Care Expenses

Part I **Persons or Organizations Who Provided the Care** — You **must** complete this part.

1	(a) Provider First Name (if person) Provider Last Name (if person) OR Care Provider Business Name Additional Business Name AND Care provider's phone number	(b) Address (number, street, apt no., city, state, and ZIP Code)	(c) Identifying number SSN on first line OR EIN (nn-nnnnnnn) on second line	(d) Amount paid
KIDS CARE		123 CHILDCARE STREET CHICAGO IL 60603	**-***9874	800.
Phone # (312) 555-5555	Care at above address? <input checked="" type="checkbox"/>		Tax-Exempt <input type="checkbox"/> Foreign <input type="checkbox"/>	
Person <input type="checkbox"/> Organization <input checked="" type="checkbox"/>			Refused <input type="checkbox"/> Unavailable <input type="checkbox"/>	
Phone #	Care at above address? <input type="checkbox"/>		Tax-Exempt <input type="checkbox"/> Foreign <input type="checkbox"/>	
Person <input type="checkbox"/> Organization <input type="checkbox"/>			Refused <input type="checkbox"/> Unavailable <input type="checkbox"/>	

On-Site Care Provided by Employer — Complete on **Form W-2**.

1	(a) Company name	(b) Company address

*SSN is entered on the first line
OR
EIN is entered on the second line*



The care provider must report the income if the taxpayer is reporting the expense. If the provider is not going to report the income, the taxpayer cannot claim the credit.

Retirement Savings Contributions

If a taxpayer makes eligible contributions to an employer-sponsored retirement plan or to an individual retirement arrangement (IRA), he may be able to claim a tax credit. Plans and contributions that qualify are:

- Traditional or Roth IRA contributions (other than rollover 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

The amount of the credit is based on both the contributions made and the taxpayer's credit rate. The credit can be as low as 10% or as high as 50% of a maximum annual contribution of \$2,000 per person depending on filing status and AGI. The lower the income, the higher the credit rate; the credit rate also depends on filing status. Form 8880, Credit for Qualified Retirement Savings Contributions, is used to determine the rate and amount of this nonrefundable credit.

If the taxpayer or spouse made contributions to an IRA, enter the information on the IRA Contributions Worksheet. Traditional IRA contributions are entered on page 1 of the worksheet, described starting on page 157. Roth IRA contributions are made on page 2 of the worksheet, shown below.

Remember to review the W-2

Look at the taxpayer's Form W-2. An entry in Box 12 or an "X" in the Retirement Plan box is an indicator that the taxpayer may be eligible for the Retirement Savings Contributions Credit. Read more about Form W-2 starting on page 86.

Did the taxpayer receive a Form 5498?

If the taxpayer or spouse made a contribution to an IRA, he should receive a Form 5498 from the trustee or issuer of the account. Traditional IRA contributions may also qualify for an income adjustment. Read more about this deduction under *Volunteer Manual – Adjustments to Income: IRA Contribution*, starting on pages 157.

Retirement Savings Contributions Credit – Screening Sheet

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

step 1	Did you make a voluntary contribution or deferral to an IRA or other qualified plan for 2018?	YES – Go to Step 2 NO – Not qualified for credit
step 2	Is AGI \$31,500 or less (\$47,250 if head of household, \$63,000 if married filing jointly)?	YES – Go to Step 3 NO – Not qualified for credit
step 3	Were you born before January 2, 2001?	YES – Go to Step 4 NO – Not qualified for credit
step 4	Are you being claimed as a dependent on someone else's tax return for 2018?	YES – Not qualified for credit NO – Go to Step 5
step 5	Were you a full-time student ² during 2018?	YES – Not qualified for credit NO – Qualified for credit

Footnotes

¹ 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 2018 by the due date of the return.

² You were a student if during any part of 5 calendar months of 2018 you:

- Were enrolled as a full-time student at a school, or
- Took a full-time, on-farm training course given by a school or a state, county, or local government agency.

A school includes technical, trade and mechanical schools. It does not include on-the job training courses, correspondence schools, or schools offering courses only through the Internet.

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 Form W-2 may also indicate a contribution to a state retirement system. In TaxSlayer, if the contribution qualifies, from the drop down menu in Box 14 of Form W-2, select retirement (not in Box 12) carry to Form 8880, Credit for Qualified Retirement Savings Contributions.



If these are treated as employer contributions they aren't 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 qualifies for this credit, but may not appear on any taxpayer document. Remember to review the expenses section on page 2 of the Form 13614-C, Intake/Interview & Quality Review 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 note on the next page for a list of distributions that don't reduce the eligible contributions for this credit.
- Form 8880 is used to claim this credit.
- If taxpayer (or spouse if MFJ) is a full-time student, be sure to mark it in the Personal Information Section in the software. This credit is not available to full-time students.

IRA Contributions Worksheet

QuickZoom to enter Keogh, SEP and SIMPLE contributions QuickZoom
 QuickZoom to enter regular **Traditional** IRA contributions QuickZoom
 QuickZoom to enter **excess** Coverdell Education Savings Account (Ed IRA) contributions QuickZoom

Use Page 2 of this worksheet to enter **Roth IRA** contribution information

Page 1 is for **Traditional IRA** contributions

Roth IRA Contributions

Regular Roth IRA Contributions		Taxpayer	Spouse
20	Enter regular Roth IRA contributions made for 2015, including any made between 1/1/2016 and 4/18/2016, any amounts later recharacterized to a traditional IRA, and any excess contributions, but not including any rollovers or conversions. Also include any contributions to deemed Roth IRAs under an employer plan		
21	Contributions recharacterized from a traditional IRA, (from ln 4)		
22	Roth IRA contributions, from Schedule(s) K-1		
23	Enter contributions recharacterized to a traditional IRA		
	▶ If there is a recharacterization indicated on line 23, an explanation must be attached to the tax return.		
24	Disallowed Roth IRA conversions		
25	Roth IRA contributions. Combine lines 20 through 24		
26	Enter any contribution included on line 25 withdrawn before the due date of the tax return. <i>See Help</i>		
27	Excess Roth IRA contribution credit		
28	Total Roth IRA contributions		
29	Repayments of qualified Roth reservist distributions		

Also be sure to enter all information from any W-2s into the W-2 Worksheets

Enter total Roth IRA contributions for the taxpayer and spouse on line 20

Enter any amounts withdrawn by the return due date on line 26

Roth IRA Basis Smart Worksheet

QuickZoom to enter the Roth IRA **basis** for 2014 and earlier years Taxpayer QuickZoom
 Spouse QuickZoom

12 Credit for qualified retirement savings contributions. Enter the **smaller** of line 10 or line 11 here and on Form 1040, line 51, Form 1040A, line 34, or Form 1040NR, line 48

* See Pub. 590-A for the amount to enter if you are filing Form 2555, 2555-EZ, or 4563 or you are excluding income from Puerto Rico.

ProSeries will automatically populate Form 8880, calculate the credit, and transfer the amount to Form 1040, Schedule 3, line 51.

Child Tax Credit

The Child Tax Credit is a **nonrefundable credit** that may be able to reduce the federal income tax the taxpayer owes by up to \$2,000 (increased from \$1,000 in 2017) for each qualifying child. The refundable Additional Child Tax Credit works in concert with this credit, can be found in the payments section of the 1040, and under the **Additional Child Tax Credit** section of this tax manual.

A qualifying child for this credit is someone who meets the following criteria:

- Dependent: Child is claimed as the taxpayer's dependent
- Age: Child was under age 17 at the end of the tax year
- Relationship: Child is the taxpayer's son, daughter, adopted child, stepchild, eligible foster child or a descendent of any of them. Also, a brother, sister, half-brother, half-sister, stepsister, stepbrother, or a descendent of any of them (for example, niece or nephew)
- Citizenship: Child is a U.S. citizen
- Support: Child did not provide more than half of his/her own support
- Residency: Child lived with the taxpayer for more than half the year

Additional Child Tax Credit – General Eligibility

Note: Make sure the taxpayer's credit hasn't been disallowed previously. If previously disallowed, see Form 8862, Information To Claim Certain Refundable Credits After Disallowance in Tab I, Earned Income Credit.

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 \$2,500 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.
- Limited to \$1,400 per qualifying child

Schedule 8812, Additional Child Tax Credit, is used to calculate the allowable additional child tax credit.

See Tab C, Dependents, 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: No credit or refund for an overpayment for a taxable year shall be made to a taxpayer before the 15th day of the second month following the close of the taxable year (generally February 15th) if the taxpayer claimed the EITC or additional child tax credit on the tax return.

Note: The qualifying child must now have a valid social security number by the due date of the tax return (including extensions). Taxpayers may not file an amended return to retroactively claim the additional child tax credit for a qualifying child if a valid SSN for the child is issued after the due date of the tax return.

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

Note: (International Certification only) 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.

Note: See Disallowance of Certain Refundable Credits in Tab I, Earned Income Credit, if the taxpayer received a letter saying they had to complete Form 8862.

Table 1: Child Tax Credit

Remember to apply the steps for each dependent. To claim the child tax credit and/or the credit for other dependents, you can't be a dependent of another taxpayer.

Probe/Action: Ask the taxpayer:

step 1	Is this person your son, daughter, adopted child, stepchild, foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them (for example, your grandchild, niece, or nephew)? A descendant is of any generation.	If YES , go to Step 2. If NO , you can't claim the child tax credit for this person. This person may qualify for the credit for other dependents, go to Table 2.
step 2	Did this person provide over half of his or her own support for the tax year?	If NO , go to Step 3. If YES , you can't claim the child tax credit or the credit for other dependents for this person. STOP if the taxpayer has no other dependents.
step 3	Did this person live with you for more than half of the tax year? If the dependent didn't live with you for the required time, see the following notes below the chart: <ul style="list-style-type: none"> Exception to Time Lived with You Kidnapped Child Children of Divorced or Separated Parents or Parents who live apart. 	If YES , go to Step 4. If NO , you can't claim the child tax credit for this person. This person may qualify for the credit for other dependents, go to Table 2.
step 4	Is this person a U.S. citizen, U.S. national, or resident alien of the United States? Note: A 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. See Tab L, Resident/NR Alien for definition of Resident Alien.	If YES , go to Step 5. If NO , you can't claim the child tax credit or the credit for other dependents for this person.
step 5	Does this person have a valid Social Security number that was issued by the due date of the return (including extensions)?	If YES , go to Step 6. If NO , you can't claim the child tax credit for this person. This person qualifies for the credit for other dependents if he or she has an ATIN or ITIN.
step 6	Is this person under age 17 at the end of the tax year?	If YES , go to Step 7. If NO , you can't claim the child tax credit for this person. This person qualifies for the credit for other dependents.

Questions: Who Must Use Publication 972, Child Tax Credit?

step 7	Are you excluding income from Puerto Rico or are you filing Form 2555, Form 2555-EZ (relating to foreign earned income), or Form 4563, <i>Exclusion of Income for Bona Fide Residents of American Samoa</i> ?	If NO , go to Step 8. If YES , you must use Publication 972 to figure the credit.
step 8	Are you claiming any of the following credits? <ul style="list-style-type: none"> Adoption Credit, a residential energy credit, Form 5695, Part II; Mortgage Interest credit, Form 8396; District of Columbia first-time homebuyer credit, Form 8859. 	If NO , use the Child Tax Credit Worksheet to figure the credit. If YES , you must use Publication 972 to figure the credit.

Exception to Time Lived with You

A child is considered to have lived with you for all of the current tax year if the child was born or died in 2018 and your home was this child's home for the entire time he or she was alive. Temporary absences for special circumstances, such as for school, vacation, medical care, military service, or detention in a juvenile facility, count as time lived at home.

Kidnapped Child

A kidnapped child is considered to have lived with you for all of the current tax year if:

- In the year the kidnapping occurred, the kidnapped child is presumed by law enforcement to have been taken by someone who isn't a family member, and
- The kidnapped child lived with the taxpayer for more than half of the portion of the year prior to the kidnapping.

Modified Adjusted Gross Income Limits

- Married filing jointly - \$400,000
- All other filing statuses - \$200,000

Note: Current tax year reference applies to tax year 2018.

Children of Divorced or Separated Parents

A child will be treated as being the qualifying child of his or her noncustodial parent if all of the following apply:

- The parents were divorced or legally separated or lived apart at all times during the last 6 months of the current tax year.
- The child received over half of his or her support for the current tax year from the parents.
- The child was in the custody of one or both of the parents for more than half of the current tax year.
- A decree of divorce or separate maintenance or written separation agreement that applies to the current tax year provides that (a) the noncustodial parent can claim the child as a dependent, or (b) the custodial parent will sign a written declaration that he or she won't claim the child as a dependent for the current tax year.
- The custodial parent signs Form 8332, Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent, or similar statement that he or she won't claim the child as a dependent in the current tax year. If the divorce decree or separation agreement went into effect before 2009, the non custodial parent may be able to attach certain pages of the decree or agreement instead of Form 8332.

Child Tax Credit Worksheet

The Child Tax Credit worksheet will automatically populate based on the information previously entered.

Schedule 8812: Child Tax Credit	
Schedule 8812 (Form 1040)	Additional Child Tax Credit ▶ Attach to Form 1040 or Form 1040NR.
Name(s) Shown on Return MARTHA WASHINGTON	Your Social Security Number ***--**--1775
Part I All Filers Caution: If you file Form 2555 or 2555-EZ, stop here; you cannot claim the additional child tax credit.	
1 If you are required to use the worksheet in Pub. 972, enter the amount from line 10 of the Child Tax Credit and Credit for Other Dependents Worksheet in the publication. Otherwise: 1040 filers: Enter the amount from line 8 of your Child Tax Credit and Credit for Other Dependents Worksheet (see the instructions for Form 1040, line 12a). 1040NR filers: Enter the amount from line 8 of your Child Tax Credit and Credit for Other Dependents Worksheet (see the instructions for Form 1040NR, line 49).	1 _____
2 Enter the amount from Form 1040, line 12a, or Form 1040NR, line 49	2 _____
3 Subtract line 2 from line 1. If zero, stop here; you cannot claim this credit	3 _____
4 Number of qualifying children under 17 with the required social security number: _____ X \$1,400. Enter the result. If zero, stop here; you cannot claim this credit. Tip: The number of children you use for this line is the same as the number of children you used for line 1 of the Child Tax Credit and Credit for Other Dependents Worksheet.	4 _____
5 Enter the smaller of line 3 or line 4	5 _____

Other Dependents

The Credit for Other Dependents is a \$500 non-refundable credit (new for 2018). It applies to any dependent not eligible for the child tax credit, with the exception of non-citizen dependents who are not resident aliens. Examples of eligible dependents would include children 17 or over, children who are not citizens (provided that they are residents of the U. S.), parents, and qualifying relatives including unrelated persons.

For most Ladder Up clients this new credit and the expanded child tax credit will offset the loss of the dependent exemption for 2018. The credit is reported on Form 1040, line 12a. To claim the credit, the dependent information needs to be entered into ProSeries on the Federal Information Worksheet, and then ProSeries will calculate the credit automatically.

Credit for the Elderly or the Disabled

This **nonrefundable credit** is available to individuals who are either age 65 or older or under age 65 and retired on permanent and total disability. Schedule R is completed and attached to Form 1040 to claim the credit. Use Figures A & B to determine the client's eligibility for the credit.

Credit for the Elderly or the Disabled – Screening Sheet

Figure A. Are You a Qualified Individual?

Use the following chart to determine if the taxpayer is eligible for the credit for the elderly or the disabled:

step 1	Were you married at the end of the tax year?	YES – Go to Step 2 NO – Go to Step 4
step 2	Did you live with your spouse at any time during the year? Answer NO if you qualify to be considered unmarried and file as Head of Household.	YES – Go to Step 3 NO – Go to Step 4
step 3	Are you filing a joint return with your spouse?	YES – Go to Step 4 NO – You aren't a qualified individual and can't take the credit for the elderly or the disabled
step 4	Are you a U.S. citizen or resident alien? ¹	YES – Go to Step 5 NO – You aren't a qualified individual and can't take the credit for the elderly or the disabled
step 5	Were you 65 or older at the end of the tax year?	YES – You are a qualified individual and may be able to take the credit for the elderly or the disabled unless your income exceeds the limits in Figure B NO – Go to Step 6
step 6	Are you retired on permanent and total disability?	YES – Go to Step 7 NO – You aren't a qualified individual and can't take the credit for the elderly or the disabled
step 7	Did you reach mandatory retirement age before this year? ²	YES – You aren't a qualified individual and can't take the credit for the elderly or the disabled NO – Go to Step 8
step 8	Did you receive taxable disability benefits this year?	YES – You are a qualified individual and may be able to take the credit for the elderly or the disabled unless your income exceeds the limits in Figure B NO – You aren't a qualified individual and can't take the credit for the elderly or the disabled

Footnotes

¹ If you were a nonresident alien at any time during the tax year and were married to a U.S. citizen or resident alien at the end of the tax year, see U.S. Citizen or Resident Alien under Qualified Individual. If you and your spouse choose to treat you as a U.S. resident alien, answer "yes" to this question.

² Mandatory retirement age is the age set by your employer at which you would have been required to retire, had you not become disabled.

Figure B. Income Limits

IF you are . . .	THEN you generally can't take the credit if...	
	Your adjusted gross income (AGI) is . . .	OR the total of your nontaxable social security and other nontaxable pension annuities or disability income is equal to or more than . . .
single, head of household, or qualifying widow(er) with dependent child	\$17,500	\$5,000
married filing a joint return and both spouses qualify in <i>Figure A</i>	\$25,000	\$7,500
married filing a joint return and only one spouse qualifies in <i>Figure A</i>	\$20,000	\$5,000
married filing a separate return and you lived apart from your spouse for all of 2018	\$12,500	\$3,750

ProSeries will calculate the credit and populate Schedule R based on the information entered. Be sure to include the taxpayer's total Social Security benefits, regardless of taxability, to ensure the correct calculation of the credit.

Schedule R: Credit for Elderly or Disabled		
Part I Check the Box for Your Filing Status and Age		
The appropriate box is checked based upon 'Date of Birth', 'Filing Status', and 'Disability' boxes checked on the Federal Information Worksheet. (See Help for additional requirements)		
QuickZoom to Federal Information Worksheet		QuickZoom
If your filing status is:	And by the end of 2018:	Check only one box:
Single, Head of household, or Qualifying widow(er)	1 You were 65 or older	<input type="checkbox"/>
	2 You were under 65 and you retired on permanent and total disability	<input checked="" type="checkbox"/>
Married filing jointly	3 Both spouses were 65 or older	<input type="checkbox"/>
	4 Both spouses were under 65, but only one spouse retired on permanent and total disability	<input type="checkbox"/>
	5 Both spouses were under 65, and both retired on permanent and total disability	<input type="checkbox"/>
	6 One spouse was 65 or older, and the other spouse was under 65 and retired on permanent and total disability	<input type="checkbox"/>
	7 One spouse was 65 or older, and the other spouse was under 65 and not retired on permanent and total disability	<input type="checkbox"/>
Married filing separately	8 You were 65 or older and you lived apart from your spouse for all of 2018	<input type="checkbox"/>
	9 You were under 65, you retired on permanent and total disability, and you lived apart from your spouse for all of 2018	<input type="checkbox"/>

The credit will be automatically transferred onto Form 1040, Schedule 3, line 54.

Form 1040: Individual Tax Return				
54	Other credits from Form:			
a	<input type="checkbox"/> 3800			
b	<input type="checkbox"/> 8801			
c	<input checked="" type="checkbox"/> Schedule R	54	38.	

Residential Energy Credits

As of this writing, the credit is expired for 2018 tax returns.

The residential energy credit is still in effect for returns from 2017 and earlier years.

Earned Income Tax Credit (EITC)

The Earned Income Tax Credit (EITC, or also referred to as EIC) is a **refundable credit** for workers who meet certain requirements and file a tax return. Persons with or without a qualifying child may claim the EITC. The maximum credit a taxpayer can get will depend on whether he has:

- No qualifying children (taxpayers age 25-65 only)
- One qualifying child
- Two qualifying children, or
- Three or more qualifying children

TO CLAIM THE EITC, THE TAXPAYER MUST HAVE EARNED INCOME

Types of Earned Income

Earned income includes all income from employment, but only if it is includable in gross income, including wages, salaries, tips, and other taxable employee compensation, and net earnings from self-employment. Members of the military who receive excludable combat zone compensation may elect to include it in earned income.

Earned income does not include amounts such as pensions and annuities, welfare benefits, unemployment compensation, workers' compensation benefits, or social security benefits.

Determining a Taxpayer's Eligibility

- A taxpayer, his spouse (if applicable), and all qualifying children must have valid SSNs. ITIN holders are not eligible for the EITC.
- The taxpayer must have earned employment income, including self-employment income, in order to be eligible to claim the EITC.
- Filing status CANNOT be Married Filing Separately.
- If the taxpayer has no qualifying children, he must be between the ages of 25-65; he can be any age if he has one or more qualifying child(ren).
- The taxpayer cannot be a qualifying child of another person.
- Must be a U.S. citizen or resident alien all year.
- Cannot file Form 2555 or Form 2555-EZ (relating to foreign earned income).
- Investment income must be \$3,500 or less.
- The first two questions in Part 4 of the ProSeries Federal Information Worksheet must have answers of "No" and "Yes" respectively in order for the client to be considered for the EITC:

Part IV – Earned Income Credit Information	
Required to Calculate EIC:	
Yes	No
<input type="checkbox"/>	<input checked="" type="checkbox"/>
taxpayer or spouse qualifying child for EIC for another person?	
<input checked="" type="checkbox"/>	<input type="checkbox"/>
Was taxpayer's (and spouse's if married filing jointly) home in United States for more than half of 2015?	

This answer should be "No" unless the taxpayer is a qualifying child for someone else, i.e. a student who is still claimed by his parents.

This answer should always be "Yes" since one of TAP's requirements is that the client was a full-year Illinois resident

Determining a Dependent's Eligibility for Additional Amounts

If a client has qualifying children, he may qualify for a higher amount of the EITC. However, qualifying relatives are not considered for a higher amount of the EITC.

In order for an individual to be considered a qualifying child to allow the taxpayer to claim an additional amount of EITC, the individual:

- Must be the taxpayer's son, daughter, stepchild, adopted child, or eligible foster child, brother, sister, half-brother, half-sister, stepbrother, stepsister or a descendent of any of them.
- Must be under the age of 19 and be younger than the taxpayer, under the age of 24 as well as a full-time student, or any age, if permanently and totally disabled.
- Must have a SSN that is valid for work (i.e. the SS card cannot say "Not valid for employment").
- Cannot be claimed by another person for the EITC.
- Cannot be filing a joint return tax return with someone else.
- Must have lived with the taxpayer in the US for more than half the year.



Note: This means that a non-custodial parent cannot claim the EITC, even if he is claiming the child as a dependent due to an arrangement between the parents. These requirements are in addition to the requirements for being a qualifying child on the Dependency Table.

Earned income and adjusted gross income (AGI) must be less than:

If filing	Qualifying Children Claimed			
	Zero	One	Two	Three or more
Single, HOH	\$15,270	\$40,320	\$45,802	\$49,194
Married Filing Jointly or QW	\$20,950	\$46,010	\$51,492	\$54,884

Maximum credit for tax year 2018:

- \$6,431 with three or more qualifying children
- \$5,716 with two qualifying children
- \$3,461 with one qualifying child
- \$519 with no qualifying children

There are restrictions on EIC claims by taxpayers for whom a previous EIC claim was denied or reduced due to any reason other than a math or clerical error. For example, a taxpayer who was determined to have claimed the EIC due to reckless or intentional disregard of the EIC rules may have a ban imposed for two years. If the error was due to fraud, then the taxpayer cannot claim the EIC for 10 tax years. Ask taxpayers if they have ever been denied the EIC. If so, you must file Form 8862, Information to Claim Earned Income Credit After Disallowance, with the tax return.

