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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.

Ladder Up's 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.

Ladder Up Programs:

(1) <u>Tax Assistance Program (TAP)</u>
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 over 20 service locations, mostly in the Chicagoland area. In 2019, Ladder Up prepared 39,456 returns, helping clients secure $58.23 million in tax refunds. Additionally, Ladder Up assisted 229 clients in applying for and/or renewing their Individual Taxpayer Identification Number (ITIN).

(2) <u>Financial Capability</u>
Higher Education Access Initiative
Ladder Up helps students secure financial aid through assistance with the Free Application for Federal Student Aid (FAFSA). During FY 2018-2019, Ladder Up assisted 5,967 students and parents with the FAFSA and financial aid presentations and workshops, helping them secure an estimated $18.85 million in financial aid awards for higher education. Ladder Up also educated 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 2018-2019, Ladder Up reached over 2,343 individuals through workshops and one-on-one financial coaching. The organization also helped clients access 1,707 asset building services at tax sites through its Save Up pilot program.

Asset Building at Tax Time
Ladder Up leverages tax time to connect low-income clients with asset-building services including credit report pulls, financial coaching, fee-less debit cards, and incentivized savings opportunities.

If a client is interested in financial aid services or financial coaching, please ask them to call and leave a message at (312) 409-1555 or e-mail SaveUp@goladderup.org.

Free Financial Coaching on the following topics 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

(3) <u>Tax Clinic</u>

Ladder Up offers free legal representation to low-income taxpayers facing tax controversies

If a client needs to contact the Tax Clinic, please ask them to call (312) 630-0242, or e-mail info@goladderup.org

Any Illinois taxpayer who meets our tax preparation income guidelines is eligible for free services from the 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 (Filing Status, Dependency Exemptions, etc.)
- 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)
- Injured Spouse
- 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

What's New

Below are highlights of some of the notable changes for tax year 2019.

Due Date for Tax Year 2019 returns: Wednesday, April 15, 2020

Standard Deduction Increases
The standard deduction for taxpayers who do not itemize deductions on Schedule A has increased. The standard deduction amounts for 2019 are:
$24,400 – Married Filing Jointly or Qualifying Widow(er) (increase of $400)
$18,350 – Head of Household (increase of $350)
$12,200 – Single or Married Filing Separately (increase of $200)

$1,300 Additional for 65 or older or blind and Married Filing Jointly ($1,650 for single or head of household)
$1,100 or $350 plus earned income for individual claimed as a dependent, but not more than $12,200.

Personal Exemption Amount
There will be no personal exemptions for 2019, 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.

The gross income limit for a qualifying relative is $4,200

Shared Responsibility Payments
For 2019, the Individual Shared Responsibility Payment (ISRP) is reduced to zero.

Earned Income Credit (EIC)
For 2019, the maximum credit is:
$6,557 with three or more qualifying children
$5,828 with two qualifying children
$3,526 with one qualifying child
$529 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:

	Qualifying Children Claimed			
If filing	Zero	One	Two	Three or more
Single, HOH, or QW	$15,570	$41,094	$46,703	$50,162
Married Filing Jointly	$21,370	$46,884	$52,493	$55,952

The taxpayer also may not have investment income greater than $3,600 for the year.

Alimony

For any divorce or separate maintenance instrument executed after December 31, 2018 (or executed on or before December 31, 2018 and modified after that date if the modification expressly provides that the amendments made by the Tax Cuts and Jobs Act, Section11051 apply to such modification), alimony and separate maintenance payments are no longer deductible by the payor souse. Additionally, such alimony and separate maintenance payments are no longer included in income by the recipient of the payments.

Qualified Business Income Deduction

Self-employed taxpayers at the income level served by Ladder Up will receive a deduction introduced in 2018 that is generally equal to 20% of self-employment income. This deduction will reduce federal income taxes but not self-employment taxes or Illinois income taxes. There is a new Form 8995 Qualified Business Income Deduction Simplified Computation which eligible Ladder Up clients will use to calculate the credit.

Electronic Filing Reminder

Ladder Up is able to e-file current-year tax returns (2019) and one year prior (2018) for both state and federal returns. Amended returns must always be paper filed.

Itemized Deductions

Medical expenses subject to a 10% of AGI threshold 2019

Expired Provisions

The Bipartisan Budget Act of 2018 extended the following provisions only through December 31, 2017. They are expired for 2019.

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

Form 8862 Revision Reminder

Form 8862, Information to Claim Certain Credits After Disallowance, was revised to also encompass American Opportunity Tax Credit (AOTC), Child Tax Credit (CTC), Additional Child Tax Credit (ACTC), and Credit for Other Dependents (ODC) in addition to the Earned Income Tax Credit (EITC).

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 2016, 2017, or 2018, it will expire 12/31/2019. Additionally, ITINs with the following middle digits will also expire at the end of the year (12/31/2019).

83, 84, 85, 86, or 87

For example, if a client has the ITIN 9XX-86-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 leave a message at (312) 409-1555 to schedule an appointment.

ITIN's with the middle digits 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, or 81, expired prior to 2019. If clients have an ITIN with these middle digits and if they have not yet renewed the ITIN, follow the same process as in the prior paragraph to have these ITINs renewed. After a client renews their ITIN, the number they need to use will remain the same. The only difference is that the letter they receive will say "renewed" on it, and the client does not need to renew a second time.

1040 Revision for 2019

Form 1040 has been redesigned (again!) for 2019. The Form 1040, is supplemented with Schedules 1, 2, and 3. These additional schedules will be used as needed to complete more complex tax returns.

There is also a new form 1040-SR, U. S. Income Tax Return for Seniors which is designed for taxpayers 65 and older. The form has increased font size and includes a standard deduction chart. **As in prior years, Ladder Up will use only Form 1040 for TAP clients.**

Forms 1040A and 1040-EZ are not available for 2018 or 2019 tax returns. Schedule C-EZ is not available for 2019 returns.

The following pages show the draft Form 1040 as it existed when this manual was being prepared.

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 SSN/ITIN are recorded, where dependents are claimed, and where lines 1-11b show up.

Form **1040** Department of the Treasury—Internal Revenue Service (99)
U.S. Individual Income Tax Return **2019** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing Status Check only one box. ☐ Single ☐ Married filing jointly ☐ Married filing separately (MFS) ☐ Head of household (HOH) ☐ Qualifying widow(er) (QW)
If you checked the MFS box, enter the name of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent. ▶

Your first name and middle initial	Last name	Your social security number
If joint return, spouse's first name and middle initial	Last name	Spouse's social security number
Home address (number and street). If you have a P.O. box, see instructions.	Apt. no.	**Presidential Election Campaign** Check here if you, or your spouse if filing jointly, want $3 to go to this fund. Checking a box below will not change your tax or refund. ☐ You ☐ Spouse
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).		
Foreign country name	Foreign province/state/county	Foreign postal code

If more than four dependents, see instructions and ✓ here ▶ ☐

Standard Deduction **Someone can claim:** ☐ You as a dependent ☐ Your spouse as a dependent
☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness **You:** ☐ Were born before January 2, 1955 ☐ Are blind **Spouse:** ☐ Was born before January 2, 1955 ☐ Is blind

Dependents (see instructions):

(1) First name Last name	(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see instructions): Child tax credit	Credit for other dependents
			☐	☐
			☐	☐
			☐	☐
			☐	☐

Standard Deduction for—
- Single or Married filing separately, $12,200
- Married filing jointly or Qualifying widow(er), $24,400
- Head of household, $18,350
- If you checked any box under *Standard Deduction*, see instructions.

1	Wages, salaries, tips, etc. Attach Form(s) W-2			1	
2a	Tax-exempt interest	2a	b Taxable interest. Attach Sch. B if required	2b	
3a	Qualified dividends	3a	b Ordinary dividends. Attach Sch. B if required	3b	
4a	IRA distributions	4a	b Taxable amount	4b	
c	Pensions and annuities	4c	d Taxable amount	4d	
5a	Social security benefits	5a	b Taxable amount	5b	
6	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐			6	
7a	Other income from Schedule 1, line 9			7a	
b	Add lines 1, 2b, 3b, 4b, 4d, 5b, 6, and 7a. This is your **total income** ▶			7b	
8a	Adjustments to income from Schedule 1, line 22			8a	
b	Subtract line 8a from line 7b. This is your **adjusted gross income** ▶			8b	
9	**Standard deduction or itemized deductions** (from Schedule A)	9			
10	Qualified business income deduction. Attach Form 8995 or Form 8995-A	10			
11a	Add lines 9 and 10			11a	
b	**Taxable income.** Subtract line 11a from line 8b. If zero or less, enter -0-			11b	

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2019)

Form 1040, Page 2

This is where the most common tax credits (refundable and nonrefundable) will be, and where paper returns are signed.

Form 1040 (2019) Page **2**

12a	**Tax** (see inst.) Check if any from Form(s): **1** ☐ 8814 **2** ☐ 4972 **3** ☐	12a		
b	Add Schedule 2, line 3, and line 12a and enter the total ▶		12b	
13a	Child tax credit or credit for other dependents	13a		
b	Add Schedule 3, line 7, and line 13a and enter the total ▶		13b	
14	Subtract line 13b from line 12b. If zero or less, enter -0-		14	
15	Other taxes, including self-employment tax, from Schedule 2, line 10		15	
16	Add lines 14 and 15. This is your **total tax** ▶		16	
17	Federal income tax withheld from Forms W-2 and 1099		17	
18	Other payments and refundable credits:			
a	Earned income credit (EIC)	18a		
b	Additional child tax credit. Attach Schedule 8812	18b		
c	American opportunity credit from Form 8863, line 8	18c		
d	Schedule 3, line 14	18d		
e	Add lines 18a through 18d. These are your **total other payments and refundable credits** ▶			
19	Add lines 17 and 18e. These are your **total payments** ▶		19	

• If you have a qualifying child, attach Sch. EIC.
• If you have nontaxable combat pay, see instructions.