Note:

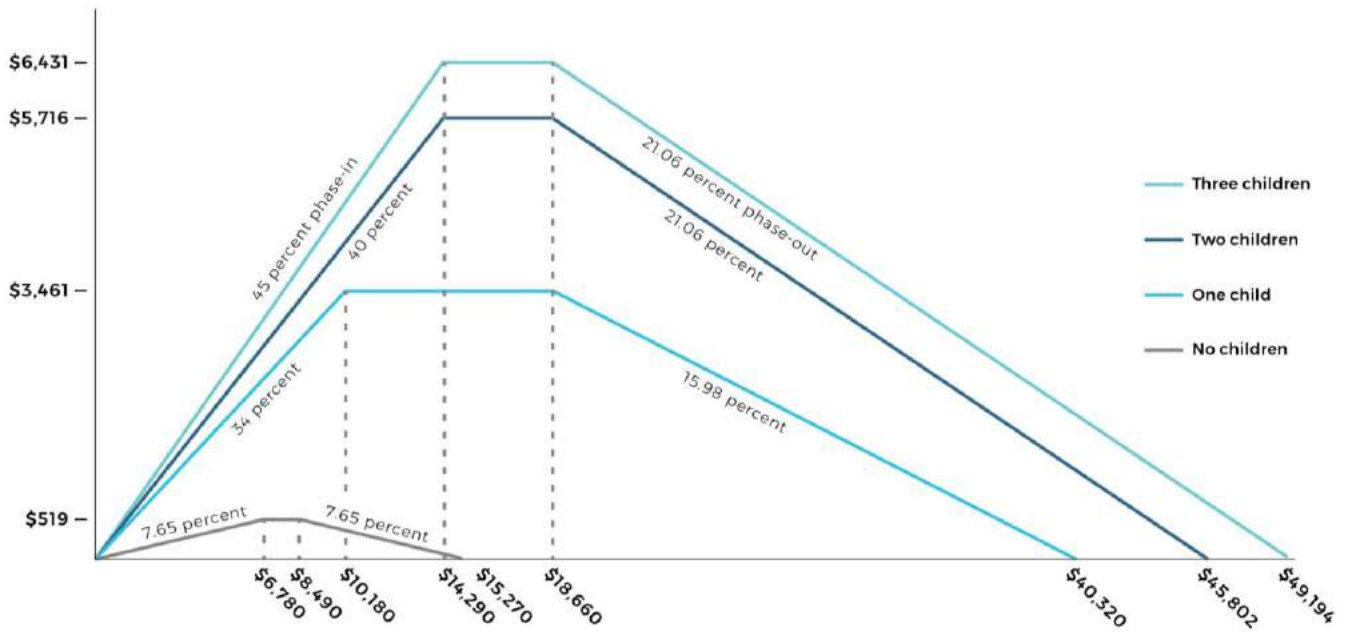
Individual Taxpayer Identification Numbers (ITINs) and Adoption Taxpayer Identification Numbers (ATINs) cannot be used when claiming the EITC. **If a couple is filing a joint return, both spouses and all qualifying children must have valid Social Security numbers to qualify for the EITC.**

Chart of EITC Benefits

Earned Income Tax Credit

2018

Credit Amount



Source: IRS Revenue Bulletin 2018, Adapted from TPC EITC 2017 Figure 1

Note: Assumes all income comes from earnings. Amounts are for taxpayers filing a single or head-of-household tax return. For married couples filing a joint tax return, the credit begins to phase out at income \$5,690 higher than shown.

** The information in this graph depicts EITC income and credit limitations for both single and head-of-household filers.

Form 8867 – Paid Preparer’s Due Diligence Checklist

While Ladder Up is not a paid preparer, within ProSeries the organization is coded as a paid preparer so that it’s IRS-issued Site Identification Number (SIDN) will appear on all returns. As such, the Paid Preparer’s Due Diligence Checklist (Form 8867) will appear for all clients receiving the EIC, AOTC and CTC. Checkers must complete all required questions on the form or else the return will be rejected when e-filed.

Since Ladder Up is a VITA program the responses to these questions do not have an effect on the clients return after it is received by the IRS. Ladder Up undergoes its own due diligence requirements with the IRS through site visits, etc.

Instructions for the Paid Preparer's Due Diligence Checklist (Form 8867)

- When a client qualifies for the Earned Income Credit, Child Tax Credit or American Opportunity Tax Credit, Form 8867 will automatically populate.

The screenshot shows a list of tax forms in a software interface. An arrow points to the entry 'Form 8867 (12 Errors)', which is highlighted in red. Other items in the list include 'Earned Inc Wks', 'Child Tax Cr', 'Form 1040A', 'Form 1040-V', 'Healthcare ... (1 Error)', 'Schedule 8812', 'W2/W2G Summary', 'Carryover Wks', 'Tax Summary Rpt', 'Tax History', and 'Client Billing'.

- Clear all relevant errors by answering the questions presented on the form.

Please complete the appropriate box for the credits claimed on this return and complete the related Parts I-IV for the credit(s) claimed (check all that apply).

	EIC <input checked="" type="checkbox"/>	CTC/ACTC <input type="checkbox"/>	AOTC <input type="checkbox"/>
1 Did you complete the return based on information for tax year 2017 provided by the taxpayer or reasonably obtained by you?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
2 Did you complete the applicable EIC and/or CTC/ACTC worksheets found in the Form 1040, 1040A, 1040EZ, or 1040NR instructions, and/or the AOTC worksheet found in the Form 8863 instructions, or your own worksheet(s) that provides the same information, and all related forms and schedules for each credit claimed?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		

- Most responses will be “yes” as this Form is meant to serve as a record that the taxpayer went through an interview process which is part of the process at every Ladder Up tax site.

Exceptions include:

4 Did any information provided by the taxpayer, a third party, or reasonably known to you, in connection with preparing the return, appear to be incorrect, incomplete, or inconsistent? (If "Yes," answer questions 4a and 4b. If "No," go to question 5.)	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
a Did you make reasonable inquiries to determine the correct, complete and consistent information?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b Did you document your inquiries? (Documentation should include the questions you asked, whom you asked, when you asked, the information that was provided, and the impact the information had on your preparation of the return.)	<input type="checkbox"/> Yes	<input type="checkbox"/> No

5 Did you satisfy the record retention requirement? To meet the record retention requirement, you must keep a copy of your documentation referenced in 4b, a copy of this Form 8867, a copy of applicable worksheets, a record of how, when, and from whom the information used to prepare Form 8867 and worksheet(s) was obtained, and a copy of any document(s) provided by the taxpayer that you relied on to determine eligibility or to compute the amount for the credit(s)?

☐ Yes ☒ No

Ladder Up is part of the VITA program and therefore not required to retain records.

Additional Child Tax Credit

The Additional Child Tax Credit provides an additional **refundable credit** for certain individuals who receive less than the full amount of the Child Tax Credit for which they are eligible. Because this is a refundable credit, it may give the taxpayer a refund even if he does not owe any tax.

The Additional Child Tax Credit is calculated by comparing 15% of gross earned income over \$2,500 to the remainder of the allowable amount of the Child Tax Credit. **The smaller of these two amounts is the amount of the Additional Child Tax Credit that can be claimed on Form 1040, line 17a, and cannot exceed \$1,400.**

Note: ProSeries will automatically calculate the credit

Postsecondary Education Expenses and Credits

Taxpayers have several options for using education expenses to reduce taxes:

- Tuition and fees deduction (expired at the end of 2017)
- American Opportunity Credit or Lifetime Learning Credit
- Reporting as business expenses on Form 1040, Schedule C and C-EZ



Tuition and Fees Deduction

As of the writing of this manual, this deduction is expired for 2018 returns.

Generally, a taxpayer can claim the tuition and fees deduction if:

- He paid qualified education expenses for higher education
- He paid the education expenses for an eligible student
- The eligible student is the taxpayer, taxpayer's spouse, or dependent for whom he can claim an exemption on his tax return
- Starting in 2016, the taxpayer must have a Form 1098-T in order to claim this credit

A taxpayer cannot claim the tuition and fees deduction if any of the following apply:

- His filing status is Married Filing Separately
- Another person can claim an exemption for the taxpayer as a dependent on his or her tax return, even if that person does not actually claim the exemption
- His modified adjusted gross income (MAGI) is more than \$80,000 (\$160,000 if filing a joint return)
- He was a nonresident alien for any part of the year
- He or anyone else claims an education credit for expenses of the student for whom the qualified expenses were paid

Tuition and fees as well as student activity expenses, course-related books, supplies and equipment are included in qualified education expenses only if the fees and expenses must be paid to the institution as a condition of enrollment or attendance.



The total of qualified education expenses must be reduced by any tax-free educational assistance received for the qualified expenses paid. Tax-free educational assistance includes a tax-free scholarship, Pell grant, or tax-free employer-provided educational assistance.

Education Credits

The two tax credits for postsecondary education expenses are the American Opportunity Credit and Lifetime Learning Credit. The amount of the credit is determined by the amount paid for “qualified tuition and related expenses” for each student. **Form 8863** must be completed and attached to the tax return to claim an education credit.

A taxpayer cannot claim both education credits for the same student in a single year. For example, the taxpayer cannot:

- Take both an American Opportunity Credit and a Lifetime Learning Credit for the same student in the same year
- Take the tuition and fees deduction with either education credit for the same student in the same year
- Take an American Opportunity Credit for the same student for more than four tax years
- Figure the education credits based on expenses that have already been taken on Schedule A or Schedules C and C-EZ

If a taxpayer paid qualified education expenses for more than one student in the same year, he can choose to take certain credits on a per-student, per-year basis. This means that, for example, he can claim the American Opportunity Credit for one student and the Lifetime Learning Credit for another student in the same year.

Who Can Claim the Credit?

- Taxpayers who paid qualified educational expenses of higher education for an eligible student
- Taxpayers who paid the educational expenses for a student enrolled at or attending an eligible educational institution (list of accredited institutions is located at <http://ope.ed.gov/accreditation>)
- The eligible student is either the taxpayer, taxpayer's spouse, or a dependent whom the taxpayer can claim as a dependent on his return

Who Cannot Claim the Credit?

- Married Filing Separately filing status
- Taxpayers listed as a dependent on another person's return
- Taxpayers whose modified AGI is more than the allowable limits (these taxpayers are out-of-scope due to income)
- The taxpayer (or spouse) was a nonresident alien for any part of the tax year and the nonresident alien did not elect to be treated as a resident for tax purposes

Qualifying and Non-Qualifying Expenses

Expenses that qualify are expenses:

- Paid for an academic period starting in 2018 or the first 3 months of 2019
- Not refunded if the student withdraws from class
- Paid in cash, through scholarships or grants, or with the proceeds from a loan

In addition, refer to the below for specific types of expense which do or do not qualify.

What are Qualifying Expenses?

- Tuition and required fees
- For the American Opportunity Credit only, qualifying expenses also include books, supplies, and equipment needed for a course of study whether or not the materials are purchased from the educational institution as a condition of enrollment or attendance
- For the Lifetime Learning Credit, qualifying expenses also include expenses for books, supplies, and equipment but only if the expenses must be paid to the institution and are required for enrollment or attendance

What are Non-Qualifying Expenses?

- Insurance
- Medical expenses (including insurance and student health fees)
- Room and board
- Transportation or similar personal, living, or family expenses even if the fees must be paid to the institution as a condition of enrollment or attendance
- Any course of instruction or other education involving sports, games, or hobbies, or any noncredit course, unless the course is part of the student's degree program or (for the Lifetime Learning Credit) helps the student acquire or improve job skills
- Research
- Clerical help

Adjustments to Qualified Education Expenses: Tax-Free Educational Assistance

Taxpayers who pay qualified higher education expenses with tax-free funds cannot claim a credit for those amounts. **Qualified expenses must be reduced by the amount of any tax-free educational assistance taxpayers receive.** Ask the taxpayer if the student received any of these tax-free educational benefits:

- Pell grant
- Employer-provided educational assistance
- Veteran's educational assistance
- Tax-free portions of scholarships and fellowships
- Any other nontaxable payments received as educational assistance (other than gifts or inheritances)
- Refunds of the year's qualified expenses paid on behalf of a student (i.e. if the student dropped a class and received a refund of tuition)

Dependent's Education Expenses

To claim the credit for a dependent's qualified expenses, the taxpayer must claim the dependent on the return.

IF the taxpayer...	THEN only...
Claims a dependent on the return who is an eligible student	The taxpayer can claim the credit based on that dependent's expenses. The dependent cannot claim the credit.
Does not claim the dependent on the return	The dependent can claim the credit (unless claimed as a dependent on another taxpayer's return). The taxpayer cannot claim the credit based on the dependent's expenses.

Qualified education expenses paid by a claimed dependent, or by a third party for that dependent, are considered paid by the taxpayer. Anyone paying the expenses (even directly to the institution) is considered to have given a gift to the student who in turn is treated as having paid the expenses.

American Opportunity and Lifetime Learning Credits

		EDUCATION BENEFIT	
		American Opportunity Credit	Lifetime Learning Credit
Description of tax benefit	Maximum credit or benefit	Up to \$2,500 credit per eligible student	Up to \$2,000 per eligible student
	Refundable or nonrefundable	40% of credit. ¹	Not refundable.
	Number of tax years credit available	4 tax years per eligible student, including any years former Hope Credit claimed.	Unlimited.
	Qualified Expenses	Tuition, required enrollment fees, and course materials needed for course of study.	Tuition and fees required for enrollment or attendance.
Other	Must be degree seeking?	Student must be pursuing a degree or other recognized education credential.	Student does not need to be pursuing a degree or other recognized education credential.
	Required to attend at least half time?	Yes, for at least one semester or quarter.	No.
	Felony drug conviction?	No felony drug conviction.	Does not apply.
Who can claim this tax benefit?	If you are the taxpayer.	You, your spouse, or the student is someone you claim as a dependent on your return.	
	If you are a dependent student.	You cannot claim the credit if you are claimed as a dependent on someone else's return. However, if a student can be claimed, but is not, the student can claim the benefit.	
	If you are filing Married Filing Separately	No.	
Tax form required		Form 8863, Education Credits	Form 8863, Education Credits

¹ None of the credit is refundable if 1) the taxpayer claiming the credit is (a) under age 18 or (b) age 18 at the end of the year, and their earned income was less than one-half of their own support or (c) a full time student over 18 and under 24 and their earned income was less than one-half of the own support; and (2) the taxpayer has at least one living parent, and; (3) the taxpayer does not file a joint return.

Note: There are two 4-year old tests for American Opportunity Credit. First, the credit can be taken only four years. Second, the student must not have completed four years of academic credit before the beginning of the year. Follow examples in the *Who is Eligible Student for the American Opportunity Credit* section in Publication 970 for additional information.

Who can claim the credit?

- Taxpayers who paid qualified educational expenses of higher education for an eligible student
- Taxpayers who paid the education expenses for a student enrolled at or attending an eligible educational institution.
- The eligible student is the taxpayer, taxpayer's spouse, or a dependent for whom the taxpayer claims an exemption on the tax return.

Note: Qualified education expenses paid by a dependent who is claimed on the tax return, or by a third party for that dependent, are considered paid by the taxpayer. If a student is **NOT** claimed as a dependent (even if eligible to be claimed), only the student can claim an education credit no matter who paid the expenses. Anyone paying the expenses (even directly to the institution) is considered to have given a gift to the student who in turn is treated as having paid the expenses.

Scholarships, Fellowships and Other Educational Assistance

Taxpayers who pay qualified higher education expenses with tax-free funds cannot claim a credit for those amounts. Qualified expenses must be reduced by the amount of any tax-free educational assistance taxpayers receive. Ask the taxpayer if the student received any of these tax-free educational benefits.

- Pell grant
- Employer-provided educational assistance
- Veteran's educational assistance
- Tax-free portions of scholarships and fellowships
- Any other nontaxable payments received as educational assistance (other than gifts or inheritances). For example, distributions from a 529 plan reported on Form 1099-Q, Payments From Qualified Education Programs (Under Sections 529 and 530)
- Refunds of the year's qualified expenses paid on behalf of a student (e.g., if the student dropped a class and received a refund of tuition)

A **scholarship** is generally an amount paid or allowed to, or for the benefit of, a student at an educational institution to aid in the pursuit of studies. The student may be either an undergraduate or a graduate.

A **fellowship** is generally an amount paid for the benefit of an individual to aid in the pursuit of study or research.

Form 1098-T may have incomplete information. Question the taxpayer to determine **the amount of qualified expenses actually paid** and adjust this amount by any non-taxable items, such as tax-free scholarships and tuition program distributions.

Example: Joan Smith received Form 1098-T from the college she attends. It shows her tuition was \$9,500 and that she received a \$1,500 scholarship. She had no other scholarships or nontaxable payments. Her maximum qualifying expenses for the education credit would be \$8,000 (\$9,500 - \$1,500).

Tax Treatment of Scholarship & Fellowship Payments				
IF you use the payment for...	AND you are...		THEN your payment is...	
	A degree candidate	Not a degree candidate	Tax free ²	Taxable ¹
Tuition	X		X	
		X		X
Fees	X		X ³	
		X		X
Books	X		X ³	
		X		X
Supplies	X		X ³	
		X		X
Equipment Computers must be required for enrollment or attendance	X		X ³	
		X		X
Room	X	X		X
Board	X	X		X
Travel	X	X		X
Research	X	X		X
Equipment and other expenses that are not required for enrollment in or attendance at an eligible educational institution	X	X		X
<p>¹To determine the net taxable portion of the scholarship or grant, subtract the allowable tax-free items (see Form 1098-T for information regarding tuition paid and scholarships received). The net amount is taxable to the person in whose name the scholarship was received.</p> <p>²Payments used for any expenses indicated in this column are tax free only if the terms of the scholarship or fellowship do not prohibit the expense.</p> <p>³If required of all students in the course.</p>				

Tax-Free Scholarships and Fellowships

A scholarship or fellowship is tax free only if:

- The taxpayer is a candidate for a degree¹ at an eligible educational institution,
- It does not exceed the taxpayer's qualified education expenses;
- It is not designated or earmarked for other purposes (such as room and board), and does not require (by its terms) that it cannot be used for qualified education expenses; and
- It does not represent payment for teaching, research, or other services required as a condition for receiving the scholarship. (*But for exceptions, see Payments for services in Publication 970*)

¹You are a candidate for a degree if you attend a primary or secondary school or are pursuing a degree at a college or university, or attend an educational institution that offers a program of training to prepare students for gainful employment in a recognized occupation and is authorized under federal or state law to provide such a program and is accredited by a nationally recognized accreditation agency.

Taxable Scholarships and Fellowships

If the scholarship or fellowship does not meet the requirements described earlier, it is taxable. The following amounts received may be taxable.

- Amounts used to pay expenses that do not qualify
 - A scholarship amount used to pay any expense that does not qualify is taxable, even if the expense is a fee that must be paid to the institution as a condition of enrollment or attendance.
- Payments for services
 - Generally, the part of any scholarship or fellowship that represents payment for teaching, research, or other services required as a condition for receiving the scholarship must be included in income. This applies even if all candidates for a degree must perform the services to receive the degree.
 - Exceptions: The part of any scholarship or fellowship that represents payment for teaching, research, or other services does not have to be included in income if the amount is received under:
 - The National Health Service Corps Scholarship Program, or
 - The Armed Forces Health Professions Scholarship and Financial Assistance Program,
 and the taxpayer:
 - Is a candidate for a degree at an eligible educational institution, and
 - Uses that part of the scholarship or fellowship to pay qualified education expenses.
- Scholarship prizes
 - If a scholarship is won as a prize in a contest, the scholarship is fully taxable unless the taxpayer meets the requirements discussed earlier under *Tax-Free Scholarships and Fellowships*.

Other Kinds of Educational Assistance

Fulbright Grants

A Fulbright grant is generally treated as a scholarship or fellowship in figuring how much of the grant is tax free. Report only the taxable amount on the tax return.

Pell Grants and Other Title IV Need-Based Education Grants

These need-based grants are treated as scholarships for purposes of determining their tax treatment. They are tax free to the extent they are used for **qualified** education expenses during the period for which a grant is awarded. Report only the taxable amount on the tax return.

Note: Students can determine if they would like to include all or part of the Pell grant/scholarship as taxable income on their return when the grant/scholarship is not required to be applied to education expenses only. However, the student must have incurred actual nonqualified expenses throughout the year. If the student is a dependent, the benefit of the education credit would be on the return of the individual who claims the student as the dependent, but it is the student who has to include the taxable scholarship/grant income on his return. See the next page for how to complete this process in ProSeries.

Payment to Service Academy Cadets

An appointment to a United States military academy is not a scholarship or fellowship. Payment received as a cadet or midshipman at an armed services academy is pay for personal services and will be reported to the taxpayer in box 1 of Form W-2. Include this pay in income in the year it was received unless one of the exceptions, discussed earlier under Payment for services, applies.

Veterans' Benefits

Payments received for education, training, or subsistence under any law administered by the Department of Veterans Affairs (VA) are tax free. Do not include these payments as income on the federal tax return.

Taxpayers may want to visit the Veteran's Administration website at www.gibill.va.gov for specific information about the various VA benefits for education.

Qualified Tuition Reduction

If the taxpayer is allowed to study tuition free or for a reduced rate of tuition, he may not have to pay tax on this benefit. This is called a "tuition reduction." He does not have to include a qualified tuition reduction in income.

A tuition reduction is qualified only if it is received from, and used at, an eligible educational institution. The taxpayer does not have to use the tuition reduction at the eligible educational institution from which he received it. In other words, if he works for an eligible educational institution and the institution arranges for him or her to take courses at another eligible educational institution without paying any tuition, he may not have to include the value of the free courses in income.

The rules for determining if a tuition reduction is qualified, and therefore tax free, are different if the education provided is below the graduate level or is graduate education.

The taxpayer must include in his income any tuition reduction received that is payment for his services.

How to Enter Postsecondary Education Expenses and Credits in ProSeries

Step 1: Mark the student as having education expenses

- If the qualified student is a dependent on the taxpayer's return:
 - In Part III of the Federal Information Worksheet, for the dependent that was a student, check the Education Tuition and Fees box:

Federal Information Worksheet							
Part III – Dependent/Earned Income Credit/Child and Dependent Care Credit Information							
First name Last name	MI Suff	Social security number *Relationship	Date of birth (mm/dd/yyyy) Date of death (mm/dd/yyyy)**	E I C	Lived with taxpyr in U.S.	Educ Tuition and Fees	Qualified child and dependent care expenses incurred and paid in 2015 Code Not qual for child tax credit Or non U.S.***
ELIZABETH DOE		321-45-6879 Daughter	01/01/1993	S	12	<input checked="" type="checkbox"/>	L <input type="checkbox"/>

- If the qualified student is the taxpayer or the taxpayer's spouse:
 - In Part IX of the Federal Information Worksheet, check the appropriate box(es) in the Education Expenses section:

Federal Information Worksheet	
Part X – Additional Federal Return Information	
Main Form Selection: <input type="checkbox"/> Use Form 1040 even if taxpayer qualifies to use Form 1040A or 1040EZ <input type="checkbox"/> Use Form 1040A even if taxpayer qualifies to use Form 1040EZ	
Education Expenses: <input checked="" type="checkbox"/> Check if Taxpayer has qualified education expenses <input type="checkbox"/> Check if Spouse has qualified education expenses QuickZoom to the Taxpayer Student Information Worksheet to enter education expenses QuickZoom QuickZoom to the Spouse Student Information Worksheet to enter education expenses QuickZoom	

Step 2: Complete the Student Info Worksheet

If the student is a dependent, you can access his Student Info Worksheet from the Forms Bar on the left side of the screen.

If the student is the taxpayer or spouse, you can QuickZoom to the Student Info Worksheet from Part X of the FIW.

Postsecondary Education Expenses and Credits in ProSeries, Cont.

Dependent Student Info Worksheet (ELIZABETH DOE)



Student Information Worksheet

► Keep for your records

Name of Student
ELIZABETH DOE

Social Security Number
321-45-6879

Part I – Student Status

- 1 Was this person a student during 2015? ☒ Yes ☐ No
- 2 What kind of school did the student attend during 2015? (Check all that apply.)
- a ☐ Elementary c ☒ College (postsecondary) e ☐ Military academy
- b ☐ High school (secondary) d ☐ Vocational school f ☐ Not applicable
- QuickZoom to Form 1098-T Worksheet, Tuition Statement  QuickZoom
- QuickZoom to Form 1099-Q, Payments from Qualified Education Programs  QuickZoom

QuickZoom to Form 1098-T

Form 1098-T: Tuition Statement

Oftentimes a student will receive Form 1098-T from his educational institution showing the amounts the student paid or was billed for tuition and related expenses, the amounts of scholarships and grants received, and whether the student was at least a half-time student or a graduate student.

Verify that the amount in Box 1 of the Form 1098-T is actually the amount paid in the current tax year for qualified expenses. Be sure to ask the client if they can provide a full record of the amounts paid during the tax year.

☐ CORRECTED

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number		1 Payments received for qualified tuition and related expenses \$ 2	OMB No. 1545-1574 20 Form 1098-T	Tuition Statement Copy B For Student This is important tax information and is being furnished to the IRS. This form must be used to complete Form 8863 to claim education credits. Give it to the tax preparer or use it to prepare the tax return.
FILER'S employer identification no.	STUDENT'S TIN	3 If this box is checked, your educational institution changed its reporting method for 2018 <input type="checkbox"/>		
STUDENT'S name		4 Adjustments made for a prior year \$	5 Scholarships or grants \$	
Street address (including apt. no.)		6 Adjustments to scholarships or grants for a prior year \$	7 Checked if the amount in box 1 includes amounts for an academic period beginning January—March 2019 <input type="checkbox"/>	
City or town, state or province, country, and ZIP or foreign postal code		9 Checked if a graduate student <input type="checkbox"/>	10 Ins. contract reimb./refund \$	
Service Provider/Acct. No. (see instr.)	8 Check if at least half-time student <input type="checkbox"/>			

Form 1098-T (keep for your records) www.irs.gov/Form1098T Department of the Treasury - Internal Revenue Service

- When determining qualified education expenses, use only the payments received for qualified tuition and related expenses in 2018 (box 1 of Form 1098-T).
- Taxable scholarships and grants: On Form 1098-T, the student's scholarships or grants (box 5) may exceed the payments received for qualified tuition and related expenses (box 1). If the excess amount of scholarships or grants was used for non-qualified education expenses, the excess amount is included as

income on line 1 of the Form 1040 for the student even if the scholarship states that funds can or should be used for the non-qualified expenses such as room and board.



In cases where the student is a dependent and his scholarship total exceeds the payments received by the school, the excess amount of scholarships is attributable to the student as income, even if he is a dependent on someone else's return.

Comprehensive or bundled fees. Some eligible educational institutions combine all of their fees for an academic period into one amount. If a student does not receive or does not have access to an allocation showing how much he paid for qualified education expenses and how much he paid for personal expenses, contact the institution. The institution is required to make this allocation and provide the student with the amount he paid for qualified education expenses on Form 1098-T.

Educational institutions are required to file a Form 1098-T, Tuition Statement, with the IRS and to provide a copy of the form to the student, for each enrolled student for whom there is a reportable transaction. A reportable transaction includes payments received, amounts billed, or refunds made for tuition and related expenses. For the Form 1098-T to be accurately prepared, the educational institution must address boxes 8 and 9. Note that box 8 will be checked if the student was enrolled at least half-time, and box 9 will be checked if the student was enrolled as a graduate student.

There are some exceptions where an educational institution is not required to file and provide the Form 1098-T. These exceptions include:

- Courses for which no academic credit is offered, even if the student is otherwise enrolled in a degree program.
- Nonresident alien students, unless the student requests the institution to file Form 1098-T.
- Students whose tuition and related expenses are waived entirely or paid entirely with scholarships or grants.
- Students whose tuition and related expenses are covered by a formal billing arrangement with the student's employer or a government agency such as the Department of Veterans Affairs or the Department of Defense.

If a student should have received a 1098-T and did not, he should ask the college if it is available online or if it can be sent to him or her.



Enter information from the student's 1098-T by using the QuickZoom button in Part I. Make sure to Link the 1098-T with the Student Information Worksheet. Once linked, the information from the 1098-T will appear in Part IV.

After you complete the Student Info Worksheet, go to Part VII of the Worksheet and click the QuickZoom button in step 5 to go to the Education Tuition and Fees Summary.

Part V – Education Assistance (Scholarships, Fellowships, Grants, etc.)

Students must report scholarship funds that were not applied to qualified education expenses. Adjustments can be made in Part V of the Student Information Worksheet. Part V will automatically populate based on information that was previously entered from Form 1098-T.

Example: Scholarships/Pell Grants covered all educational expenses

Dependent Student Info Worksheet (NOAH SWIFT)			
Part V – Education Assistance (Scholarships, Fellowships, Grants, etc.)			
	Total	Taxable	Tax-free
1 Educational assistance that is always tax-free:			
a Veteran or employer assistance from Form 1098-T Worksheets			
b Other veteran assistance			
c Other tax-free employer-provided assistance			
d Total			
2 Scholarships, fellowships, and grants not reported on Form W-2:			
a Scholarships and grants from Part IV above	10,000.		
b Other scholarships, fellowships and grants			
c Total	10,000.		
3 Scholarship reported in 2014 not allocable to 2014 expense			
4 Amount required to be used for other than qualified education expenses			
5 Subtract line 3 and 4 from line 2c	10,000.		
6 Total qualified education expenses from Part VI below	12,000.		
7 If student is a candidate for a degree, enter the amount used for qualified education expenses, otherwise, enter -0-.			
8 Subtract line 7 from line 5		0.	
9 Taxable part. Add lines 4 and 8.		0.	
10 Tax-free educational assistance. Add lines 1d and 7			10,000.

Total amount of the scholarship, fellowship and grants

Total qualified education expenses are larger than the scholarship. The entire scholarship amount was used therefore it is not taxable.

Example: Scholarship/Pell Grants were not fully used on qualified expenses and are considered taxable

5 Subtract line 3 and 4 from line 2c	5,550.
6 Total qualified education expenses from Part VI below	3,550.
7 If student is a candidate for a degree, enter the amount used for qualified education expenses, otherwise, enter -0-.	
8 Subtract line 7 from line 5	2,000.
9 Taxable part. Add lines 4 and 8.	2,000.
10 Tax-free educational assistance. Add lines 1d and 7	3,550.

Total qualified education expenses are less than the scholarship. The entire scholarship amount was not used therefore it is taxable and will appear on line 1 of the Form 1040.



When scholarships exceed qualified education expenses it is considered unearned income. For dependent students, if this amount exceeds \$2,100 the Kiddie Tax will be triggered. This topic requires Advanced certification.

Step 3: Launch the Optimizer from the Education Tuition and Fees Summary

When you reach the Education Tuition and Fees Summary, click “Launch Optimizer” in Part II of the Summary. The Optimizer will select the option (deduction or credit) that is most advantageous for the taxpayer.

Education Tuition and Fees Summary	
Part II - Optimize Education Expenses for the Lowest Tax	
<p>Note: The Education Expense Optimizer automatically selects the Deduction or Credit choices that generate the lowest tax. The program does this by calculating all possible Deduction and Credit combinations for up to 5 students. This could take a minute or more while the program recalculates your tax return. After you check the Optimizer box on Line 1 below, wait until the calculations are done before you continue.</p>	
<i>Relaunch Optimizer</i>	
1 Launch OPTIMIZER	- Check to launch Automatic Education Expense Optimizer now <input type="checkbox"/>
<p>Caution: If you make any changes to this return after launching the automatic optimization above, you MUST optimize again by rechecking the box on Line 1 above.</p>	
2 Automatic	- Check to use the Credit choices calculated in Part I, column (e) above <input checked="" type="checkbox"/>
or	
3 Manual	- Check to use the Credit choices you entered in Part I, column (d) above <input type="checkbox"/>



If any additional changes are made to the return, RE-LAUNCH THE OPTIMIZER so ProSeries can recalculate the most advantageous deduction or credit.

Repayment/Recapture of Prior Year Education Credits (Box 4 of 1098-T)

Some forms 1098-T contain an entry in Box 4, Adjustments Made for a Prior year. These typically appear when the student paid amounts to their school near the end of one calendar year, and then withdrew from one or more classes and received a refund early in the next calendar year. Box 4 will contain the amount of the current year adjustment. In this case the current year tax return needs to include a special tax to repay or recapture the amount by which any education credit in the previous year exceeded the credit that would have been calculated had the qualified expenses for that year been reduced by the amount of the adjustment. If there was an education credit attributable to the student in the prior year, the repayment or recapture puts the return out of scope in the current year. If there was no education credit attributable to the student in the prior year, the adjustment can be entered in ProSeries and then ignored.

Payments

Check Form 1040 lines 16, 17 and 18 along with Schedule 5, for any information that was calculated by ProSeries.

15a	IRA distributions	15a		b	Taxable amount	15b	
16a	Pensions and annuities	16a		b	Taxable amount	16b	
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E						17
18	Farm income or (loss). Attach Schedule F						18
19	Unemployment compensation						19

Schedule 5: Other Payments and Refundable Credits

Schedule 5 (Form 1040)	Other Payments and Refundable Credits
Name(s) Shown on Form 1040 MARTHA WASHINGTON	Social Security Number ***-**-1771

Other Payments and Refundable Credits

65	Reserved	65	
66	2018 estimated tax payments and amount applied from 2017 return	66	
67 a	Reserved	67 a	
b	Reserved	67 b	
68-69	Reserved	68-69	
70	Net premium tax credit. Attach Form 8962	70	
71	Amount paid with request for extension to file (see instructions)	71	
72	Excess social security and tier 1 RRTA tax withheld	72	
73	Credit for federal tax on fuels. Attach Form 4136	73	

- Line 16: Taxes withheld will transfer from previously-entered income worksheets.
- Schedule 5 Line 66: QuickZoom by double clicking on line 66 to enter any estimated payments. No proof of payment is needed but explain to the taxpayer that this information is verified by the IRS and would need to be substantiated in the case of an audit.
- Line 17a: EITC worksheet will automatically populate based on previously-entered information – if amount is missing, check Federal Information Worksheet, Part IV.
- Line 17b: Form 8812 (Additional Child Tax Credit) will automatically populate if applicable.
- Line 17c: Refundable portion of the American Opportunity Credit (Form 8863) will populate if applicable.
- Schedule 5 Line 70: Premium Tax Credit will populate if applicable.

Other Taxes

Check other taxes, Schedule 4, lines 57–64, for any information that was calculated by ProSeries.

Schedule 4: Other Taxes		
Schedule 4 (Form 1040)	Other Taxes	201
Name(s) Shown on Form 1040 MARTHA WASHINGTON		Social Security No. ***-**-1775
Other Taxes		
57 Self-employment tax. Attach Schedule SE		57
58 Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919		58
59 Additional tax on IRAs, other qualified retirement plans, and other tax-favored accounts. Attach Form 5329 if required		59
60 a Household employment taxes. Attach Schedule H		60 a
b Repayment of first-time homebuyer credit from Form 5405. Attach Form 5405 if required		60 b
61 Health care: Individual responsibility. (see instructions)		61
62 Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s) <input type="text"/>		62
63 Section 965 net tax liability installment from Form 965-A 63 <input type="text"/>		
64 Add the amounts in the far right column. These are your total other taxes . Enter here and on Form 1040, line 14		64

Many clients will not have amounts on any of the lines in Schedule 4 of the Form 1040. The most common amounts for clients are:

- Those with self-employment income will see an amount appear on Line 57 (self-employment tax). A taxpayer's self-employment tax will automatically calculate based on Schedule SE.
Note: Nonrefundable credits cannot offset self-employment tax.
- Repayment of the 2008 First-Time Homebuyer Credit (line 60b).
- Early withdrawal from their IRA (line 59)
- Shared responsibility payment for health care, see page 276 for more information (line 61)

Early Withdrawal Penalty Exemptions

(Schedule 4, Line 59)

If a client withdraws from their IRA or 401(k) before the age of 59 ½, then an early withdrawal penalty of 10% is usually assessed in addition to the tax on the amount. However, some exemptions to this rule exist.

See a list of common exemptions below. For more information refer to Publication 575 (Pension and Annuity Income) and Publication 590 (Individual Retirement Arrangements (IRAs)).

- Total and permanent disability
- Death of the IRA owner
- Medical expenses that are in excess of 10% of your adjusted gross income
- A first-time home purchase*
- Higher education costs (For more information: Internal Revenue Service article Notice 97-60 Using IRA Withdrawals to Pay Higher Education Expenses)*
- Back taxes due to a levy
- Money for medical insurance premiums**

*Only applies to early withdrawals from IRAs

**Limitations: only applies to early IRA withdrawals during a period in which the taxpayer was unemployed, otherwise medical premiums paid count towards itemized deductions on Schedule A.

Schedule 4: Other Taxes

Schedule 4
(Form 1040)

Other Taxes

201

Name(s) Shown on Form 1040

MARTHA WASHINGTON

Social Security No.

***-**-1775

Other Taxes

57	Self-employment tax. Attach Schedule SE	57	
58	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	58	
59	Additional tax on IRAs, other qualified retirement plans, and other tax-favored accounts. Attach Form 5329 if required	59	
60 a	Household employment taxes. Attach Schedule H	60 a	
	b Repayment of first-time homebuyer credit from Form 5405. Attach Form 5405 if required	60 b	
61	Health care: Individual responsibility. (see instructions)	61	
62	Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s) 	62	
63	Section 965 net tax liability installment from Form 965-A 63	63	
64	Add the amounts in the far right column. These are your total other taxes . Enter here and on Form 1040, line 14	64	

Form 5329, Distributions Not Subject to Additional Tax

Distributions Not Subject to Additional Tax Smart Worksheet

Complete column B for distributions from SIMPLE plans in first 2 years. Complete column A for all other distributions, including distributions from SIMPLE plans after first 2 years.

- | | Column A
Non SIMPLE
Distributions | Column B
SIMPLE
Distributions |
|--|---|-------------------------------------|
| A Separation from service in or after year reaching age 55
(age 50 for qualified public safety employees) | | |
| B Equal periodic payments | | |
| C Total and permanent disability | | |
| D Death (does not apply to modified endowment contracts) | | |
| E Extent of medical expenses * | | |
| F Paid alternate payee under a QDRO ** | | |
| G Unemployed individuals for health insurance premiums * | | |
| H Higher education expenses * | | |
| I First home purchases * | | |
| J IRS levy of the qualified plan | | |
| K Qualified distributions to reservists | | |
| L Other (including over age 59-1/2) | | |

* Does not apply to annuities or modified endowment contracts.

** Does not apply to distributions from IRAs or annuity or modified endowment contracts.

G, H, and I apply only to IRA distributions.

First-Time Homebuyer Credit Repayment

For taxpayers who purchased a home in 2008 and claimed the first-time homebuyer credit for that purchase, repayment of the interest-free loan must be done annually through payment of additional tax. The repayment period began in 2010 and each year 1/15 of the credit must be repaid. If the home ceases to be the taxpayer's primary home (for example, because they sold it) then the credit must be repaid in that year.

For taxpayers who received the 2008 credit and who still used the home as their primary residence at the beginning of 2018, the place to start is with the Smart Worksheet for Form 5405. You can Quickzoom to the form from Schedule 4, line 60b of Form 1040. If the taxpayer still uses the home as their primary residence, all you need to do is fill out the top portion of the Smart Worksheet. You may need to do some research on prior year tax returns to determine the amount of credit received in 2008, and you may need to manually calculate the amount of credit repayment in prior years. Once this is done ProSeries will calculate the 2018 repayment and will enter it on Schedule 4, line 60b. No Form 5405 is required in this case, only the Smart Worksheet.

If the taxpayer or spouse died in 2018, or if the home ceased to be the taxpayer's main residence in 2018, then complete the remainder of the Smart Worksheet and clear any errors on Form 5405. In this case Form 5405 will be completed by ProSeries and the required repayment of the credit will be calculated and entered in Schedule 4, line 60b.

Here is an example of how to complete the First-Time Homebuyer Credit Repayment Smart Worksheet for most taxpayers:

Form 5405: Repayment of First-Time Homebuyer Credit

First Time Homebuyer Credit Repayment Smart Worksheet

Information is Needed on this Form for Homes Where the First-Time Homebuyer Credit was Taken:

- For homes purchased in 2008, and
- The home was disposed of in 2018, or
- Ceased being used as your main home in 2018

General Information

Date home was purchased **04/15/08**

Credit originally received by Taxpayer ☒ Spouse ☐ Both ☐

Amount of Credit Received **7,500.**

2008 Homebuyer Credit Repayments

Credit repayment made in prior years **500.**

Remaining credit balance to be repaid **7,000.**

Repayment due for 2018 **500.**

Married Filing Joint Returns

Taxpayer or Spouse died and only half of credit due to be repaid

Taxpayer ☐ Spouse ☐

Disposition or Change of Main Home in 2018

Date home ceased to be used as your main home

Selling price of home, insurance proceeds, or gross condemnation award

Selling expenses (including commissions, advertising and legal fees, and seller-paid loan charges) or expenses in getting the condemnation award

Adjusted basis of home sold (from line 6c of the worksheet in Pub. 523.)

Total amount of credit to be repaid

Home sold to a related person or majority owned business ☐

Enter an approximate date if the taxpayer does not know the exact date of purchase

Enter the amount of the credit received in 2018 and the total of any repayments made so far

ProSeries will calculate the remaining balance and the repayment due for the current tax year

“Kiddie” Tax

For children under age 18 and certain older children, unearned income over a certain amount is taxed using the tax rates applicable to trusts and estates. For this purpose, “unearned income” includes all taxable income other than earned income, such as taxable interest, ordinary dividends, capital gains, rents, royalties, etc. It also includes taxable Social Security benefits, pension and annuity income, taxable scholarship and fellowship grants not reported on Form W-2, unemployment compensation, alimony and income received as the beneficiary of a trust.

If the child’s unearned income is more than \$2,100, and if the child is required to file a tax return, Form 8615 must be used to figure the child’s tax. If scholarship income exceeds \$2,100 Form 8615 will automatically generate. Form 8615 is in scope for 2018 tax returns provided that the only unearned income is taxable scholarship income not reported on a Form W-2.

Form 8615 must be filed for the child if all the following are true:

1. The child’s unearned income was more than \$2,100.
2. The child is required to file a return for the year. Note that in determining whether the child is required to file a return, taxable scholarship income is counted as earned income. Therefore, with the higher standard deduction in 2018, many Ladder Up dependents will not have a filing requirement and will not need to complete Form 8615.
3. The child was under age 18 at the end of the year, or was age 18 at the end of the year and did not have earned income that was more than half of his or her support, or was a full time student at least age 19 and under age 24 at the end of the tax year and did not have earned income that was more than half of the child’s support.
4. At least one of the child’s parents was alive at the end of the tax year.

The child does not file a joint return for the tax year.

Form 8615

The first question asked will be: “Was the child either 18 years old or a full-time student age 19 to 23 with investment income more than \$2,100 and their earned income did not exceed one-half of their support?”

- If you mark this as NO (i.e. because they have scholarship income exceeding \$2,100 instead of investment income), then there are no further questions prompted.
- If you mark as YES (because they do meet the age requirements and unearned income exceeds \$2,100), and their total income is under \$12,000 (below the standard deduction for single), then ProSeries will prompt you for Parent’s Name, SSN, and filing status. The Form 8615 is not required (because dependent is below the filing threshold), but it will be generated.
- If you mark as YES (because they do meet the age requirements and unearned income exceeds \$2,100), and their total income is over \$13,600 (above the filing threshold), compute value for Line 6, and the “Kiddie tax” calculated will be correct (within rounding).
- If you mark as YES ((because they do meet the age requirements and unearned income exceeds \$2,100), and their total income is under \$13,600 (below filing threshold but above \$12,000, the standard deduction for single), the “Kiddie tax” should calculate at 10%, same as the individual earned income tax. The Form 8615 is not required, but it will be generated.

Illinois Tax Return

ProSeries will automatically transfer much of the necessary data for the IL-1040 from the Federal worksheets. The state return does have its own information worksheet.

To switch from the federal Form 1040 to the IL-1040, click on the “ST” button in the toolbar:



Direct Deposit Information

If the client would like to use direct deposit for any refund amounts, ensure the information has carried over and be sure to answer the question regarding whether the account is outside the U.S.

Information Worksheet	
Part VI – Direct Deposit Information or Electronic Funds Withdrawal Information	
Yes	No
<input type="checkbox"/>	<input checked="" type="checkbox"/>
Use direct deposit for state tax refund	
<input type="checkbox"/>	<input type="checkbox"/>
Use electronic funds withdrawal for state tax payment (EF only)	
<input type="checkbox"/>	<input type="checkbox"/>
Elect to receive a state issued debit card for state refund (if you check No then your client will receive a paper check)	
If you selected direct deposit or electronic funds withdrawal, fill out the information below:	
Name of Financial Institution (optional)	MY BANK
Name on account	
Check the appropriate box:	
Checking	<input checked="" type="checkbox"/>
Savings	<input type="checkbox"/>
Routing number	07114530
Account number	1111111111111111
Enter the payment date to withdraw from the account above	
State balance-due amount from this return	
Enter an amount to withdraw from the account above	
If partial payment is made, enter remaining balance due	
International ACH Transactions	
Yes	No
<input type="checkbox"/>	<input type="checkbox"/>
Will the funds for this refund (or payment) go to (or come from) an account outside the U.S.?	

ProSeries requires this question to be answered



The Illinois Department of Revenue stopped issuing paper refund checks for refund amounts less than \$5.00. If the taxpayer does not provide direct deposit information and is due a refund less than \$5.00, the refund will be applied as a credit towards his 2019 tax.

Illinois Payments and Credits

Since ProSeries automatically transfers much of the necessary data to the IL-1040, the bulk of the state return is already done.

However, be sure to check for the following credits:

- **Property Tax Credit** – Should transfer from federal Form 1040: double check the Federal Property Tax Worksheet. Also see *Volunteer Manual – Illinois Return: IL Property Tax Credit*, on the following page, for information about entering the property number.
- If the client's dependents had **K-12 education expenses**, then you should complete the K-12 Education Expense Worksheet located in Step 3 on line 12. See page 228 for more information.
- If client received the EITC on the federal return, the amount should transfer to the IL- 1040; double check the EITC worksheet.

Form IL-1040: Illinois Individual Income Tax Return					
Step 9 – Payments and Refundable Credit					
26	Illinois income tax withheld. Attach all W-2 and 1099 forms	26			
			400.		
27	Estimated payments from Forms IL-1040-ES and IL-505-I, including overpayment applied from 2014 return	27			
28	Pass-through withholding payments. Attach Schedule K-1-P or K-1-T	28			
29	Earned Income Credit from Schedule ICR. Attach Schedule ICR	29	336.		
30	Total payments and refundable credit. Add lines 26 through 29	30			736.

EITC Schedule

Schedule IL-EIC will calculate automatically if the client received a federal EITC.

Illinois Property Tax Credit

If you have entered real estate taxes paid on Schedule A on the Federal form (and you should do this even if the client will not itemize deductions on their federal form), then when you switch to the state an error will populate on Schedule ICR prompting you to enter the PIN and county of the property.

Schedule ICR: Illinois Credits				
Section A – Illinois Property Tax Credit (See instructions for directions on how to obtain your property number)				
Homeowner's Property Tax (PT) Smart Worksheet				
Residents and part-year residents: To qualify for this credit the taxpayer must answer 'yes' to questions A through D. Note: Nonresidents may not claim this credit.				
A	Was your principal residence during 2014 located in Illinois?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	
B	Did you own your 2014 principal residence?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	
C	Did you pay your property tax billed in 2015 ?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	
D	Did the property tax bill include property used as your personal residence?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	
E	Check the box if you would like to transfer prior year property index number (PIN) and county information to lines 4b, 4c and 4d	<input type="checkbox"/>		
F 1	Total real estate taxes			2,100.
2	If the total on the line above included real estate taxes for any property that is not your principal residence, enter that amount here			
3	Enter the portion of the Illinois property tax bill that is deductible as a business expense on U.S. income tax forms or schedules, whether or not you actually took the federal deduction			
4 a	Enter the total amount of Illinois Property Tax paid during the tax year for the real estate that includes your principal residence	4 a		2,100.
b	Enter the county and property number for the property listed above. County <u>COOK</u> Property number <u>17155654544400000</u>			
c	Enter the county and property number for an adjoining lot, if included in Line 4a.			

The Property Index Number (PIN) can be found on the property tax bill mailed to the taxpayer or can be found on the Cook County Assessor, County of DuPage, or Lake County Chief County Assessment Office websites. See the Volunteer Resource section for URLs.

K-12 Education Expense Credit

Kindergarten through twelfth grade education expenses may result in a credit equal to 25% of the expenses paid, **after the first \$250**. The total credit may not exceed \$750 in any year, regardless of the number of qualifying students.

Parents or legal guardians of a qualified student who file separate returns can each claim an education expense credit. However, they cannot both claim a credit for the same expense, and the total credit claimed between both parents or legal guardians may not exceed \$750 for the year.

Who qualifies for the credit?

This credit may be claimed by a client who:

- Was the parent or legal guardian of a full-time student who was under the age of 21 at the end of the school year
- Was an Illinois resident when the expenses were paid, and the student was an Illinois resident when the expenses were paid
- Had a student(s) who attended kindergarten (at a school that also has a first grade) through 12th grade at a public or non-public school in Illinois during the tax year.

Note: If the client home schools his or her child(ren), see the special rules in Publication 119, K-12 Education Expense Credit General Rules and Requirements for Home Schools.

What proof of expenses is required?

Receipts for qualified K-12 education expenses must be kept by the taxpayer. Each receipt must be from the school and show:

- Calendar year during which the expense was paid,
- Name and address of the school,
- Name and address of the parent or guardian,
- Name and Social Security number of the qualifying student,
- Grade in which the qualifying student was enrolled during the calendar year, and
- Total education expenses paid for each qualifying student for **tuition, book fees, and lab fees** during the calendar year.

If the client's receipt does not contain all of the above information, he cannot claim the credit. The client should contact the school to request a proper receipt.



Although receipts do not have to be submitted with the IL-1040 at the time of filing, the taxpayer needs to be able to provide them in case the state asks to see proof of expenses.

What expenses qualify for Education Expense Credit?

Expense	Qualified	NOT Qualified
Tuition , including summer school classes meeting elementary or secondary graduation requirements	X	
Tutoring or enrichment classes that do not count toward meeting education program requirements		X
Daycare, preschool, or kindergarten expenses at a school that does not also have a first grade, college, university, independent tutoring service or trade school		X
Before and after school care , whether paid to the school or another entity or person		X
Book Fees paid for the <u>rental</u> of books that were <u>required</u> as part of the school's education program	X	
Purchase of supplies, books or equipment that are not significantly used during the school year, such as instruments or costumes		X
Lab Fees paid for the use of supplies, equipment, materials or instruments that were <u>required</u> as part of a lab course <u>resulting in credit</u> towards completion of the school's education program	X	
Lab Fees paid for the use of supplies, equipment, materials or instruments for a program that <u>does not result in credit</u> toward completion of the school's education program		X
Payments made directly to a business , such as renting equipment or instruments from a store		X
Taxpayer or Spouse K-12 education expenses		X

K-12 Education Expenses Credit Worksheet in ProSeries

Illinois K-12 Education Expenses information is entered on **Schedule ICR**.

*Click on "Schedule ICR" in the Forms
Bar on the left-hand side*

Where Do I Enter?

- Main Form
- General Info.
- PY/Non-residents
- Misc. Tax Forms
- Credits
- Payments
- Penalties
- E-Filing
- All Forms (F6)
 - Form IL-1040
 - Info Worksheet
 - Tax Pymt Wks
 - Form IL-1040-V
 - Schedule CR
 - Schedule CR-2
 - Schedule G
 - Schedule ICR

Form IL-1040: Illinois Individual Income Tax Return

16	Income tax paid to another state while an Illinois resident. Attach Schedule CR	16		
17	Property tax and K-12 education expense credit amount from Schedule ICR. Attach Schedule ICR	17	<input type="text"/>	<input type="button" value="Q"/>
18	Credit amount from Schedule 1299-C. Attach Schedule 1299-C	18		
19	Add lines 16, 17, and 18. This is the total of your credits. Cannot exceed the tax amount on line 15	19		0.
20	Tax after nonrefundable credits. Subtract line 19 from line 15	20		0.

Form IL-1040 QuickZoom

On Schedule ICR, scroll down to Line 12, Section B continued.

Schedule ICR: Illinois Credits

Section B Continued – K-12 Education Expense Credit Worksheet
(continued from Step 2, Section B)

Note: You must complete this section and attach any receipt you received from your student's school.

Dependent Information Smart Worksheet

Check the correspondence box if the dependent qualifies for this credit. The program will carry dependent's information from Federal Form 1040 to this form.

Dependent's First Name	Dependent's Last Name	Dependent's SSN	Eligible for Education Expense Credit
LARRY	STOOG	777-77-7771	<input checked="" type="checkbox"/>
MOE	STOOG	777-77-7772	<input type="checkbox"/>
CURLY	STOOG	777-77-7773	<input checked="" type="checkbox"/>

12 Complete the following information for each of your qualifying students. If a student attended more than one qualifying school during the calendar year, please list separately. If you need more space, attach a separate piece of paper following this format.

A Student's Name		B Social Security No.	C Grade (K-12 only)	D School Name (IL K-12 schools only or enter 'home school', if applicable)	E School City (IL cities only)	F Total tuition, book/lab fees
First	Last					
a LARRY	STOOG	777-77-7771				
b CURLY	STOOG	777-77-7773				
c						
d						
e						
f						
g						
h						
i						
j						

13 Add the amounts in Column F for Lines 12a through 12j (and the amounts from Column F of any addition pages you attached.) This is the total amount of your qualified **education expenses** for this year. Enter this amount here and on Step 2, Line 7a of this schedule → **13** _____

Dependents carry over from the Federal Information Worksheet into the Smart Worksheet.

Check the box next to each dependent that has eligible IL K-12 Education Expenses. Names and SSNs will be automatically transferred to Line 12 below.

Complete the information in columns C, D, E, and F for Line 12.

If a student has expenses from more than one school during the calendar year, enter the information on a new line in the table.

ProSeries will sum all expenses and populate Line 13.

The total from Line 13 will transfer to Line 7a of Schedule ICR.

Schedule ICR: Illinois Credits

Section B – K-12 Education Expense Credit

Note: You must complete the **K-12 Education Credit Worksheet** and attach any receipt you received from your student's school.

7 a Enter the total amount of K-12 education expenses from Line 13 of the worksheet on page 2 of this schedule	7 a	1,000.
b You may not take a credit for the first \$250 paid	b	250.00
c Subtract Line 7b from Line 7a. If the result is negative, enter 'zero'	c	750.
d Multiply Line 7c by 25% (.25). Compare the result and \$500, and enter the lesser amount here	d	188.
8 Compare Lines 6 and 7d, and enter the lesser amount here	8	188.

ProSeries will calculate any K-12 Education Expense Credit amount and populate it onto Line 8 of Schedule ICR.

Note that the **sum** of any property tax and K-12 education credits will be transferred from Schedule ICR onto IL-1040, Line 17.

Instructional Materials and Supplies Credit

This credit is available to eligible educators for qualified expenses paid during the taxable year. An eligible educator is a kindergarten through twelfth grade teacher, instructor, counselor, principal, or aide in a qualified school for at least 900 hours during a school year. A qualified school is a public school or non-public school located in Illinois (home schools are not qualified schools). Qualified expenses are those for books, supplies, equipment and other materials **used in the classroom**. The credit for an eligible educator is the amount of expenses paid in 2018 up to \$250 (up to \$500 on a joint return where the spouse is also an eligible educator with qualified expenses).

The credit was new in 2017 and for that year was reported on line 53 of Form 1299-C. By completing lines 52a (Social Security number), 52b (name of the school where the taxpayer was employed as an eligible educator) and line 52c (total qualified expenses paid in 2018 at the school on line 52b) ProSeries will calculate the credit and enter it on line 52d (line 53 will have the total credit for taxpayer and spouse). At this writing it is not known if the 2018 credit will be reported in the same way so if it is not on lines 52 and 53 of Form 1299-C first look elsewhere on that form and then check the Illinois Department of revenue website for instructions.

Use Tax

Use Tax is a sales tax that Illinois residents owe on items they purchase for use in Illinois. If the Illinois resident did not pay at least 6.25 percent sales tax on those items, he must pay the difference to the Illinois Department of Revenue. The most common purchases on which Illinois Use Tax must be collected are those made via the internet, from a mail order catalog, or made when traveling outside Illinois. Illinois residents must keep their receipts when they make these types of purchases.

Ask your client if he bought any items online, through a mail order catalog or a television promotion, or when traveling outside of Illinois that he then used in Illinois and on which he did not pay the full Illinois sales tax of 6.25%.

IF your client answers:	THEN ...
No, I made no such purchases	Enter \$0 in the ProSeries Use Tax Smart Worksheet, line 1a (highlighted in pink)
Yes, and I know the total amount of money I spent on such items	Enter the total in the ProSeries Use Tax Smart Worksheet, line 1a (highlighted in pink)
Yes, but I don't know how much I spent on such items	In the ProSeries Use Tax Smart Worksheet, scroll down to "Method 2" and check the box to use the UT table to calculate the amount of Use Tax liability

Use Tax Smart Worksheet

Method 1: Use Tax (UT) Worksheet

Complete this worksheet to report and pay your use tax on Form IL-1040. If your annual use tax liability is over \$600, you must file and pay your use tax with Form ST-44.

Note: Do not include any

- items for which you paid sales tax in another state (but not in another country) of
 - 6.25% or more on Line 1a and
 - 1% or more on Line 2a
- sales tax you paid in another state, on line 4, for items not included in Lines 1a or 2a

1a	Enter the total cost of general merchandise you purchased to use in Illinois on which you did not pay the required amount of Illinois Use Tax	1a	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #f8d7da;"></div>
1b	Multiply Line 1a by 6.25% (.0625). Round the result to whole dollars	1b	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #d4edda;"></div>
2a	Enter the total cost of qualifying food, non-prescription drugs and medical appliances you purchased to use in Illinois on which you did not pay the required amount of Illinois Use Tax	2a	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #d4edda;"></div>
2b	Multiply Line 2a by 1% (.01). Round the result to whole dollars	2b	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #d4edda;"></div>
3	Add Lines 1b and 2b. This is your Use Tax on purchases.	3	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #d4edda;"></div>
4	Enter the amount of sales tax you paid in another state (not in another country) on the items included on Lines 1a and 2a	4	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #d4edda;"></div>
5	Subtract Line 4 from Line 3. Enter the result here and on Form IL-1040, Line 22 (if the result is less than zero, enter zero)	5	<div style="border: 1px solid black; width: 100px; height: 20px; background-color: #d4edda;"></div>

Enter \$0 if the client made no relevant purchases
OR enter the total dollar amount provided by the client

Method 2: UT Table

If there are no major purchases and do not have receipts to figure purchases, use the table to estimate annual Illinois Use Tax liability.

AGI (from IL-1040, Line 1)	Use Tax
\$0 - \$10,000	\$3
\$10,001 - \$20,000	\$9
\$20,001 - \$30,000	\$15
\$30,001 - \$40,000	\$21
\$40,001 - \$50,000	\$27
\$50,001 - \$75,000	\$38
\$75,001 - \$100,000	\$52
Above \$100,000	Multiply AGI by 0.06% (0.0006)

If the client made relevant purchases but does not know the total amount, you can choose to check this box

To use UT table calculate Use Tax, check here ☐

Use tax amount based on table above

Keep a copy of this smart worksheet with your income tax records.

Illinois Refund or Amount Due

The remainder of the Illinois tax return will be completed based on the federal refund/tax due option selected by the client.

Form IL-1040: Illinois Individual Income Tax Return			
Step 11 – Underpayment of Estimated Tax Penalty and Donations			
33	Late-payment penalty for underpayment of estimated tax	33	
a	Check if at least two-thirds of your federal gross income is from farming	<input type="checkbox"/>	
b	Check if you or your spouse are 65 or older and permanently living in a nursing home	<input type="checkbox"/>	
c	Check if your income was not received evenly during the year and you annualized your income on Form IL-2210. Attach Form IL-2210	<input type="checkbox"/>	
d	Check if you were not required to file an Illinois individual income tax return in previous tax year	<input type="checkbox"/>	
34	Voluntary charitable donations. Attach Schedule G	34	
35	Total penalty and donations. Add lines 33 and 34	35	
Step 12 – Refund or Amount You Owe			
36	If you have an overpayment on line 31 and this amount is greater than line 35, subtract line 35 from line 31. This is your remaining overpayment	36	627.
37	Amount from line 36 you want refunded to you . Check one box on line 38. See instructions	37	627.
38	I choose to receive my refund by <input type="checkbox"/> direct deposit - Complete to direct deposit your refund Routing number <input type="checkbox"/> Checking or <input type="checkbox"/> Savings Account number <input type="checkbox"/> Illinois Individual Income Tax debit card <input checked="" type="checkbox"/> paper check		
39	Amount will be applied to estimated tax . Subtract line 37 from line 36	39	
40	If you have an underpayment on line 32, add lines 32 and 35. or If you have an overpayment on line 31 and this amount is less than line 35, subtract line 31 from line 35. This is the amount you owe	40	

Error Check and Save

ERROR CHECK

Run an error check on the ProSeries file before placing the client's name on the waiting list for the checker.

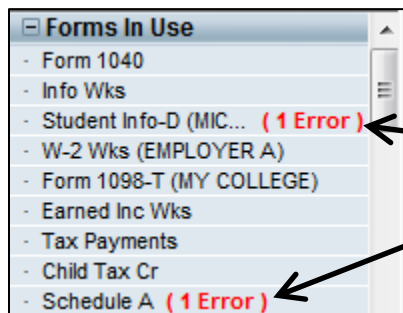


You must run the Error Check separately in the federal and Illinois returns.

Use the "FED" and "ST" buttons in the Client Data Toolbar to toggle between the returns.



In the Form Bar, errors will appear in red. Clicking on the red text will take you to the location of the error, which will be marked in pink.



Click the red text to be taken directly to the area that has the error. The field that requires fixing will be shaded pink.

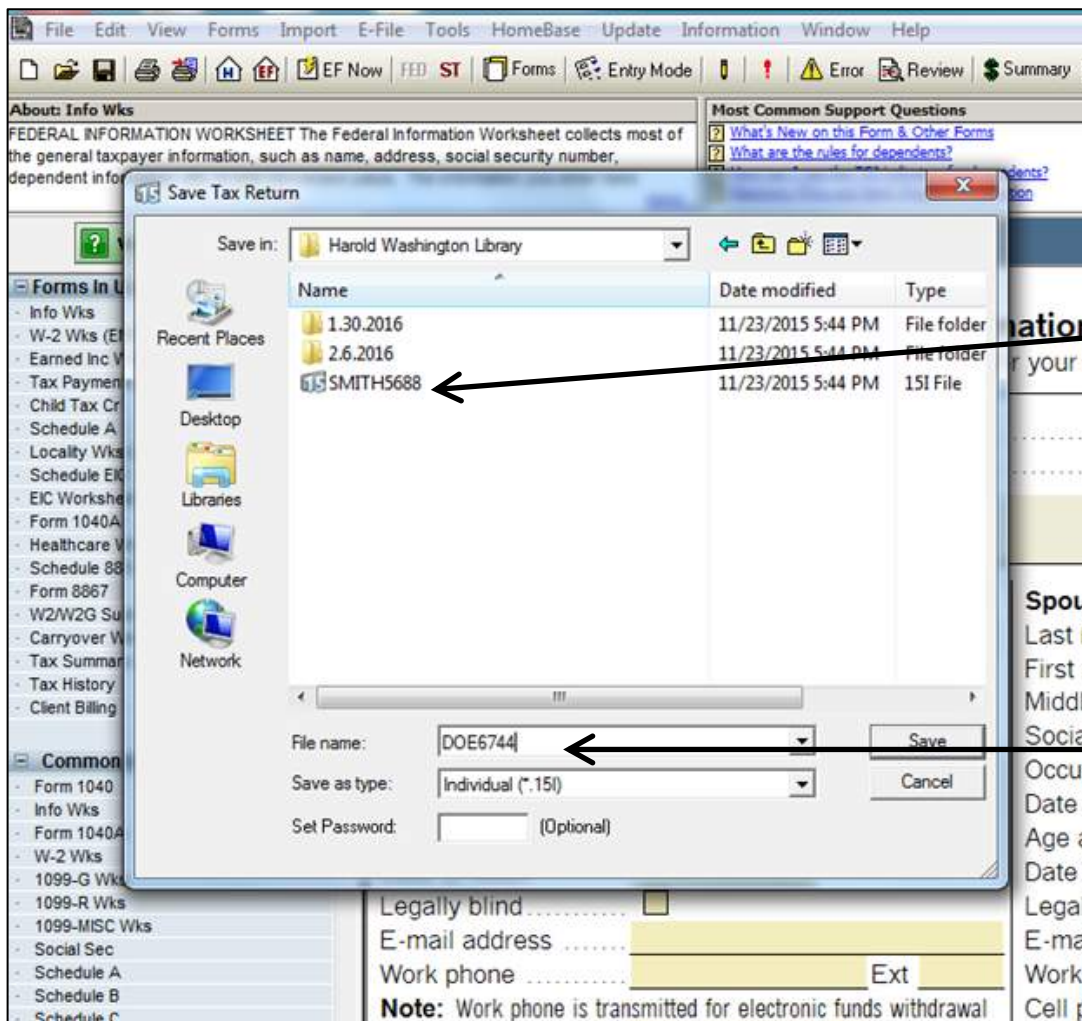
There are a few errors which can be ignored:



- PTIN error: ProSeries has trouble recognizing Ladder Up's Site Identification Numbers (SIDN), but this PTIN error will not affect the return. **Do not attempt to clear this error.**
- When e-filing for a taxpayer with an ITIN, the Illinois return generates an error, which is also safe to ignore.

FINAL SAVE

After you have completed the client's federal and state returns and corrected any errors after running an error check on both returns, save the client's tax return.



- For amended returns, type "AMEND" after the last four numbers of the client's SSN in the file name, e.g., STOO6789AMEND.16i.
- For prior-year returns, save to the same location as current year returns.

Client Forms and Quality Review

TAP Client Data Sheet: Tax Preparer Area

Completely fill out the **Tax Preparer** area near the top of the ProSeries Client Data Sheet. This information will help the checker locate the client's ProSeries file and ask you any questions he may have about the return.

[STAPLE HERE]

FOR TAX ASSISTANCE PROSERIES SITES ONLY

ProSeries Client Data Sheet

SITE: _____ **DATE:** ____/____/____

☐ Client's Photo ID Verified ☐ Interpreter Needed
☐ Returning (Transfer) Client ☐ Client has/had HSA

☐ Basic Return ☐ Advanced Return

TAX YEARS: _____

Intake Specialist Name: _____
(First name, Last Initial)

FOR TAX PREPARER ONLY

ProSeries File Name: _____

(If an amendment, type "AMEND" after the last four numbers of the client's SSN in the file name, e.g. SMIT1234AMEND)

Computer #: _____

Tax Preparer Name: _____
(First name, Last Initial)

Additional Notes:

- Fill in the site name and date at the top (Intake Specialist should have done this) if these fields are not yet completed.
- If the *Client's Photo ID Verified* box is not yet checked off, ask the client for their photo ID and check the box to indicate it is complete.
- Do not complete any parts of the Quality Review Checker area of the Client Data Sheet.
- **DO NOT TELL THE CLIENT THEIR REFUND OR AMOUNT DUE.** If the checker makes changes to the return, these dollar amounts may change. If the client asks, tell them that the checker will give him the final amounts once he double-checks the return.

Send the Return to Quality Review Checking

The client's intake packet, all documents, IDs, and SS/ITIN cards should all be handed back to the client to hold onto. The client will then be given a Blue Card, and will be asked to wait in line for a checker to perform a quality review and then finalize their returns.

Note:

Check with your Site Leader about your site's specific process for placing a client in line for a checker

Quality Review Check List

Checkers must perform all steps on this Quality Review Checklist for every return reviewed.

1. Check that all client forms have been completed

- ☐ Ensure that the return you are checking is **within your certification level**
- ☐ ProSeries Client Data Sheet is completed
- ☐ Make sure that the client's photo ID has been verified and that the site name and date have been filled in
- ☐ IRS Intake Sheet (Form 13614-C) – all grey boxes should be completed.
- ☐ Ensure that all questions have been answered and all "Unsure" responses in Parts III, IV, or V are corrected to say "Yes" or "No". Once a correction is made, ask the client to initial the correction.
- ☐ TAP Client Consent and Disclosure: Signed and dated

2. Review the Federal Information Worksheet in ProSeries

- ☐ *Part I:* Ask the client and spouse to verify their identities and contact information
- ☐ *Part II:* Confirm that Filing Status is correct (*See Mini Manual: Filing Status*)
- ☐ *Part III:* Verify that dependency was properly determined for every dependent listed (i.e. that each person passes the 4 tests – age, relationship, residency, support) and that the correct information has been entered (SSNs/ITINs based on supporting documents, date of birth, and other details).
- ☐ *Part IV:* Double check the responses to the EITC questions
- ☐ *Part V:* Make sure the site code corresponds to your site. See the site codes on the back of this checklist.
Note: When a client's file is transferred from the previous year, the site code remains the same. If the client is now at a different TAP site, then the side code needs to be updated.
- ☐ *Part VI:* Confirm e-file or paper file with the client (only current-year and one-year-prior, non-amended returns can be e-filed)
 - Date PIN Entered: Enter today's date (only for e-file)
 - Near the top of the ProSeries Client Data Sheet, indicate paper or e-file in the checker section
 - If the client has an Identity Protection PIN, make sure it is entered at the bottom of Part VI
- ☐ *Part VII:* No values should be filled in
- ☐ *Part VIII:* Verify any Direct Deposit information
 - If the client wants to split their refund or purchase a savings bond, confirm account and/or savings bond information on Form 8888
- ☐ *Part IX:* Ladder Up does not do electronic funds withdrawal. For information on options to pay an amount owed, provide the client with a "Paying Your Tax Bill" handout, available in the site binder.
- ☐ *Part X:* If the taxpayer and/or spouse have education expenses, ensure that the proper boxes are marked
- ☐ *Part XI:* No values should be filled in – See the site leader if the client is not a full-year Illinois resident
- ☐ *Part XII:* No values should be filled in

3. Review all income documents

- ☐ Verify that all tax documents have been entered into ProSeries correctly.
- ☐ Verify that all documents entered into ProSeries correspond to the correct tax year and the correct taxpayer.

4. Review the Healthcare Worksheet

- ☐ Verify that coverage has been recorded for the taxpayer, spouse, and any dependents.
- ☐ Verify that any exemptions have been noted for Code A (Affordability) or Code C (ITIN holders).

5. Address any red errors on the Federal and Illinois returns (if necessary, re-launch the Education Expense Optimizer)

Quality Review Check List, Cont.

6. Review Form 1040 in ProSeries to verify that:

- ☐ All income is entered
- ☐ All appropriate credits have been calculated
- ☐ Refund or taxes owed is consistent with the taxpayer's situation
- ☐ Related to health insurance, the Premium Tax Credit and/or Shared Responsibility Payments have been properly calculated

7. Print the client's Federal and Illinois returns. If e-filing, print a single copy; if paper filing, print 2 copies.

8. Review Form 1040 with the client. Have the client verify that personal information is correct. Be sure to explain the following:

- ☐ The client is responsible for the information on the return
- ☐ How the return is being processed: e-file vs. paper file
- ☐ How much the refund is or how much money is owed
- ☐ How the refund will be received – by direct deposit or paper check in the mail (Note that Illinois will not issue checks < \$5)
- ☐ What to do if money is owed

9. Assemble the return.

For e-file clients

- ☐ In addition to the client return, please print an extra copy of the e-file signature pages, Forms 8879 and IL-8453, in ProSeries. Do this by right clicking "Print EF Signature Forms" in the print screen.
 - **Be sure that the client signs in the correct spot.** Both Ladder Up and the client keep signed copies of each e-file form

For paper file clients

- ☐ For the mailing copy, assemble the return for the client:
 - Staple a copy of all W-2 and 1099 forms that show withholdings to the middle of the first page of both the Federal and Illinois returns
 - Have the client (and spouse, if filing jointly) sign the returns to be mailed
 - Place the Federal and Illinois returns in separate envelopes and apply the correct mailing labels, which are available in the site binder

10. Final Steps

- Fill out the tax records envelope
- Complete the "Quality Review Checker" section on the ProSeries Client Data Sheet.
- Initial the back of Form 13614-C (IRS Intake Sheet).
- Staple the client packet in the order shown under *Packet Order* on the ProSeries Client Data Sheet and place the packet where the Site Leader has indicated they are being collected.

12. If there were preparation errors, fill out a checker feedback sheet that will be given to the volunteer preparer.

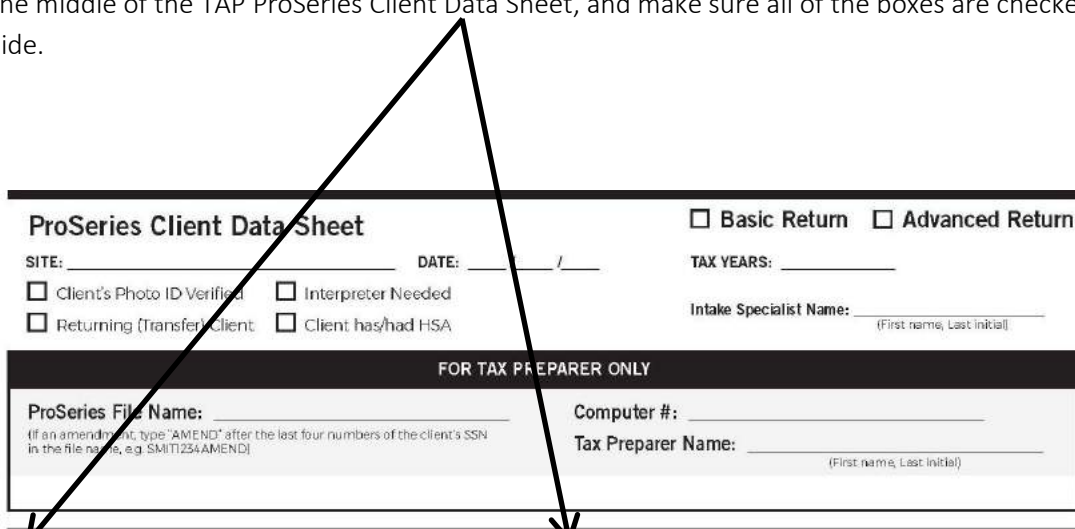
Site Codes

Casa Esperanza	22
Chicago Public Library - Austin	14
Chicago Public Library – Richard M. Daley	4
Chicago Public Library – Harold Washington	15
DeVry Education Group	9
Kennedy-King College	10
Olive-Harvey College	7
Plainfield Township Community Center	8
TAP Mobile Site	29
Unity Junior High School	24
WIC Food Center - Armitage	20
WIC Food Center - Diversey	1
WIC Food Center - Kedzie	18
WIC Food Center - Western	17
Wilbur Wright College	23
Drop and Go	28

Site Codes for Part V (double check this, especially if client file was transferred)

Client Form

TAP ProSeries Client Data Sheet: Quality Review Area Completely fill out the **Quality Review Checker** area near the middle of the TAP ProSeries Client Data Sheet, and make sure all of the boxes are checked on the left-hand side.



ProSeries Client Data Sheet

☐ Basic Return ☐ Advanced Return

SITE: _____ DATE: ____/____/____ TAX YEARS: _____

☐ Client's Photo ID Verified ☐ Interpreter Needed
☐ Returning (Transfer) Client ☐ Client has/had HSA

Intake Specialist Name: _____
(First name, Last Initial)

FOR TAX PREPARER ONLY

ProSeries File Name: _____
(If an amendment, type "AMEND" after the last four numbers of the client's SSN in the file name, e.g. SMIT234AMEND)

Computer #: _____
Tax Preparer Name: _____
(First name, Last Initial)

FOR QUALITY REVIEW CHECKER ONLY

Packet Order (front to back):

☐ Completed TAP Client Data Sheet (this sheet) ①
☐ Completed Consent & Disclosure (back of this sheet) ②
☐ Completed Supplemental Intake Form ③ ④
☐ IRS Form 13614-C (for each year)
☐ **Signed** Federal E-File Consent (Form 8879) or ☐ N/A
☐ **Signed** IL State E-File Consent (Form IL-8453) or ☐ N/A

Computer #: _____
Checker Name: _____
(First name, Last Initial)

Tax Year: _____

ProSeries File Name: _____

☐ Completed IRS Form 13614-C for specific tax year

Federal
☐ E-file ☐ Form 8888?
☐ Paper File ☐ Savings Bond?

Illinois
☐ E-file ☐ Paper File

Refund of \$ _____
or (Line 19 or 76a)
Owes \$ _____
(Line 22 or 78)

Refund of \$ _____
or (Line 37)
Owes \$ _____
(Line 40)

E-file Signature Forms

Federal Form 8879

For couples with a filing status of "Married Filing Jointly," both spouses must sign this form.

Form 8879 Department of the Treasury Internal Revenue Service	IRS e-file Signature Authorization ▶ Return completed Form 8879 to your ERO. (Don't send to the IRS.) ▶ Go to www.irs.gov/Form8879 for the latest information.	OMB No. 1545-0074
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Submission Identification Number (SID) ▶ _____

Taxpayer's name	Social security number
Spouse's name	Spouse's social security number

Part I Tax Return Information — Tax Year Ending December 31, 2018 (Whole dollars only)

1 Adjusted gross income (Form 1040, line 7; Form 1040NR, line 35)	1
2 Total tax (Form 1040, line 15; Form 1040NR, line 61)	2
3 Federal income tax withheld from Forms W-2 and 1099 (Form 1040, line 16; Form 1040NR, line 62a)	3
4 Refund (Form 1040, line 20a; Form 1040-SS, Part I, line 13a; Form 1040NR, line 73a)	4
5 Amount you owe (Form 1040, line 22; Form 1040NR, line 75)	5

Part II Taxpayer Declaration and Signature Authorization (Be sure you get and keep a copy of your return)

Under penalties of perjury, I declare that I have examined a copy of my electronic individual income tax return and accompanying schedules and statements for the tax year ending December 31, 2018, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that the amounts in Part I above are the amounts from my electronic income tax return. I consent to allow my intermediate service provider, transmitter, or electronic return originator (ERO) to send my return to the IRS and to receive from the IRS (a) an acknowledgement of receipt or reason for rejection of the transmission, (b) the reason for any delay in processing the return or refund, and (c) the date of any refund. If applicable, I authorize the U.S. Treasury and its designated Financial Agent to initiate an ACH electronic funds withdrawal (direct debit) entry to the financial institution account indicated in the tax preparation software for payment of my federal taxes owed on this return and/or a payment of estimated tax, and the financial institution to debit the entry to this account. This authorization is to remain in full force and effect until I notify the U.S. Treasury Financial Agent to terminate the authorization. To revoke (cancel) a payment, I must contact the U.S. Treasury Financial Agent at 1-888-353-4537. Payment cancellation requests must be received no later than 2 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payment. I further acknowledge that the personal identification number (PIN) below is my signature for my electronic income tax return and, if applicable, my Electronic Funds Withdrawal Consent.

Taxpayer's PIN: check one box only

☐ I authorize _____ to enter or generate my PIN _____ as my signature on my tax year 2018 electronically filed income tax return. Enter five digits, but don't enter all zeros

☐ I will enter my PIN as my signature on my tax year 2018 electronically filed income tax return. Check this box **only** if you are entering your own PIN and your return is filed using the Practitioner PIN method. The ERO must complete Part III below.

Your signature ▶ _____ Date ▶ _____

Spouse's PIN: check one box only

☐ I authorize _____ to enter or generate my PIN _____ as my signature on my tax year 2018 electronically filed income tax return. Enter five digits, but don't enter all zeros

☐ I will enter my PIN as my signature on my tax year 2018 electronically filed income tax return. Check this box **only** if you are entering your own PIN and your return is filed using the Practitioner PIN method. The ERO must complete Part III below.

Spouse's signature ▶ _____ Date ▶ _____

Practitioner PIN Method Returns Only—continue below

Part III Certification and Authentication — Practitioner PIN Method Only

ERO's EFIN/PIN. Enter your six-digit EFIN followed by your five-digit self-selected PIN. _____ Don't enter all zeros

I certify that the above numeric entry is my PIN, which is my signature for the tax year 2018 electronically filed income tax return for the taxpayer(s) indicated above. I confirm that I am submitting this return in accordance with the requirements of the Practitioner PIN method and **Pub. 1345, Handbook for Authorized IRS e-file Providers of Individual Income Tax Returns.**

ERO's signature ▶ _____ Date ▶ _____

ERO Must Retain This Form — See Instructions
Don't Submit This Form to the IRS Unless Requested To Do So

Client Refund or Amount Due

Preparers should refrain from telling the client his expected refund or amount due, as the values may change if the checker makes any adjustments to the return. All tax volunteers should still be aware of a taxpayer's options.

Client Refund

Options for taxpayers receiving a refund are:

- Receive direct deposit into one bank account in his own name for the federal and/or Illinois refunds
- Use Form 8888 for a federal refund to either:
 - Split the refund into more than one bank account
 - Receive a portion of the refund via direct deposit and use another portion to purchase a U.S. Savings Bond
- Receive a paper check for a federal amount and sometimes an Illinois amount
 - The Illinois Department of Revenue will no longer issue paper refund checks for refund amounts less than \$5.00. If the taxpayer does not provide direct deposit information and is due a refund smaller than \$5.00, the refund will be applied as a credit towards his taxes in the next tax year.

See *Volunteer Manual – Special Topics: Allocation of Refund* for information on completing Form 8888 for your client.

Amount Due

If a client owes either federal or Illinois taxes and is able to pay in full, he should be advised to do so by the filing deadline, which is April 15, 2019, for tax year 2018.

- Ladder Up advises clients to mail a check or money order with the appropriate payment voucher(s) printed with his returns.
- Ladder Up advises *against* opting for electronic funds withdrawal in Part VIII of the Federal Information Worksheet and Part VI of the Illinois Information Worksheet. User error can create a bad situation for the client if the withdrawal date is incorrectly entered.

If a client owes either federal or Illinois taxes and is unable to pay in full, he should be advised to pay as much of his liability as possible before the filing deadline of April 15, 2019, for tax year 2018 in order to minimize interest and penalties. Options for paying the remaining amount are below.

For federal amounts due:

- Check or money order payments:
 - Do not attach the payment to the return
 - Make the check or money order payable to "United States Treasury"
 - On checks, write "2018 Form 1040" in the memo or "For" section
 - Write name, address, daytime phone number, and SSN/ITIN on the payment
 - If filing a joint return, enter the SSN/ITIN shown first on the return.
 - Submit the payments with a properly completed Form 1040V, Payment Voucher
 - No cash payments will be accepted

- Credit Card Payments
 - American Express, Discover, MasterCard, or Visa cards are accepted
 - A convenience fee will be charged by the service providers
 - Visit [IRS.gov/payments](https://www.irs.gov/payments)
- Electronic Funds Withdrawal
 - Ladder Up does not offer this option via e-file.
- EFTPS (Electronic Federal Tax Payment System)
 - Taxpayers can use this tool to pay their Federal taxes but they must enroll first. For more information, visit [IRS.gov/payments](https://www.irs.gov/payments) or call EFTPS customer service at 1-800-555-3453 (for individual payments) or 1-800-555-4477 (to get an enrollment form).
- IRS Direct Pay (to pay from a checking or savings account with no fee)
 - [http://www.irs.gov/Payments/direct-pay](https://www.irs.gov/Payments/direct-pay)
- What if the taxpayer cannot pay?
 - Can you pay in full within 120 days? If you can pay the full amount you owe in 120 days, call 1-800-829-1040 to establish your request to pay in full. If you can do this, you can avoid paying the fee to set up an installment agreement. Instead of calling, you can also apply online.
 - Applying online for a payment agreement. If your balance due is not more than \$50,000, you can apply online for a payment agreement instead of filing Form 9465. To do that, go to [IRS.gov](https://www.irs.gov) and enter "Online Payment Agreement" or "OPA" in the "Search" box.
 - The taxpayer can request an extension of time to pay if paying the tax by the due date will be an undue hardship. For details see Form 1127 (out of scope).

For Illinois amounts due:

- Complete Form CPP-1 (Payment Installment Plan Request) and mail it with the return
- Pay the remaining amount due by credit card

Special Topics

Allocation of Refund – Form 8888

Upon receiving a refund, the client can decide to allocate money to not only his savings account but also towards purchase of a savings bond. If a client is interested in doing this, mark the appropriate places in Parts I-II of Form 8888.

In Part VIII of the Federal Information Worksheet, you will see a QuickZoom button towards the bottom that will take you to Form 8888.

Federal Information Worksheet

Direct Deposit

Direct Deposit Yes ☐ No ☐

Check to confirm transferred account information (which appears in green) is correct ☐

Account type Checking ☐ Savings ☐

Routing number

Account number

Name of Financial Institution (optional)

NOTE: If the transferred financial institution is American Express Serve® verify with your client that the account is active or contact American Express at call 1-855-431-6035

QuickZoom to Form 8888 to enter additional accounts

Check "Yes" for Direct Deposit

Select the correct account type.

Enter routing and account numbers for each account used.

QuickZoom to Form 8888

Form 8888 – Allocation of Refund, Cont.

Form 8888: Allocation of Refund (Including Savings Bond Purchases)			
Form 8888	Allocation of Refund (Including Savings Bond Purchases)		
Name(s) shown on return JOHN DOE		Your social security no. 235-46-5444	
<p>CAUTION: Only use Form 8888 to directly deposit a federal tax refund into two or more financial institution accounts and/or purchase Savings Bonds. The total of all amounts to be directly deposited, used to purchase bonds and to be refunded by check must equal the federal tax refund on Form 1040, line 76a, Form 1040A, line 48a or Form 1040EZ, line 13a 6,359.</p>			
<p>Part I Direct Deposit Complete this part if you want us to directly deposit a portion of your refund to one or more accounts. Note. To use Direct Deposit you must select Direct Deposit on the Federal Information Worksheet.</p>			
		QuickZoom	
<p>1 a Amount to be deposited in first account (see instructions)</p> <p>For lines 1b, 1c, and 1d only, enter financial institution information on the Federal Information Worksheet.</p> <p>b Routing number 071000013</p> <p>c <input checked="" type="checkbox"/> Checking <input type="checkbox"/> Savings</p> <p>d Account number 321321321321321</p> <p>2 a Amount to be deposited in second account</p> <p>b Routing number 071000013</p> <p>c <input type="checkbox"/> Checking <input checked="" type="checkbox"/> Savings</p> <p>d Account number 7987987987</p> <p>3 a Amount to be deposited in third account</p> <p>b Routing number XXXXXXXXXX</p> <p>c <input type="checkbox"/> Checking <input type="checkbox"/> Savings</p> <p>d Account number XXXXXXXXXXXXXXXXXXXX</p>	<p>1 a 359.</p> <p>2 a 3,000.</p> <p>3 a</p>	<p>The sum of all deposits should equal the total refund amount</p> <p>Account information from FIW will carry over on the first line. Enter the amount the client wants to deposit to his first account here.</p> <p>Clients can split their refunds amount up to 3 accounts</p>	
<p>Part II U.S. Series I Savings Bond Purchases Complete this part if you want to buy paper bonds with a portion of your refund.</p>			
<p>4 Amount to be used for bond purchases for yourself (and your spouse, if filing jointly)</p> <p>5 a Amount to be used to buy bonds for yourself, your spouse, or someone else</p> <p>b Enter the owner's name (First then Last) for the bond registration</p> <p>c If you would like to add a co-owner or beneficiary, enter the name here (First Last). If beneficiary, also check here. <input type="checkbox"/></p> <p>6 a Amount to be used to buy bonds for yourself, your spouse, or someone else</p> <p>b Enter the owner's name (First then Last) for the bond registration</p> <p>c If you would like to add a co-owner or beneficiary, enter the name here (First then Last). If beneficiary, also check here. <input type="checkbox"/></p>	<p>4 3,000.</p> <p>5 a</p> <p>6 a</p>	<p>US Savings Bonds can also be purchased using Form 8888</p>	

Amended Returns – Form 1040X

If a client needs to correct his return that was already submitted and processed by the IRS, he will need to prepare an amended return. However the IRS may correct mathematical or clerical errors on a return and may accept returns without certain required forms or schedules. In these instances, there's no need to amend your return. In instances where there is a change to filing status, income, deductions or credits, the federal Form 1040X will need to be completed as a starting point and depending on the change(s) made on the federal return, the Illinois return may need to be amended as well, which will mean completing Form IL-1040-X.

Completing Amended Returns in ProSeries

Form 1040X is designed to capture information about the changes being made to the taxpayer's original return. There are many different aspects of the tax return that may need to be corrected, from filing status to number of exemptions to additional income that was not originally reported.

1. Ask the client why he needs to amend his return. Common reasons include:
 - The original return did not include all income documents
 - The original return had errors (e.g., incorrect filing status)
 - The original return did not include all dependents
2. Open the client's original return. You may need to run a search on your site's hard drive to locate the file. Also, be sure to ask the year of the return that needs to be amended, as it is possible that it may be from a prior year. If the client did not have their return prepared by Ladder Up you may need to recreate the original return that needs to be amended. Read additional instructions below if the original return needs to be created.

Tips for recreating the original return:

- The original return that you create must exactly mimic the one that was filed with the IRS. This means math errors, entries on incorrect lines, or other types of errors must still appear. Since the software will not allow such obvious errors it is sometimes necessary to use the override function. Use the override function on the Form 1040 to enter incorrect information.
 - When finished, check very carefully that the return you prepared exactly matches what was filed in all respects, including the Illinois return if that was also incorrect. If you fail to do this, the form 1040X will not populate correctly when you open it, and the work will need to be re-done.
 - When you are satisfied that you have exactly duplicated the return as filed, save it using the standard file name but with "FORAMEND" added immediately after the last 4 digits of the file-name. This file should be stored in the "WILL RETURN" folder in case it is needed later. Don't close the file after saving it, because you will need it for the next step.
3. Once you have opened the client's original return, or saved a copy of the original return that you just prepared, go to the File menu and select "Save As".
 4. Change the name of the client's file by adding "AMEND" to the end of the file name. Example: ERIC3456AMEND. **Be sure to save it in the current site and date location and not in the location of the original return.**

5. Navigate to Form 1040X by locating it in the Miscellaneous section of the forms list at the left of the ProSeries screen or click Forms in the toolbar, then Select and then enter 1040X in the Find box..
6. Once the Form 1040X opens, at the top of the form, select the year for which the amendment must be made. By checking the box for the year to be amended, ProSeries will track all changes that you make as you work to correct the original return. Once you click the box, you will see the client's personal information auto-fill. **Note:** although ProSeries makes it look like you can do amendments of prior year returns in the current year software, this is not the case and you should always use the version of ProSeries for the year that you are amending.

CHECK ONE OF THESE BOXES BEFORE MAKING ANY OTHER CHANGES

Form 1040X: Amended Tax Return

Form **1040X** **Amended U.S. Individual Income Tax Return**

Text at Top of Form 1040X:

This return is for calendar year ☐ 2015 ☐ 2014 ☐ 2013 ☐ 2012
Other year. Enter one: calendar year or fiscal year (month and year ended):

7. Now that you have started the federal Form 1040X, click on the “ST” button in the top toolbar to switch to the Illinois return.
8. In the Forms Bar on the left side of the screen, from the “Misc Tax Forms” category, select “IL-1040-X”.
9. Towards the top of the Form IL-1040-X, check the box to indicate that the client is filing an amended return.

Form IL-1040-X: Amended Individual Income Tax Return

Form **IL-1040-X** Illinois **Amended Individual Income Tax Return**

CAUTION: Save the original return using a different file name before proceeding.
 See **Tax Help** for instructions and differences for completing an amended return for a current or prior year.

Read this information first:
 For amended returns only. Check here if you are filing an amended return ☐ **X**

10. Click on the “FED” button in the top toolbar to switch back to the federal return. You may now make the changes to correct the client's return.
 - Your change(s) may include adding an income document, a dependent, or expenses.
 - Correcting the filing status: Open the Form 1040X and scroll down just below the client's personal information – you will see a section to mark the corrected filing status.

Form 1040X: Amended Tax Return			
Form 1040X	Amended U.S. Individual Income Tax Return		
Text at Top of Form 1040X:			
This return is for calendar year <input checked="" type="checkbox"/> 2015 <input type="checkbox"/> 2014 <input type="checkbox"/> 2013 <input type="checkbox"/> 2012 Other year. Enter one: calendar year _____ or fiscal year (month and year ended): _____			
Your First Name JOHN	MI _____	Last Name DOE	Your Social Security No. 235-46-5444
If a Joint Return, Spouse's First Name _____	MI _____	Last Name _____	Spouse's Social Security No. _____
Home Address (no. & street). If you have a P.O. Box, see instructions. 123 MAIN STREET		Apt no. _____	Your phone number _____
City, Town or Post Office. If you have a foreign address, also complete below. CHICAGO		State IL	ZIP Code 60606
Foreign country name _____		Foreign province/county _____	Foreign postal code _____
Amended return filing status. You must check one box even if you are not changing your filing status. Caution. In general, you cannot change your filing status from joint to separate returns after the due date. <input type="checkbox"/> Single <input type="checkbox"/> Married filing jointly <input type="checkbox"/> Married filing separately <input type="checkbox"/> Qualifying widow(er) <input checked="" type="checkbox"/> Head of household (If the qualifying person is a child but not your dependent, see instructions.)			

These sections need to be completed for every amended return

Correcting the filing status, cont:

- If the taxpayer is changing from Married Filing Separately to Married Filing Jointly: Generally, if spouses file a joint return, they have joint and several liability, meaning they are both responsible for the tax and any interest or penalties due on the return, as well as any understatement of tax that may become due later. If one spouse fails to pay, the other spouse may have to.
- If the taxpayer is changing to Head of Household status: If the qualifying person is a child but not the taxpayer's dependent, enter the child's name and "QND" in Part III.
- If the taxpayer is only providing additional information: If the taxpayer is not changing any of the dollar amounts that appeared on his original return, he should follow these steps:
 - Check the box for the calendar year the taxpayer is amending
 - Complete name, address and SSN
 - Check a box in Part II, if applicable, for the Presidential Election Campaign Fund
 - Complete Part III (Explanation of Changes)

As you make changes to the original return, you will see figures fill into the Form 1040X. There are 3 columns in the 1040X:

- Original amount
- Net change
- Correct amount

Form 1040X: Amended Tax Return			
Income and Deductions (see instructions)	as previously adjusted	(decrease) — expl. in Pt III	
1 Adjusted gross income. If net operating loss (NOL) carryback is included, check here <input type="checkbox"/>	10,000.	0.	10,000.
2 Itemized deductions or standard deduction	6,300.	2,950.	9,250.
3 Subtract line 2 from line 1	3,700.	-2,950.	750.
4 Exemptions. If changing, complete Part I on page 2 and enter the amount from line 29	8,000.	0.	8,000.
5 Taxable income. Subtract line 4 from line 3	-4,300.	-2,950.	-7,250.
Tax Liability			
6 Tax. Enter method used to figure tax Table	0.	0.	0.
7 Credits. If general business credit carryback is included, check here <input type="checkbox"/>	0.	0.	0.
8 Subtract line 7 from line 6. If zero or less, enter -0-	0.	0.	0.
9 Health care: Individual responsibility	0.	0.	0.
10 Other taxes	0.	0.	0.
11 Total tax. Add lines 8, 9, and 10	0.	0.	0.

11. Once you have made all necessary corrections, return to the Form 1040X and scroll to Part III (Explanation of Changes). On every Form 1040X, you must complete Part III to provide the reason(s) why the taxpayer is amending his return. Type in the reason – sample answers include:
- “Received another Form W-2 after initial filing of tax return”
 - “Did not list one of my qualified dependents on original return”

Form 1040X: Amended Tax Return	
Part III	Explanation of changes. In the space provided below, tell us why you are filing Form 1040X.
<p>► Attach any supporting documents and new or changed forms and schedules.</p> <p>FILING STATUS WAS CHANGED TO HEAD OF HOUSEHOLD</p>	

Note: Only three items are addressed directly on the 1040X. (1) Marking the year to initiate the auto-filling of the Form 1040X by the software (2) Indicating the reason for amending the return and (3) Changing filing status (if applicable)

To make any other changes you must go back to the old forms and add additional missing documents (W-2s, etc.) or modify the information directly. All changes will subsequently populate in the 1040X.

12. Review the Form 1040X to determine if the client now owes money or is due money. Scroll to the “Refund or Amount You Owe” section of the 1040X (lines 17-22).

Form 1040X: Amended Tax Return

Refund or Amount You Owe

Original Return Overpayment Smart Worksheet

A Overpayment, if any, as shown on original return or as previously adjusted by the IRS (not including penalties) **6,359.**

18 Overpayment, if any, as shown on original return or as previously adjusted by the IRS **18 6,359.**

19 Subtract line 18 from line 17 (if less than zero, see instructions) **19 0.**

20 **Amount you owe.** If line 11, col C is more than line 19, enter the difference **20**

21 If line 11, col C is less than line 19, enter the difference. This is the amount overpaid on this return **21**

22 Amount of line 21 you want refunded to you **22 0.**

23 Amount of line 21 you want applied to your (enter year): _____ estimated tax **23**

If the client never received their refund, possibly due to the IRS holding the refund until they amend their return, override this figure and change to 0.

13. The client **must sign and mail** in his Form 1040X and include all forms and schedules that were affected by the correction(s) made.

- All amended returns must be **paper filed**.
- Please make sure the client signs the completed Form 1040X.
- The IRS advises that affected schedules and forms be attached to the Form 1040X according to the “Attachment Sequence Number” shown in the upper right-hand corner of all schedules and forms. If the taxpayer has supporting statements, arrange them in the same order as the forms and schedules they support and attach them last.

SCHEDULE EIC
(Form 1040A or 1040)

Earned Income Credit
Qualifying Child Information

▶ Complete and attach to Form 1040A or 1040 only if you have a qualifying child.
▶ Information about Schedule EIC (Form 1040A or 1040) and its instructions is at www.irs.gov/scheduleeic.

Department of the Treasury
Internal Revenue Service (99)

Name(s) shown on return

OMB No. 1545-0074

Attachment Sequence No. **43**

Your social security number

- Attach to the front of the Form 1040X:
 - A copy of any Forms W-2, W-2c (a corrected Form W-2), and 2439 that support changes made on the return
 - A copy of any Form W-2G and 1099-R that support changes made on the return, but only if tax was withheld
 - A copy of any Forms 1042S, SSA-1042S, RRB-1042S, and 8288-A that support changes made on the return
- If the client owes money: To avoid penalties and interest (or further penalties and interest), the client should mail in his payment along with his Form 1040X. Do not attach the payment to anything in the packet; simply enclose it in the envelope. Checks are payable to “United States Treasury” and the taxpayer should write his name, address, daytime phone number, and SSN/ITIN on his payment.

14. If the change(s) made to the taxpayer's federal return affects the Illinois return, the taxpayer must complete form IL-1040-X. You will now print out the Illinois amendment for the client. Click on the "ST" button and navigate to the IL-1040-X.



Although you will complete most of the IL-1040-X for the taxpayer, make sure he understands that if it results in a higher Illinois refund or lower Illinois payment that it cannot be mailed until the federal 1040X changes are accepted.

15. You will notice that the IL-1040-X has a number of errors flagging questions that must be answered:

- F: Check the box that identifies why you are making this change
 - Most clients file an IL-1040-X because of a change made on their federal returns.
 - The box for "Federal change accepted on MM/DD/YYYY" will need to be checked, although the taxpayer will have to write in the date at a later time if the amendment results in a higher Illinois refund or a lower amount due.
 - In that case the client will need to wait until he receives word from the IRS about the status of his amended return in order to fill in the date field. **Please highlight this date field on the printed IL-1040X and instruct the client that he must fill in the date his federal change was accepted.**

Form IL-1040-X: Amended Individual Income Tax Return

F Check the box that identifies why you are making this change.

☒ Federal change accepted on Date: **Attach a copy of your federal finalization.**

☐ NOL accepted on Date: **Attach a copy of your federal finalization.**

☐ State change

Step 2: Reason for Filing

Amended Information
If you are changing your Illinois return due to a change to your federal return that resulted in an overpayment, **do not file** this form until you receive notification that the Internal Revenue Service (IRS) accepted the changes.

G On what date did you file your original Form IL-1040 or your latest Form IL-1040-X?

H Did you file a U.S. Form 1040X or Form 1045? If 'yes,' you must attach a copy to this form ☐ yes ☐ no

Check this box to transfer the federal explanation from the Federal amended form ☐
Be aware that the federal and state tax forms may have different line numbers and page references, and please make changes accordingly.

I Explain in detail, the reason(s) for filing this amended return. Attach a separate sheet if necessary.

*Instruct the client that he **must** fill out **this date field** after he hears back about his federal amendment if the Illinois amendment results in a higher refund or a lower amount owed.*

- G: On what date did you file your original Form IL-1040?
 - You can ask the client when his original return was prepared and then enter that date. If Ladder Up prepared the original return you can determine this from the date the client visited.
- H: Did you file a US Form 1040X? If yes, you must attach a copy to this form.
 - Check the "Yes" box and remember to print an extra copy of the federal Form 1040X to include with the IL-1040-X.
- I: Explain, in detail, the reason(s) for filing this amended return. If you want to transfer the explanation you wrote on the federal 1040X, check the box next to the question.

16. Once you have finished preparing the IL-1040-X, you can print the forms that the client needs to mail in to the Illinois Department of Revenue:

- Form IL-1040-X – make sure the taxpayer signs all necessary forms
- Any Illinois forms or schedules that were affected by the amendment. Attach the proper supporting documents according to the following list:

IF you corrected:	THEN attach:
Line 1 Federal adjusted gross income	US Form 1040 or 1040X US Form 1040 Schedules C, E, and F, if filed, for loss years Proof of federal finalization
Line 3 Other additions	Schedule M with amended figures and any other required support listed on Schedule M
Line 5 Social Security benefits and certain retirement plan income	US Form 1040, Page 1, with amended figures Form W-2, if applicable Form SSA-100, 1099-R, or RRB-1099, if applicable
Line 6 Illinois Income Tax overpayment (included in US 1040, Line 10)	US Form 1040, Page 1, with amended figures
Line 7 Other subtractions	Schedule M with amended figures and any other required support listed on Schedule M
Line 10 Exemption allowance	US Form 1040X Proof of federal finalization
Line 18 Property tax and K-12 education expense credit from Schedule ICR	Schedule ICR with amended figures and any other required support listed on Schedule ICR Receipts for home school expenses
Line 26 Illinois Income Tax withheld	All W-2 and 1099 forms, Form IL-4852, or letter, on company letterhead, from employer

17. Please give the client the “Amended Return Instructions” sheet that Ladder Up has prepared – the document reviews next steps for the client.

Where to File Federal Form 1040X

Again, Form 1040X must be mailed in by the taxpayer – **Form 1040X cannot be e-filed.**

If the taxpayer is filing Form 1040X in response to a notice received from the IRS, the IRS notification will contain the correct mailing address for Form 1040X and its attachments.

Otherwise, if the taxpayer has not received a notice from the IRS, the mailing address for Form 1040X and its attachments is:

Department of the Treasury
Internal Revenue Service Center
Fresno, CA 93888-0422

How to File Form IL-1040-X

Filing the state amendment depends on whether additional taxes are owed or the client is due a refund.

If additional taxes are owed:

The client should mail the following items to the address below:

1. A copy of the Form 1040X submitted to the IRS
2. A copy of the check sent to the IRS to pay the tax due
 - a. If the client was not able to pay the federal tax due, they should still file the IL-1040-X
3. Any other documents listed in the table above as applicable

Note: The IRS and ILDOR will send a separate letter with the amount of interest and penalties owed.

If a refund is due:

The client must file the Federal Form 1040X and wait to receive a federal finalization letter in the mail. When the IRS approval is received, the client must:

4. Fill in the date that the federal change was accepted in question F on page 1 of the IL-1040-X
5. Attach a copy of the federal finalization
6. Attach a copy of the Form 1040X submitted to the IRS
7. Attach any other documents listed in the table above as applicable

The client will mail the Form IL-1040-X packet to:

Illinois Department of Revenue
P.O. Box 19007
Springfield, IL 62794-9007

Special Process for Certain Veterans

In July of 2018 the Department of Defense mailed letters to a number of veterans who had received lump sum payments due to disability discharge from the service. The letters describe a special process for filing a 1040X to receive a refund on taxes paid. If you see one of these, read the letter carefully and follow the instructions.

Note that the 1040X is non-standard and typically involves only a few lines that can be completed by hand without regard to the original tax return (which may be from as far back as 1991). Also, taxpayers typically have a year from the date of the letter to file for a refund, even for very old returns.

Filing on Behalf of a Deceased Relative

Protecting Taxpayer's Identity

Volunteers need to take steps to protect a taxpayer's identity and avoid possible identity theft:

- Ask to see the surviving spouse's identification or a copy of the death certificate
- If a personal representative (and not the surviving spouse) is filing the return, ask for court documents or other documentation authorizing the personal representative to file the return. Also verify the representative's identity.
- Representatives who do not have the necessary documentation with them should be advised to return once they have the information. If they cannot provide it, advise them to seek assistance from a professional tax preparer.

Keep Copies of Documents

Ladder Up will retain a copy of the death certificate and Form 1310 (if applicable) with all other paperwork.

Filing Deadline

The final income tax return for a decedent is due at the same time as it would have been due had death not occurred.

Filing Requirement

The gross income, age, and filing status of a decedent generally determine whether a return must be filed.

General Filing Procedures

Note: For the most part, ProSeries will automatically ensure the proper procedures are followed.

To avoid delays in processing a decedent's final return and issuing any refund due, ensure the following steps are completed:

1. "DECEASED" the decedent's name, and the date of death are written across the top of the tax return. ProSeries will automatically do this once a date of death is entered.
2. If a personal representative has been appointed, the personal representative must sign their name on the return (or e-file signature pages if e-filing) and write "personal representative". If it is a joint return, the surviving spouse must also sign it.
3. If the client is the decedent's spouse filing a joint return with the decedent and no personal representative has been appointed, "Filing as surviving spouse" will be populated in the area where the taxpayer would sign the return.
4. If no personal representative has been appointed and if there is no surviving spouse, the person in charge of the decedent's property must file and sign the return as "personal representative." *Note that volunteers should not complete returns in this situation, but advise the person filing the return to seek assistance from a professional tax preparer.*
5. To claim a refund for the decedent, do the following.
 - a. If the client is the decedent's spouse filing a joint return with the decedent, file only the tax return to claim the refund.
 - b. If the client is the personal representative and the return is not a joint return filed with the decedent's surviving spouse, file the return and attach a copy of the certificate (testamentary letters or letters of administration) that shows the client's appointment by the court. (A power of

attorney or a copy of the decedent's will is not acceptable evidence of appointment as the personal representative.) If the client is filing an amended return, attach Form 1310 and a copy of the certificate of appointment (or, if the certificate of appointment has already been sent to the IRS, write "Certificate Previously Filed" at the bottom of Form 1310).

Legal Guardians and Appointed Executors

Legal documents showing the appointment should be provided by the representative. **If the return results in a refund then a copy of the court certificate showing the appointment needs to be filed with the return. Otherwise, a Form 1310 is required.**

Guardians should sign the return (or e-file signature pages if e-filing) in the following format "By (signature), parent (or guardian) for minor child"

Deceased Child or Dependent

If the decedent was the taxpayer's qualifying child, the parent may be able to claim the child tax credit or the earned income credit.

If the decedent qualified as the taxpayer's dependent for a part of the year before death, he can claim the dependent on his tax return, regardless of when death occurred during the year.

Deceased Spouse

If the client's spouse died during the year, the client is considered married for the whole year for filing status purposes. Also, refer to the *Volunteer Manual – FIW Part II: Filing Status*.

Spouse Did Not Remarry

If the surviving spouse did not remarry before the end of the tax year, a joint return can be filed for the surviving spouse and deceased spouse. The final joint return includes the decedent's income and deductions up to the time of death plus the surviving spouse's income and deductions for the entire year.

For the next 2 years, the surviving spouse may be entitled to file as a qualifying widow(er) with dependent child.

Spouse Remarried Before End of Year

A final joint return with the decedent cannot be filed if the surviving spouse remarried before the end of the year of the decedent's death. If this is the case, the filing status of the decedent is Married Filing Separately. The surviving, remarried spouse can file a joint return with his new spouse.

Power of Attorney Procedures

Due to updates to Quality Site Requirement put forth by the IRS we must now have valid Power of Attorney before preparing a return for a couple who is filing a joint return where both spouses are not present.

Reasons for a spouse not being present include:

- Disease or injury
 - Continuous absence from the United States (include absence from Puerto Rico) for a period of at least 60 days prior to the date required by law for filing the return
1. Please provide the client with a pre-filled Form 2848, which is saved in the Resources folder on the desktop of each laptop – please note that highlighted fields won’t show up very well after the form is printed so **please re-highlight those fields once it has been printed. The client can then take this home to have their spouse sign.**
 2. Once we have a Form 2848 signed by the taxpayer and the representative we can prepare the return and either paper file or e-file it.
 - Paper file – The original Form 2848 goes with the filed tax return to the same address to which we send paper-file returns based on whether payment is or is not enclosed. Ladder Up maintains a copy of the Form 2848 in the client’s data packet. **Write “Power of Attorney” at the top of the data packet** so it can be identified as such when it comes back to our office for processing and filing.
 - E-file – Ladder Up can scan the original of Form 2848 to a PDF to send along with Form 8453 (U.S. Individual Income Tax Transmittal for an IRS e-file Return). Once the return comes back to the Ladder Up office, the process of uploading the scanned PDF and creating a Form 8453 in ProSeries would be completed by the e-file team. Ladder Up maintains a paper copy in the client’s data packet. **Write “Power of Attorney” at the top of the data packet** so it can be identified as such when it comes back to our office for processing and filing.

OR

Ladder Up can mail Form 2848 along with a printed Form 8453 from the client’s ProSeries file to the address below once the e-filed return has been accepted.

Internal Revenue Service
Attn: Shipping and Receiving
0254 Receipt and Control Branch
Austin, TX 73344-0254

Substantial Presence Test

Even if you are not a United States citizen, U. S. national or a green card holder, you will be considered a United States resident for tax purposes if you meet the substantial presence test for the calendar year. To meet this test, you must be physically present in the United States (U.S.) on at least:

1. 31 days during the current year, and
2. 183 days during the 3-year period that includes the current year and the 2 years immediately before that, counting:
 - All the days you were present in the current year, and
 - 1/3 of the days you were present in the first year before the current year, and
 - 1/6 of the days you were present in the second year before the current year.

Example:

You were physically present in the U.S. on 120 days in each of the years 2016, 2017, and 2018. To determine if you meet the substantial presence test for 2018, count the full 120 days of presence in 2018, 40 days in 2017 (1/3 of 120), and 20 days in 2016 (1/6 of 120). Since the total for the 3-year period is 180 days, you are not considered a resident under the substantial presence test for 2018.

Days of Presence in the United States

You are treated as present in the U.S. on any day you are physically present in the country, at any time during the day. However, there are exceptions to this rule. Do not count the following as days of presence in the U.S. for the substantial presence test.

- Days you commute to work in the U.S. from a residence in Canada or Mexico, if you regularly commute from Canada or Mexico.
- Days you are in the U.S. for less than 24 hours, when you are in transit between two places outside the United States.
- Days you are in the U.S. as a crew member of a foreign vessel.
- Days you are unable to leave the U.S. because of a medical condition that develops while you are in the United States.
- Days you are an exempt individual (see below).

For details on days excluded from the substantial presence test for other than exempt individuals, refer to [Publication 519, U.S. Tax Guide for Aliens](#).

The term United States (U.S.) includes the following areas.

- All 50 states and the District of Columbia.
- The territorial waters of the United States.
- The seabed and subsoil of those submarine areas that are adjacent to U.S. territorial waters and over which the United States has exclusive rights under international law to explore and exploit natural resources.

Exempt Individual

Do not count days for which you are an exempt individual. The term "exempt individual" does **not** refer to someone exempt from U.S. tax, but to anyone in the following categories:

An individual temporarily present in the U.S. as a [foreign government-related individual](#) under an "A" or "G" visa, other than individuals holding "A-3" or "G-5" class visas.

- A [teacher or trainee](#) temporarily present in the U.S. under a "J" or "Q" visa, who substantially complies with the requirements of the visa.
- A [student](#) temporarily present in the U.S. under an "F," "J," "M," or "Q" visa, who substantially complies with the requirements of the visa.
- A [professional athlete](#) temporarily in the U.S. to compete in a charitable sports event.

Injured Spouse – Form 8379

**For more complicated situations, please have the client talk with your site leader regarding office appointment options.*

When a joint return is filed and only one spouse owes a past-due amount, the other spouse can be considered an injured spouse. An injured spouse may file Form 8379 to receive his or her share of the refund shown on the joint return. The injured spouse:

- Must not be legally obligated to pay the past-due amount, and
- Must have made and reported tax payments (such as federal income tax withheld from wages or estimated tax payments), or claimed a refundable tax credit (see the credits listed in Publication 17 under Who Should File?)

Both of these conditions must apply unless the injured spouse lived in a community property state at any time during the tax year. In community property states, the injured spouse only must meet the first condition. If the taxpayer meets these requirements, Form 8379 can be *e-filed* with the joint return. NOTE: Illinois is NOT a community property state.

Look in the Publication 17 index for *Injured Spouse*; the Form 8379 instructions are also informative.

If a taxpayer already filed a joint return and the refund was offset, Form 8379 can be filed. **When filed after the offset, it can take up to eight weeks for the taxpayer to receive a refund.** Do not attach the previously-filed tax return, but do include copies of all Forms W-2 and W-2G for both spouses and any Forms 1099 that show income tax withheld. The processing of Form 8379 may be delayed if these forms are not attached. A separate Form 8379 must be filed for each tax year to be considered.

An injured spouse claim is different from an innocent spouse relief request. Form 8379 allows an injured spouse to request the division of the tax overpayment attributed to each spouse. An innocent spouse uses Form 8857, Request for Innocent Spouse Relief, to request relief from joint liability for tax, interest, and penalties on a joint return for items of the other spouse (or former spouse) that were incorrectly reported on the joint return. For information on innocent spouses, taxpayers should see Publication 17, Relief from Joint Responsibility — Filing a Joint Return.



Note: Illinois does not have a corresponding form for Injured Spouse. Therefore, assess if it is worthwhile for the taxpayers to file as Married filing Separately for the state and forgo the EITC or file jointly and have the total refund be seized to pay off the outstanding debts.

Note: Form 8857, Request for Innocent Spouse Relief, is out-of-scope for Ladder Up's program.

Previous Year Tax Returns

Starting in March, you will see clients coming to the sites to have tax returns from previous years completed and filed. When completing a tax return from a previous year there are a few facts and tips to keep in mind:

- Use the version of ProSeries software that matches the year of the return you are completing, and **be very careful to also match the year on any income and expense forms**. Tax forms from one year should never be entered on a return from a different year.
- When entering multiple years, start with the oldest year so that you can transfer files forward. Learn more about transferring files under *Volunteer Manual – Tax Preparation Process: Transfer Client File*, on page 43.
- Clients should complete a Form 13614-C for each year that they need to have a return prepared, and they need to use the Form 13614-C that was issued in that year. Ask your Site Leader for a copy of previous-year forms.
- Just like amendments, most previous-year tax returns cannot be e-filed. **We can only allow e-file of current year returns and two years prior.**
- Clients can claim a tax refund for up to 3 years. For example, clients have until April 15, 2019, to claim a refund for 2016 returns. They can no longer claim a refund for tax returns from 2015 or earlier.
- When saving a tax return from a previous year, make sure to save it in the same place as all of the other returns from that day, and not in a folder containing files from a previous year.

Adjusting Form W-4

A taxpayer can make changes to withholding any time during the year by filing a new Form W-4 with his employer's payroll office. Included here is an overview on how to fill out the form.

A higher number of allowances claimed on the W-4 means less income tax will be withheld from the taxpayer's paycheck. To avoid owing more than necessary or having too much withheld throughout the tax year, it is in the client's best interest to correctly determine the number of allowances he should claim. The Personal Allowances Worksheet located above Form W-4 can help with this determination.

Personal Allowances Worksheet (Keep for your records.)			
A	Enter "1" for yourself		A _____
B	Enter "1" if you will file as married filing jointly		B _____
C	Enter "1" if you will file as head of household		C _____
D	Enter "1" if: { <ul style="list-style-type: none"> • You're single, or married filing separately, and have only one job; or • You're married filing jointly, have only one job, and your spouse doesn't work; or • Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less. 		D _____
E	Child tax credit. See Pub. 972, Child Tax Credit, for more information. <ul style="list-style-type: none"> • If your total income will be less than \$69,801 (\$101,401 if married filing jointly), enter "4" for each eligible child. • If your total income will be from \$69,801 to \$175,550 (\$101,401 to \$339,000 if married filing jointly), enter "2" for each eligible child. • If your total income will be from \$175,551 to \$200,000 (\$339,001 to \$400,000 if married filing jointly), enter "1" for each eligible child. • If your total income will be higher than \$200,000 (\$400,000 if married filing jointly), enter "-0-" 		
F	Credit for other dependents. <ul style="list-style-type: none"> • If your total income will be less than \$69,801 (\$101,401 if married filing jointly), enter "1" for each eligible dependent. • If your total income will be from \$69,801 to \$175,550 (\$101,401 to \$339,000 if married filing jointly), enter "1" for every two dependents (for example, "-0-" for one dependent, "1" if you have two or three dependents, and "2" if you have four dependents). • If your total income will be higher than \$175,550 (\$339,000 if married filing jointly), enter "-0-" 		
G	Other credits. If you have other credits, see Worksheet 1-6 of Pub. 505 and enter the amount from that worksheet here . . .		
H	Add lines A through G and enter the total here H _____		
For accuracy, complete all worksheets that apply. { <ul style="list-style-type: none"> • If you plan to itemize or claim adjustments to income and want to reduce your withholding, or if you have a large amount of nonwage income and want to increase your withholding, see the Deductions, Adjustments, and Additional Income Worksheet below. • If you have more than one job at a time or are married filing jointly and you and your spouse both work, and the combined earnings from all jobs exceed \$52,000 (\$24,000 if married filing jointly), see the Two-Earners/Multiple Jobs Worksheet on page 4 to avoid having too little tax withheld. • If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 above. 			

Adjusting Form W-4, Cont.

If a taxpayer has only one job, is single or married to a spouse with no income, and does not itemize deductions on his return, the worksheet is fairly straightforward. Taxpayers who don't meet all of these criteria may like assistance completing the Deductions and Adjustments Worksheet and/or Two-Earners/Multiple Jobs Worksheet.



If the taxpayer's income and tax situation (filing status, credits, dependents & exemptions, etc.) are expected to be nearly the same for 2019 as for 2018, information from the completed 2018 return can be used to help estimate amounts on the W-4.

Deductions, Adjustments, and Additional Income Worksheet		
Note: Use this worksheet <i>only</i> if you plan to itemize deductions, claim certain adjustments to income, or have a large amount of nonwage income.		
1	Enter an estimate of your 2018 itemized deductions. These include qualifying home mortgage interest, charitable contributions, state and local taxes (up to \$10,000), and medical expenses in excess of 7.5% of your income. See Pub. 505 for details	1 \$ _____
2	Enter: { \$24,000 if you're married filing jointly or qualifying widow(er) \$18,000 if you're head of household \$12,000 if you're single or married filing separately }	2 \$ _____
3	Subtract line 2 from line 1. If zero or less, enter "-0-"	3 \$ _____
4	Enter an estimate of your 2018 adjustments to income and any additional standard deduction for age or blindness (see Pub. 505 for information about these items)	4 \$ _____
5	Add lines 3 and 4 and enter the total	5 \$ _____
6	Enter an estimate of your 2018 nonwage income (such as dividends or interest)	6 \$ _____
7	Subtract line 6 from line 5. If zero, enter "-0-". If less than zero, enter the amount in parentheses	7 \$ _____
8	Divide the amount on line 7 by \$4,150 and enter the result here. If a negative amount, enter in parentheses. Drop any fraction	8 _____
9	Enter the number from the Personal Allowances Worksheet , line H above	9 _____
10	Add lines 8 and 9 and enter the total here. If zero or less, enter "-0-". If you plan to use the Two-Earners/Multiple Jobs Worksheet , also enter this total on line 1, page 4. Otherwise, stop here and enter this total on Form W-4, line 5, page 1	10 _____

On Line 1:
Enter the total of estimated 2019 itemized deductions (if the client itemized in 2018 the amount of itemized deductions will be on line 8 of Form 1040.)

On Line 4:
Enter the total estimated 2019 adjustments – the actual adjustments for 2018 will be in Schedule 1, line 36, but be sure to speak with the client to determine what might change in 2019.

On Line 6:
This is an estimate of any 2019 income not subject to withholding tax. The corresponding amount for 2018 can be determined by adding up any income that the client had where taxes were not withheld – typically self-employment income, investment income, and (sometimes) items such as unemployment compensation, taxable Social Security,

Adjusting Form W-4, Cont.

Form W-4 (2018)

Page 4

Two-Earners/Multiple Jobs Worksheet**Note:** Use this worksheet *only* if the instructions under line H from the **Personal Allowances Worksheet** direct you here.

- 1 Enter the number from the **Personal Allowances Worksheet**, line H, page 3 (or, if you used the **Deductions, Adjustments, and Additional Income Worksheet** on page 3, the number from line 10 of that worksheet) 1 _____
 - 2 Find the number in **Table 1** below that applies to the **LOWEST** paying job and enter it here. **However**, if you're married filing jointly and wages from the highest paying job are \$75,000 or less and the combined wages for you and your spouse are \$107,000 or less, don't enter more than "3" 2 _____
 - 3 If line 1 is **more than or equal to** line 2, subtract line 2 from line 1. Enter the result here (if zero, enter "-0-") and on Form W-4, line 5, page 1. **Do not** use the rest of this worksheet 3 _____
- Note:** If line 1 is **less than** line 2, enter "-0-" on Form W-4, line 5, page 1. Complete lines 4 through 9 below to figure the additional withholding amount necessary to avoid a year-end tax bill.
- 4 Enter the number from line 2 of this worksheet 4 _____
 - 5 Enter the number from line 1 of this worksheet 5 _____
 - 6 **Subtract** line 5 from line 4 6 _____
 - 7 Find the amount in **Table 2** below that applies to the **HIGHEST** paying job and enter it here 7 \$ _____
 - 8 **Multiply** line 7 by line 6 and enter the result here. This is the additional annual withholding needed 8 \$ _____
 - 9 **Divide** line 8 by the number of pay periods remaining in 2018. For example, divide by 18 if you're paid every 2 weeks and you complete this form on a date in late April when there are 18 pay periods remaining in 2018. Enter the result here and on Form W-4, line 6, page 1. This is the additional amount to be withheld from each paycheck 9 \$ _____

Table 1**Table 2**

Married Filing Jointly		All Others		Married Filing Jointly		All Others	
If wages from LOWEST paying job are—	Enter on line 2 above	If wages from LOWEST paying job are—	Enter on line 2 above	If wages from HIGHEST paying job are—	Enter on line 7 above	If wages from HIGHEST paying job are—	Enter on line 7 above
\$0 - \$5,000	0	\$0 - \$7,000	0	\$0 - \$24,375	\$420	\$0 - \$7,000	\$420
5,001 - 9,500	1	7,001 - 12,500	1	24,376 - 82,725	500	7,001 - 36,175	500
9,501 - 19,000	2	12,501 - 24,500	2	82,726 - 170,325	910	36,176 - 79,975	910
19,001 - 26,500	3	24,501 - 31,500	3	170,326 - 320,325	1,000	79,976 - 154,975	1,000
26,501 - 37,000	4	31,501 - 39,000	4	320,326 - 405,325	1,330	154,976 - 197,475	1,330
37,001 - 43,500	5	39,001 - 55,000	5	405,326 - 605,325	1,450	197,476 - 497,475	1,450
43,501 - 55,000	6	55,001 - 70,000	6	605,326 and over	1,540	497,476 and over	1,540
55,001 - 60,000	7	70,001 - 85,000	7				
60,001 - 70,000	8	85,001 - 90,000	8				
70,001 - 75,000	9	90,001 - 100,000	9				
75,001 - 85,000	10	100,001 - 105,000	10				
85,001 - 95,000	11	105,001 - 115,000	11				
95,001 - 130,000	12	115,001 - 120,000	12				
130,001 - 150,000	13	120,001 - 130,000	13				
150,001 - 160,000	14	130,001 - 145,000	14				
160,001 - 170,000	15	145,001 - 155,000	15				
170,001 - 180,000	16	155,001 - 185,000	16				
180,001 - 190,000	17	185,001 and over	17				
190,001 - 200,000	18						
200,001 and over	19						

Client Resources

Obtaining a Social Security Number

A Social Security number can be obtained using Form SS-5, Application for a Social Security Card. Social Security can be reached at (800) 772-1213. A taxpayer that does not have his or her Social Security card will need to request a replacement Social Security card by completing the application for a Social Security Card (Form SS-5) and providing required documentation. Also effective October 1, 2015, SSA will stop providing benefit verification letters in their offices. Taxpayers will still be able to get an instant letter online with a personal “my Social Security” account or may call SSA to request a letter by mail.

Federal and State Resources

Helpful Phone Numbers

- Internal Revenue Service: (800) 829-1040; (800) 829-4059 (TDD)
- Illinois Department of Revenue: (800) 732-8866 or (217) 782-3336; (800) 544-5304 (TDD)
- Department of Education (for FAFSA questions): (800) 433-3243
- List of Low Income Taxpayer Clinics: IRS Publication 4143, (800) 829-3676

Helpful Links

- Internal Revenue Service
<http://www.irs.gov/>
- Illinois Department of Revenue
<http://tax.illinois.gov/>
- Property Index Number (PIN) lookup for homeowners:
 - Cook County tiny URL: <http://tinyurl.com/CookPIN>
 - DuPage County tiny URL: <http://tinyurl.com/DupagePIN>
 - Lake County tiny URL: <http://tinyurl.com/LakePIN>
- Illinois state refund lookup: <http://tinyurl.com/ILRefundLookup>

Paper Filing Addresses

Federal Form 1040:**Not enclosing a payment:**

Department of the Treasury
Internal Revenue Service
Fresno, CA 93888-0002

Enclosing a payment:

Internal Revenue Service
P.O. Box 80251
Cincinnati, OH 45280-2501

Federal Form 1040X:

Department of the Treasury
Internal Revenue Service
Fresno, CA 93888-0422

Illinois Form 1040:**Not enclosing a payment:**

Illinois Department of Revenue
Springfield, IL 62719-0001

Enclosing a payment:

Illinois Department of Revenue
Springfield, IL 62726-0001

Illinois Form 1040X:

Illinois Department of Revenue
P.O. Box 19007
Springfield, IL 62794-9007

Community Financial Resources (CFR)

Community Financial Resources (CFR), in partnership with US Bank, offers a free prepaid debit card (Focus Card) to clients of partner organizations. Tax Preparers and QR may offer this resource to clients who indicate that they are no longer willing to pay check cashing fees to access their own money, or any other client who has indicated that they would otherwise receive their refund via paper check. Many clients see this as an opportunity to open an additional account.

Immediately upon enrollment, clients will receive their account number and routing number, which should be entered by the Quality Reviewer in the Federal Information Worksheet or Form 8888 so that they can elect to direct deposit their refund onto this new card. Clients can expect to receive their physical card in the mail in less than two weeks, which is less time than it takes the IRS to issue refunds in most cases.

For account specifications and features, please see the CFR and US Bank Focus Card brochure.

To open a CFR/US Bank Focus Prepaid Card:

1. Login to **www.cfrcard.org/login** using the username specific to your tax site
2. Select “Enroll” button.
3. Together with the client, enter the client’s contact information.
4. Enter the client’s Social Security Number (ITIN not currently accepted).
5. Review information before submitting.

Use the account cards to write down their account and routing number.

Bank Routing Numbers

This applies to accounts opened in the State of Illinois only.

Bank	Routing Number	Location
Archer Bank	071004530	Chicago, IL
Associated Bank	071925855	Illinois
Banco Popular / Popular Community Bank	071924458	Illinois
Bank of America	081904808	Illinois
BMO Harris Bank	071025661	Illinois
Charter One Bank	241070417	Illinois
Chase Bank	071000013	Chicago, IL
Chicago Community Bank	071004158	Chicago, IL
Citibank	271070801	Illinois
Community Savings Bank	271070681	Chicago
Consumers Credit Union	271989950	Waukegan, IL
Credit Union One	271188081	Illinois
Fifth Third Bank	071923909	Chicago, IL
First American Bank	071922777	Elk Grove Village, IL
First Midwest Bank	071901604	Itasca, IL
Great Lakes Federal Credit Union	271992219	Illinois
Guaranty Bank	071974408	Illinois
Illinois Service Federal	271070924	Chicago, IL
Lakeside Bank	071001504	Illinois
Marquette Bank	071004284	Chicago, IL
MB Financial Bank	071001737	Chicago, IL
North Community Bank	071002707	Chicago, IL
NorStates Bank	071923378	Waukegan, IL
North Community Bank	071001533	Chicago, IL
North Side Community Federal Credit Union	271081599	Chicago, IL
Northbrook Bank and Trust Co.	071926184	Northbrook, IL
Pacific Global Bank	071006774	Chicago, IL
Pan American Bank	071006868	Chicago, IL
Parkway Bank and Trust Co.	071908160	Harwood Heights, IL
PNC Bank	071921891	Illinois
Seaway National Bank	071001216	Chicago, IL
Self-Help FCU Chicago Division	271071279	Cicero, IL
South Side Community Federal Credit Union	071093295	Chicago, IL
TCF National Bank	271972572	Illinois
Urban Partnership Bank	071004226	Chicago, IL
US Bank	071904779	Northern Illinois
USAA Federal Credit Union	314074269	Illinois
West Suburban Bank	071923349	Illinois

Affordable Care Act

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.

The ACA requires individuals to have qualifying healthcare coverage (called minimum essential coverage, or MEC) for each month of the year, qualify for a coverage exemption, or make a shared responsibility payment (SRP) when filing their federal income tax returns. (Refer to the chart below for a list of MEC qualifications).

Refer to page 3 of Form 13614-C as a guide for talking with your client about their MEC status.

Check appropriate box for each question in each section			Page 3
Yes	No	Unsure	Part VI - Health Care Coverage - Last year, did you, your spouse, or dependent(s)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1. (B) Have health care coverage?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2. (B) Receive one or more of these forms? (Check the box) <input type="checkbox"/> Form 1095-B <input type="checkbox"/> Form 1095-C
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3. (A) Have coverage through the Marketplace (Exchange)? [Provide Form 1095-A]
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3a. (A) If Yes, Receive an advanced payment from the Marketplace to help pay your monthly health care payments?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3b. (A) If yes, Is everyone listed on your Form 1095-A being claimed on this tax return?
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	4. (B) Have an exemption granted by the Marketplace?
Visit http://www.healthcare.gov/ or call 1-800-318-2596 for more information on health insurance options and assistance.			

Note: Household Income is defined *slightly* differently for the affordability exemption, Individual Shared Responsibility Payment, and Premium Tax Credit. Do not use the same value everywhere.

Step 1: Did the client have minimum essential coverage (MEC) in 2018?

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 standalone vision and dental plans (except pediatric dental coverage), workers' compensation coverage, and coverage limited to a specified disease or illness.

<p>Employer-sponsored coverage:</p> <ul style="list-style-type: none"> • Group health insurance coverage for employees under— <ul style="list-style-type: none"> • 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
<p>Individual health coverage:</p> <ul style="list-style-type: none"> • Health insurance you purchase directly from an insurance company • Health insurance you purchase through the Marketplace • Health insurance provided through a student health plan
<p>Coverage under government-sponsored programs:</p> <ul style="list-style-type: none"> • 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
<p>Other coverage:</p> <ul style="list-style-type: none"> • Certain foreign coverage • Certain coverage for business owners • Coverage recognized by HHS as minimum essential coverage.**

Note:

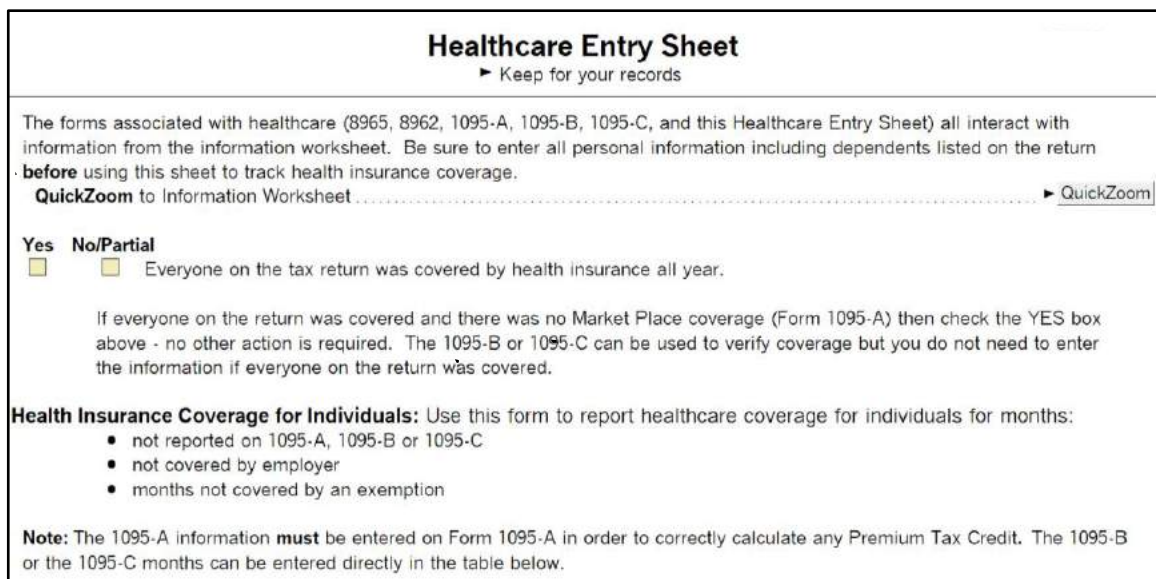
If a client is participating in a program which provides help to uninsured individuals to pay for health services at Cook County Hospital, this would NOT meet the requirement for Minimum Essential Coverage.

In Part I of the Federal Information Worksheet, click on the QuickZoom to the Healthcare Entry Sheet in order to complete the Minimum Essential Coverage information for the client in 2018.



Federal Information Worksheet

QuickZoom to the Healthcare Entry Sheet QuickZoom



Healthcare Entry Sheet
► Keep for your records

The forms associated with healthcare (8965, 8962, 1095-A, 1095-B, 1095-C, and this Healthcare Entry Sheet) all interact with information from the information worksheet. Be sure to enter all personal information including dependents listed on the return **before** using this sheet to track health insurance coverage.

QuickZoom to Information Worksheet QuickZoom

Yes No/Partial
☐ ☐ Everyone on the tax return was covered by health insurance all year.

If everyone on the return was covered and there was no Market Place coverage (Form 1095-A) then check the YES box above - no other action is required. The 1095-B or 1095-C can be used to verify coverage but you do not need to enter the information if everyone on the return was covered.

Health Insurance Coverage for Individuals: Use this form to report healthcare coverage for individuals for months:

- not reported on 1095-A, 1095-B or 1095-C
- not covered by employer
- months not covered by an exemption

Note: The 1095-A information **must** be entered on Form 1095-A in order to correctly calculate any Premium Tax Credit. The 1095-B or the 1095-C months can be entered directly in the table below.

If the client answers “Yes” and has a Form 1095-A indicating they purchased insurance on the Marketplace, proceed to 1095-A and Premium Tax Credit on page 279.

If the client answers “Yes” and has a Form 1095-B or 1095-C or otherwise indicates that all individuals on the tax return had insurance the full year, click “Yes” on the Healthcare Entry Sheet and continue preparing the return.

If a client answers “No/Partial” to this question, they may be required to pay the **Individual Shared Responsibility Payment (ISRP)** if they do not qualify for an exemption (see page 66). ProSeries will automatically calculate this amount and it will appear on Form 1040, Schedule 4 line 61 (see page 276). If anyone on the tax return had insurance for part of the year, scroll down to the bottom of the Healthcare Entry Sheet and enter which individuals/months they had insurance and then interview the client to determine if they qualify for an exemption (page 66).

Note: 1095-B and 1095-C are not required to be entered.

If a client marks **unsure**, interview the client regarding what would happen if someone listed on the tax return were to get sick or go to the hospital. If the client has a 1095-C, an explanation of the letter codes can be found on page 283, which may help determine whether the taxpayer and/or their family had offers of insurance.

Note: The mailing due date for Forms 1095-B and 1095-C is later than the required date for other income documents, so some clients may not have received their insurance forms by the time they come to have their tax return prepared. *If the client has indicated they had insurance the entire year, the return can still be prepared.* If the client was offered insurance through their employer and may be eligible for the Affordability exemption (see page 276), they will need to either provide the cost of the offered insurance or return after the 1095-C has been received.

Partial Year Coverage

If clients have partial-year coverage or only select individuals on the tax return have insurance, complete the section at the bottom of the Healthcare Entry Sheet.

Check this box to populate the Name, SSN, and DOB for everyone listed on the return below. ☐

Note: Checking this box again will repopulate the information below and overwrite existing entries.

Covered Individual (only complete the table below if not entering on 1095-A, 1095-B or 1095-C):

			Short Gap Eligible*													
			Yes	No												
a. Name of covered individual(s)	b. SSN	c. DOB	Covered all 12 months	Short gap	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1	ELLIOT	BLACKBURN	<input type="checkbox"/>	<input type="checkbox"/>												
	316-12-3456	01/11/45	<input type="checkbox"/>	<input type="checkbox"/>												
2			<input type="checkbox"/>	<input type="checkbox"/>												
3			<input type="checkbox"/>	<input type="checkbox"/>												
4			<input type="checkbox"/>	<input type="checkbox"/>												
5			<input type="checkbox"/>	<input type="checkbox"/>												
6			<input type="checkbox"/>	<input type="checkbox"/>												

Use to automatically import individuals, their DOB, and SSN

Then delete unnecessary individuals (right-click then "Delete Line in Table")

* See help for explanation of short gap Yes/No box function. It affects the calculation of short gap coverage for January and February based on answer, which indicates whether coverage at end of prior year qualify months for short gap eligibility.

The tax preparer should also complete the grey box on the 13614-C!

To be Completed by a Certified Volunteer Preparer (Use Publication 4012 and check the appropriate box(es) indicating Minimum Essential Coverage (MEC) for everyone listed on the return.)																												
Name (List dependents in the same order as in Part II)	MEC Entire Year	No MEC	Part Year MEC (mark months with coverage)					Exemption (mark months exemptions applies)					Exemption All Year	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		
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		

Step 2: Exemptions for paying the ISRP, Form 8965:

In certain circumstances, a taxpayer can avoid the ISRP if he qualifies for an exemption. If a client qualifies for an exemption, Form 8965 must be submitted with the federal tax return.

Form 8965, has three parts:

- Use Part I to report the Exemption Certificate Number for all Marketplace exemptions (uncommon)
- Use Part II to enter the IRS-granted exemptions for the entire household
- Use Part III to claim other IRS-granted exemptions for individuals (refer to the chart on page 275 for a list of exemptions)

Quick Zoom to Form 8965 on the Healthcare Entry Sheet:

If applicable enter Market Place exemptions (ECNs) or Request exemptions on form 8965
QuickZoom to Form 8965, Health Coverage Exemptions

QuickZoom

Form 8965 will also automatically show up in the Forms In Use on the left if the "yes" box at the top of the Healthcare Entry Sheet is not checked.

Part I: Marketplace Exemptions

These exemptions must be applied for through the Marketplace, require supporting documentation, and take a while to process. Examples of these exemptions include: certain Medicaid programs not considered Minimum Essential Coverage, members of certain religious sects, and general hardship (see Table).

Hardship Exemptions Granted by the Marketplace	
1. Homelessness	9. High expense caring for ill, disabled or aging relative
2. Eviction in the last 6 months or facing eviction or foreclosure	10. Failure of another party to comply with a medical support order for a dependent child who is determined ineligible for Medicaid or CHIP
3. Utility shut-off notice	11. Through an appeals process, determined eligible for a Marketplace QHP, PTC, or CSR but was not enrolled
4. Domestic violence	12. Determined ineligible for Medicaid because the state did not expand coverage
5. Recent death of a close family member	13. Individual health insurance plan was cancelled and you believe Marketplace plans are considered unaffordable
6. Disaster that resulted in significant property damage	14. Other hardship in obtaining coverage
7. Bankruptcy in the last 6 months	
8. Significant debt from medical expense in the last 24 months	

Application and information on how to apply for a hardship:

<https://marketplace.cms.gov/applications-and-forms/hardship-exemption.pdf>

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.

☐ Check this box to populate in Part I the Name, and SSN for everyone listed on the return.
Note: checking this box again will repopulate the information below and overwrite existing entries.

	a. Name of Individual	b. SSN	c. Exemption Certificate Number	Exemption Start Month *	Exemption End Month *
1					
2					
3					
4					
5					
6					

* Needed to determine months exempted from shared responsibility payment determination but not required on form.

The Marketplace will send the client a certificate number in the form of a letter

If the taxpayer has already applied for a Marketplace exemption, but the exemption has not been processed, enter "pending" under the Exemption Certificate Number.

Part II: IRS Exemption, Exemptions for a client's household

Part II will be mostly completed by ProSeries if the Household Income or Gross Income was below the filing threshold. However, if there are dependents who are required to file a tax return, their income must be included.

- Household Income: Sum of the MAGI from the tax return and the MAGI of all dependents required to file a tax return, see pages 276-278.
- Gross Income: All income received in the form of money, goods, property, and services that is not exempt from tax *Do not include income of dependents
- See page 28 for the chart on Filing Requirement Thresholds

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

Dependents Modified Adjusted Gross Income Smart Worksheet

A. Enter total of your dependents' modified AGI required to determine household income to claim exemption under 7, household income is below filing threshold.

7 If you are claiming a coverage exemption because your household or gross income is below the filing threshold, check here ☒

Part III: IRS Exemptions, Exemptions for Individuals on the Return

Each individual can claim specific exemptions by the month or by the year. Use the checkbox to auto-populate this form with the Name and SSN for everyone on the tax return, then delete the lines (by right clicking on the line) for any individuals for whom no exemption is required. Use the check boxes to indicate months that the client was covered by insurance and use the dropdown in menu in box c to select the appropriate code. A list of codes with explanations is provided below.

Part III Coverage Exemptions Claimed on Your Return for Individuals : If you and/or a member of your tax household are claiming an exemption on your return, complete Part III.

Request Exemptions Smart Worksheet

Enter requests for exemptions in the Smart Worksheet except for short coverage gaps (Code B). They will be included in the table below and short coverage gap exemptions will be entered in the table below automatically.

☐ Check this box to populate in Part III the Name, and SSN for everyone listed on the return.

Note: Checking this box again will repopulate the information below and overwrite existing entries.

	a. Name of Individual					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						
A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	No entry													
B	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	A - Coverage is considered unaffordable													
C	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	C - Citizens living abroad and others													
D	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	D - Health care sharing ministry members													
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	E - Indian tribe members													
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	F - Incarceration													
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	G - Hardship or HCTC eligible													
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	H - Born, Died or Adopted													

Exemptions:

- **A:** To qualify for this exemption, the affordability MUST be computed (see page 276).
- **C:** Also applies for clients who are in the U.S. illegally, including ITIN holders and those under DACA (Deferred Action for Childhood Arrivals)
- **D:** Health Care Sharing Ministry Members
- **E:** Indian tribe members
- **F:** Incarceration
- **G:** Hardship under a Code G must be computed based on the Affordability Worksheet. General hardship exemptions must be applied for through the Marketplace and are claimed in Part I.
- **H:** Applies when an individual was born, adopted or died during the year. Only needed if another exemption applies.

Short Gap Exemption

The short gap exemption applies when the gap in coverage is less than 3 months. Most short gap exemptions will be automatically calculated by ProSeries. See example below.

Healthcare Entry Sheet

If applicable enter information on form 1095-C, Employer-Provided Health Insurance Offer and Coverage
QuickZoom to Form 1095-C, Employer-Provided Health Insurance Offer and Coverage [QuickZoom](#)

If applicable enter Market Place exemptions (ECNs) or Request exemptions on form 8965
QuickZoom to Form 8965, Health Coverage Exemptions [QuickZoom](#)

Check this box to populate the Name, SSN, and DOB for everyone listed on the return below. ☐

Note: Checking this box again will repopulate the information below and overwrite existing entries.

Covered Individual (only complete the table below if not entering on 1095-A, 1095-B or 1095-C):

			Short Gap Eligible*												
			Yes No												
a. Name of covered individual(s)	b. SSN	c. DOB	Covered all 12 months	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1	JOHN	DOE		Short gap: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No											
	340-23-9020	06/01/60	<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 checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
2				Short gap: <input type="checkbox"/> Yes <input type="checkbox"/> No											
			<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"/>

Note: When the gap occurs in January alone or January and February, we are required to look back to the prior year to see if there was insurance in December and earlier months. The counting of less than three months includes the last months of the prior year. If the client was covered in prior months, they are truly eligible for the short gap exemption and you must indicate this using the short gap check box.

			Short Gap Eligible*												
			Yes No												
a. Name of covered individual(s)	b. SSN	c. DOB	Covered all 12 months	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1	JOHN	DOE		Short gap: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No											
	340-23-9020	06/01/60	<input type="checkbox"/>	<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"/>
2				Short gap: <input type="checkbox"/> Yes <input type="checkbox"/> No											
			<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"/>

Other Exemptions

Types of Coverage Exemptions

This chart shows all of the coverage exemptions available for 2018, including information about where each can be obtained and the code 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. For additional detail about the eligibility rules for the coverage exemptions that are claimed on the tax return, see the Instructions for Form 8965.

Coverage Exemption	Granted by Marketplace	Claimed on tax return	Code for Exemption
Income below the filing threshold — Your gross income or your household income was less than your applicable minimum threshold for filing a tax return.		✓	No Code See Part II
Coverage considered unaffordable — The required contribution is more than 8.05% of your household income		✓	A
Short coverage gap — You went without coverage for less than 3 consecutive months during the year. There is a look-back rule for gaps of coverage at the start of the year. See the Instructions for Form 8965 for details.		✓	B
Citizens living abroad and certain noncitizens — You were: <ul style="list-style-type: none"> • A U.S. citizen or resident who was physically present in a foreign country or countries for at least 330 full days during any period of 12 consecutive months; • 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; • A bona fide resident of a U.S. territory; • 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; • Not lawfully present in the U.S. and not a U.S. citizen or U.S. national. For this purpose, an immigrant with Deferred Action for Childhood Arrivals (DACA) status is not considered lawfully present and therefore qualifies for this exemption. For more information about who is treated as lawfully present in the U.S. for purposes of this coverage exemption, visit Healthcare.gov; or • 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 nonresident 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 2018, but met certain presence requirements and elected to be treated as a resident alien. For more information see Pub. 519. 		✓	C
Members of a health care sharing ministry — You were a member of a health care sharing ministry.		✓	D
Members of Indian tribes — 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
Incarceration — You were in a jail, prison, or similar penal institution or correctional facility after the disposition of charges.		✓	F
Aggregate self-only coverage considered unaffordable — 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
Resident of a state that did not expand Medicaid — Your household income was below 138% of the federal poverty line for your family size and at any time in 2018 you resided in a state that didn't participate in the Medicaid expansion under the Affordable Care Act. See calculation on the following page.		✓	G
Member of tax household born or adopted during the year — The months before and including the month that an individual was added to your tax household by birth or adoption. You should claim this exemption only if you are also claiming another exemption on your Form 8965.		✓	H
Member of tax household died during the year — The months after the month that a member of your tax household died during the year. You should claim this exemption only if you are also claiming another exemption on your Form 8965.		✓	H
Members of certain religious sects — The marketplace determined that you are a member of a recognized religious sect.	✓		Need ECN See Part I
Ineligible for Medicaid based on a state's decision not to expand Medicaid coverage — The marketplace found that you would have been 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
General hardship — The Marketplace determined that you experienced a hardship that prevented you from obtaining coverage under a qualified health plan.	✓		Need ECN See Part I
Coverage considered unaffordable based on projected income — The Marketplace determined that you didn't have access to coverage that is considered affordable based on your projected household income.	✓		Need ECN See Part I
Certain Medicaid programs that are not minimum essential coverage — The Marketplace determined that 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 coverage provided to a medically needy individual and were without coverage for other months because the spend-down had not been met.	✓		Need ECN See Part I

Hardship Exemptions Granted by the Marketplace

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

* The coverage exemptions for members of Indian tribes is no longer granted by the Marketplace, except in Connecticut. See the Instructions for Form 8965 to claim the exemption.

Other Exemptions, Cont.

Codes A & G: Coverage considered unaffordable

Note: Another volunteer tax program has created a website which assists preparers in determining whether taxpayers qualify for a Code A or G exemption for affordability.

The calculator can be found at:

<https://cotaxaide.org/tools/ACA%20Affordability%20Calculator.html>.

See your site leader to get access to this calculator and the instructions for using it. It is the basis used by Ladder Up for determining if a Code A or G exemption applies.

Federal Poverty Lines

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 2018 will be based on the 2017 federal poverty lines.

2017 Poverty Lines for the 48 Contiguous States and the District of Columbia			
For families/households with more than 8 persons, add \$4,180 for each additional person (100% Poverty Line)			
Persons in family/household	100% Poverty Line	138% Poverty Line	400% Poverty Line
1	\$12,060	\$16,643	\$48,240
2	\$16,240	\$22,411	\$64,960
3	\$20,420	\$28,180	\$81,680
4	\$24,600	\$33,948	\$98,400
5	\$28,780	\$39,716	\$115,120
6	\$32,960	\$45,485	\$131,840
7	\$37,140	\$51,253	\$148,560
8	\$41,320	\$57,022	\$165,280

Individual Shared Responsibility Payment (Form 8965)

If the client does not have Minimum Essential Coverage or an Exemption, they will be responsible for the Individual Shared Responsibility Payment (ISRP). This amount will be computed automatically by ProSeries at the bottom of Form 8965 (below the Part III Exemptions).

How is the Individual Shared Responsibility Payment (ISRP) Calculated?

For the year, based on the **greater** of the calculated

1. Percentage of income or
 2. Flat dollar amount
- Limited to maximum of 3X per household (\$2,085 for 2018)
 - Cannot exceed the national average premium for bronze- level health plans
 - Prorated for months without coverage/exemption.

Greater of				
	2014	2015	2016	After 2016
Percentage income (annual)	1% of household income	2% of household income	2.5% of household income	2.5% of household income
Flat dollar amount (annual)	\$95 per adult 50% for individuals under 18	\$325 per adult 50% for individuals under 18	\$695 per adult 50% for individuals under 18	\$695 per adult plus an increase based on cost of living 50% for individuals under 18

Exemptions: Form 8965, Part II

Household Exemptions for Income Below Filing Threshold

Exemption Type	Details
Household income below filing threshold (Form 8965, Line 7)	<p>Household income is the sum of the modified adjusted gross income (MAGI) from the tax return and the MAGI of all dependents required to file a tax return. Use the Filing Requirements for Children and Other Dependents chart (in this tab) to determine whether the dependent is required to file his or her own tax return.</p> <div style="text-align: center;"> <div style="display: inline-block; border: 1px solid black; padding: 5px; margin: 5px;">MAGI</div> <div style="display: inline-block; vertical-align: middle;">=</div> <div style="display: inline-block; border: 1px solid black; padding: 5px; margin: 5px;">Adjusted Gross Income (AGI)</div> <div style="display: inline-block; vertical-align: middle;">+</div> <div style="display: inline-block; border: 1px solid black; padding: 5px; margin: 5px;">Tax-Exempt Interest</div> <div style="display: inline-block; vertical-align: middle;">+</div> <div style="display: inline-block; border: 1px solid black; padding: 5px; margin: 5px;">Excluded Foreign Income</div> </div> <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <div style="text-align: center;">Form 1040</div> <div style="text-align: center;">Form 1040</div> <div style="text-align: center;"> <small>* International certification only</small> Form 2555, Form 2555-EZ </div> </div>
Gross income below filing threshold (Form 8965, Line 7)	<p>Gross Income means all income received in the form of money, goods, property, and services that is not exempt from tax, see definition of gross income below.</p> <ul style="list-style-type: none"> • Do not include income of any dependents

If either exemption applies, stop. There is no need to consider other exemptions for individual members of the household.

2018 Federal Tax Filing Thresholds for Most People

Filing Status	Age*	Must file a return if gross income** exceeds
Single	Under 65 65 or older	\$12,000 \$13,600
Head of Household	Under 65 65 or older	\$18,000 \$19,600
Married Filing Jointly***	Under 65 (both spouses) 65 or older (one spouse) 65 or older (both spouses)	\$24,000 \$25,300 \$26,600
Married Filing Separately	Any age	\$5
Qualifying Widow(er)	Under 65 65 or older	\$24,000 \$25,300

* If you were born on January 1, 1954, you are considered to be age 65 at the end of 2018. (If your spouse died in 2018 or if you are preparing a return for someone who died in 2018, see Pub. 501.)

** Gross income means all income you received in the form of money, goods, property, and services that isn't exempt from tax, including any income from sources outside the United States. It also includes gain from the sale of your main home, even if you can exclude part or all of it. Include only the taxable part of social security benefits. It also includes gains, but not losses, reported on Form 8949 or Schedule D. Gross income from a business means, for example, the amount on Schedule C, line 7, or Schedule F, line 9. But, in figuring gross income, do not reduce your income by any losses, including any loss on Schedule C, line 7, or Schedule F, line 9.

*** If you did not live with your spouse at the end of 2018 (or on the date your spouse died) and your gross income was at least \$5, you must file a return regardless of your age.

So, for 2018 tax returns, ISRP is the GREATER of:

- 1) (Household MAGI* - Filing Threshold**) x 2.5%, OR
- 2) Flat rate of \$695 per adult + \$347.50 per child (up to \$2,085 per tax return)

If coverage was only for part of the year, multiply the IRSP by the fraction of months the client was insured

1095-A and Premium Tax Credit

There are three (3) possible forms relevant to Health Insurance. Select the appropriate form in ProSeries using the QuickZoom button.

- Form 1095-A: Insurance was obtained from the Marketplace (**Mandatory for the tax return**)
 - If the taxpayer did not receive a Form 1095-A from the Marketplace, he can call 1-800-318-2596 (TTY: 1-855-889-4325) or login to his account at www.healthcare.gov
- Form 1095-B: Insurance was obtained from a health insurance issuer or carrier
- Form 1095-C: Insurance was obtained from an employer

If client purchased insurance on the Marketplace, information from the 1095-A MUST be entered into ProSeries.

Healthcare Entry Sheet: Click the QuickZoom to Form 1095-A

Health Insurance Coverage for Individuals: Use this form to report healthcare coverage for individuals for months:

- not reported on 1095-A, 1095-B or 1095-C
- not covered by employer
- months not covered by an exemption

Note: The 1095-A information must be entered on Form 1095-A in order to correctly calculate any Premium Tax Credit. The 1095-B or the 1095-C months can be entered directly in the table below.

If applicable enter information on form 1095-A, Health Insurance Marketplace Statement

QuickZoom to Form 1095-A, Health Insurance Marketplace Statement [▶ QuickZoom](#)

1095-A: Complete the information as it appears on the client's Form 1095-A (Advanced preparers ONLY)

Form 1095-A - Insurance Exchange (HEALTH INSURANCE)

Form 1095-A Health Insurance Marketplace Statement
Keep for your records

QuickZoom to Form 1095-A, Health Insurance Marketplace Statement [▶ QuickZoom](#)
QuickZoom to Form 8962, Premium Tax Credit (PTC) [▶ QuickZoom](#)

Name(s) Shown on Return Your Social Security No.

Owned by (check one): ☒ Taxpayer ☐ Spouse ☐ Spouse covered: ☐ This 1095-A is a corrected 1095-A

Part I Recipient Information

1 Marketplace identifier 2 Marketplace-assigne XXXXXXXXXXXX

4 Recipient's name 7 Recipient's spouse's name

10 Policy start date 11 Policy termination date

13 City or town 14 State or province

Part II Covered Individuals

☐ Check this box to populate the Name, SSN, and DOB for everyone listed on the return in Part II.
Note: Checking this box again will repopulate the information below and overwrite existing entries.

A. Covered individual name		B. Covered individual SSN	C. Covered individual date of birth	D. Coverage start date	E. Coverage termination date
First	Last				
16					
17					

Part III Coverage Information

Month	Copy Feature See help for more info.	A. Monthly enrollment premiums	B. Monthly second lowest cost silver plan (SLCSP) premium	C. Monthly advance payment of premium tax credit
21 JANUARY	<input type="checkbox"/>			
22 FEBRUARY	<input type="checkbox"/>			
23 MARCH	<input type="checkbox"/>			
24 APRIL	<input type="checkbox"/>			
25 MAY	<input type="checkbox"/>			
26 JUNE	<input type="checkbox"/>			
27 JULY	<input type="checkbox"/>			
28 AUGUST	<input type="checkbox"/>			
29 SEPTEMBER	<input type="checkbox"/>			
30 OCTOBER	<input type="checkbox"/>			
31 NOVEMBER	<input type="checkbox"/>			
32 DECEMBER	<input type="checkbox"/>			
33 Annual Totals				

Premium Tax Credit and Advanced Premium Tax Credit (Advanced Only)

The Premium Tax Credit (PTC) is claimed by taxpayers on the tax return. If a client received Advanced Premium Tax Credits (APTC) during the year, he must file a tax return in order to reconcile the correct amount for the year. The PTC only applies to clients who purchased insurance through the Marketplace (and therefore received a 1095-A).

Who qualifies for the PTC? Taxpayers who:

- Purchase insurance through the Marketplace during open enrollment or who have reported life changes (Nov 1, 2017 – Jan 31, 2018)
- Have income between 100 and 400 percent of the poverty line (See page 276 for Federal Poverty Lines)
- Do not have a filing status of Married Filing Separately
- Are not filing as a dependent of someone else
- Are not eligible for Medicare or Medicaid/CHIP or most other employee-sponsored plans

Form 8692

Form 8962 reconciles the correct amount of PTC from the year with the APTC. If APTC payments were more or less at the end of the year, the difference will appear in the payments section of the Form 1040 Schedule 5 line 70 if the client is owed additional PTC, or on Form 1040, Schedule 2 line 46 if the client must repay a portion of the APTC. A client may also use Form 8962 if he wishes to claim the PTC upon filing his tax return when he did not receive APTC.

****If a person receives APTC, he must file a tax return!***

Reasons that the client may have to pay back part of his APTC:

- Errors in estimating taxpayer's income (mid-year wage increases, bonuses, etc.)
- Errors in estimating a dependent's income
- Incorrect Form 1095-A
- Change in filing status
- Change in household size

Remind and encourage taxpayers to report their changes to the Marketplace mid-year.

Form 8962: Health Insurance Premium Tax Credit			
Form 8962		Premium Tax Credit (PTC) ▶ Attach to Form 1040, 1040A, or 1040NR.	
QuickZoom to Form 1095-A, Health Insurance Marketplace Statement			
Name(s) shown on your return		Social Security Number	
Sally M White		123-45-6789	
Check here to indicate Hardship			
Part 1 Annual and Monthly Contribution Amount			
1 Family Size: Enter the number of exemptions from Form 1040, line 6d		1	2
2a Modified AGI: Enter your modified AGI (see instructions)		2a	17,500.
2b Enter total of your dependents' modified AGI (see instructions)		2b	0.
3 Household Income: Add the amounts on lines 2a and 2b		3	17,500.
4 Federal Poverty Line: Enter the federal poverty amount as determined by the			

Enter the **Modified Adjusted Gross Income (MAGI)** for the client's dependents IF dependents' gross income is above the filing threshold.

Note: Income documents or a 2018 tax return for the dependents will be required to complete this information.

MAGI (Modified Adjusted Gross Income) = Adjusted Gross Income (7 of Form 1040) + Non-Taxable Social Security Benefits (line 5a minus line 5b of Form 1040) + Tax-Exempt Interest (line 2a of Form 1040) + Excluded Foreign Income (foreign earned income excluded from taxation of individuals who live abroad, IRS Form 2555).

For example: Jim has \$12,000 in wages, \$12,000 in Social Security, and \$750 in student loan interest. AGI = \$12,000 in wages - \$750 of the student loan interest which equals \$11,250. Since the Social Security is non-taxable it is excluded. In order to get the MAGI, \$11,250 (AGI) is added to \$12,000 (non-taxable Social Security benefits) which equals \$23,250.

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

Part 2 will automatically calculate. If changes occurred during the year that the client did not report to the Marketplace such as changes in marital status, income, etc., the Total Premium Tax Credit (Line 24) and the Advance Payment of PTC (Line 25) will differ.

If Line 24 (PTC) is larger than Line 25 (APTC), then the Net Premium Tax Credit is carried over on Form 1040, Schedule 5, line 70.

Part 3 Repayment of Excess Advance Payment of the Premium Tax Credit

Part 3 will automatically calculate. If Line 24 (PTC) is smaller than Line 25 from part 2, then the Excess Advance Payment of PTC is computed on Line 27 and the client will be responsible for repayment, which could be limited by the Repayment Caps for APTC. The Excess Advance Premium Tax Credit Repayment amount will be on Line 29 and also on Form 1040, Schedule 2, line 46.

Repayment Caps for APTC		
Income (as % of federal poverty line)	Taxpayers Filing as SINGLE	Taxpayers Using Other Filing Statuses
Under 200%	\$300	\$600
200% – 299%	\$750	\$1,500
300% – 399%	\$1,275	\$2,550
400% and above	No cap (full repayment)	No cap (full repayment)

***Part 4 and 5 are out of scope for the VITA program**

If all the individuals listed on the 1095-A are not also listed on the tax return, this indicates that a Shared Policy Allocation must be completed which is OUT-OF-SCOPE.

Part 4 Shared Policy Allocation

Part 5 Alternative Calculation for Year of Marriage

Handling Large APTC Repayments

To minimize repayment, consider the following strategies (as outlined in Publication 4012)

- Make sure Form 1095-A is correct and complete
 - Ask the taxpayer to contact the Marketplace if the form doesn't reflect premiums that were paid or if there are other errors.
- Consider income adjustments to reduce household income
 - If the taxpayer is eligible to claim an IRA deduction, remember that taxpayers can contribute to an IRA until the tax filing deadline.
 - If someone on the taxpayer's return has tuition expenses, consider the Tuition and Fees deduction instead of an education credit.
- Consider married filing separately
 - The taxpayer may be ineligible for the PTC, but filing separately may cap repayment at a lower level based on income.

IMPORTANT! If the taxpayer is currently enrolled in Marketplace coverage and has a 2018 repayment, the taxpayer should contact the Marketplace now to adjust their 2019 APTC to avoid similar repayments for the 2019 tax year!

1095-C - Codes for lines 14-16

Clients employed at large employers may receive a 1095-C. The various codes on lines 14-16 indicate whether the employee and/or their family were offered and accepted insurance satisfying the Minimum Essential Coverage (MEC) requirement.

Line 14 Code Descriptions	Line 15 Entry
1A Qualifying offer: Minimum Essential Coverage (MEC) providing Minimum Value (MV) offered to full-time employee , and at least MEC offered to spouse and dependents . Employee contribution for self-only coverage is \$93.18 or less (for 2015).	Leave blank
1B MEC providing MV offered to employee only	Required
1C MEC providing MV offered to employee and at least MEC offered to dependents (no spouse)	Required
1D MEC providing MV offered to employee and at least MEC offered to spouse (no dependents)	Required
1E MEC providing MV offered to employee and at least MEC offered to dependents and spouse . (If employee contribution for self-only coverage is more than \$93.18 for 2015, use Code 1E.)	Required
1F Offer of MEC NOT providing MV was made to employee, or employee and spouse or dependents, or employee, spouse and dependents	Leave blank
1G Offer of coverage to employee who was not a full-time employee for any month and who enrolled in self-insured coverage for one or more months	Leave blank
1H No offer of coverage to the employee , or the offer was not MEC	Leave blank
1I Qualifying Offer Transition Relief for 2015: Employee (and spouse or dependents) received no offer of coverage, received an offer that is not a qualifying offer, or received a qualifying offer for less than 12 months.	Leave blank

1k MEC offered to employee; MEC offered to dependents; and MEC conditionally offered to spouse
Required

Line 16 – Applicable Section 4980H Safe Harbor

Line 16 provides an opportunity for an employer to indicate an exception to a penalty. Completing this line is optional, however it is in the employer's best interest to provide the information if it is applicable.

2A Employee not employed during the month	2F Section 4980H affordability Form W-2 safe harbor
2B Employee is not a full-time employee	2G Section 4980H affordability federal poverty line safe harbor
2C Employee enrolled in coverage offered	2H Section 4980H affordability rate of pay safe harbor
2D Employee is in a limited non-assessment period	2I Non-calendar year transition relief
2E Multiemployer interim rule relief	

If more than one code applies to Line 16, use the following guidelines:

- If 2E and any other Code series 2 applies, enter 2E
- If 2C and any other Code series 2 applies other than Code 2E, enter 2C
- If 2B and 2D apply, enter 2D

Other Helpful ACA Resources:

IRS ACA Page: <https://www.irs.gov/Affordable-Care-Act>

Beyond the Basics: <http://www.healthreformbeyondthebasics.org/>

Publication 4012: <https://www.irs.gov/pub/irs-pdf/p4012.pdf>

Common Abbreviations:

ACA – Affordable Care Act

AGI – Adjusted Gross Income

APTC – Advance Premium Tax Credit

ISRP – Individual Shared Responsibility Payment

MAGI – Modified Adjusted Gross Income

MEC – Minimum Essential Coverage

PTC – Premium Tax Credit