Refund

20	If line 19 is more than line 16, subtract line 16 from line 19. This is the amount you **overpaid**		20	
21a	Amount of line 20 you want **refunded to you.** If Form 8888 is attached, check here ▶ ☐		21a	
▶ **b**	Routing number	▶ **c** Type: ☐ Checking ☐ Savings		
▶ **d**	Account number			
22	Amount of line 20 you want **applied to your 2020 estimated tax** ▶	22		

Direct deposit? See instructions.

Amount You Owe

23	**Amount you owe.** Subtract line 19 from line 16. For details on how to pay, see instructions ▶		23	
24	Estimated tax penalty (see instructions) ▶	24		

Third Party Designee (Other than paid preparer)

Do you want to allow another person (other than your paid preparer) to discuss this return with the IRS? See instructions. ☐ **Yes.** Complete below. ☐ **No**

Designee's name ▶ Phone no. ▶ Personal identification number (PIN) ▶

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	If the IRS sent you an Identity Protection PIN, enter it here (see inst.)
Spouse's signature. If a joint return, **both** must sign.	Date	Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see inst.)
Phone no.	Email address		

Paid Preparer Use Only

Preparer's name	Preparer's signature	Date	PTIN	Check if: ☐ 3rd Party Designee ☐ Self-employed
Firm's name ▶		Phone no.		
Firm's address ▶			Firm's EIN ▶	

Go to www.irs.gov/Form1040 for instructions and the latest information. Form **1040** (2019)

DRAFT AS OF September 11, 2019 DO NOT FILE

Schedule 1

Additional Income and Adjustments to Income will be reported on Schedule 1.

SCHEDULE 1
(Form 1040 or 1040-SR)
Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

► Attach to Form 1040 or 1040-SR.
► Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074
2019
Attachment Sequence No. 01

Name(s) shown on Form 1040 or 1040-SR | **Your social security number**

At any time during 2019, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency? ☐ **Yes** ☐ **No**

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes	1	
2a	Alimony received	2a	
b	Date of original divorce or separation agreement (see instructions) ►		
3	Business income or (loss). Attach Schedule C	3	
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	
6	Farm income or (loss). Attach Schedule F	6	
7	Unemployment compensation	7	
8	Other income. List type and amount ►	8	
9	Combine lines 1 through 8. Enter here and on Form 1040 or 1040-SR, line 7a	9	

Part II Adjustments to Income

10	Educator expenses	10	
11	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	11	
12	Health savings account deduction. Attach Form 8889	12	
13	Moving expenses for members of the Armed Forces. Attach Form 3903	13	
14	Deductible part of self-employment tax. Attach Schedule SE	14	
15	Self-employed SEP, SIMPLE, and qualified plans	15	
16	Self-employed health insurance deduction	16	
17	Penalty on early withdrawal of savings	17	
18a	Alimony paid	18a	
b	Recipient's SSN ►		
c	Date of original divorce or separation agreement (see instructions) ►		
19	IRA deduction	19	
20	Student loan interest deduction	20	
21	Reserved for future use	21	
22	Add lines 10 through 21. These are your **adjustments to income.** Enter here and on Form 1040 or 1040-SR, line 8a	22	

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71479F **Schedule 1 (Form 1040 or 1040-SR) 2019**

Schedule 2

Additional Taxes (including excess advance premium tax credit and self-employment tax) will be reported on Schedule 2.

SCHEDULE 2 (Form 1040 or 1040-SR)
Department of the Treasury Internal Revenue Service

Additional Taxes

► Attach to Form 1040 or 1040-SR.
► Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074
2019
Attachment Sequence No. 02

Name(s) shown on Form 1040 or 1040-SR | Your social security number

Part I Tax

1	Alternative minimum tax. Attach Form 6251	1	
2	Excess advance premium tax credit repayment. Attach Form 8962	2	
3	Add lines 1 and 2. Enter here and include on Form 1040 or 1040-SR, line 12b	3	

Part II Other Taxes

4	Self-employment tax. Attach Schedule SE	4	
5	Unreported social security and Medicare tax from Form: **a** ☐ 4137 **b** ☐ 8919	5	
6	Additional tax on IRAs, other qualified retirement plans, and other tax-favored accounts. Attach Form 5329 if required	6	
7a	Household employment taxes. Attach Schedule H	7a	
b	Repayment of first-time homebuyer credit from Form 5405. Attach Form 5405 if required	7b	
8	Taxes from: **a** ☐ Form 8959 **b** ☐ Form 8960 **c** ☐ Instructions; enter code(s)	8	
9	Section 965 net tax liability installment from Form 965-A — 9		
10	Add lines 4 through 8. These are your **total other taxes.** Enter here and on Form 1040 or 1040-SR, line 15	10	

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71478U **Schedule 2 (Form 1040 or 1040-SR) 2019**

Schedule 3

Additional Credits and Payments (such as 2019 estimated tax payments and amount applied from 2018 return) will be reported on Schedule 3.

SCHEDULE 3 (Form 1040 or 1040-SR)
Department of the Treasury Internal Revenue Service

Additional Credits and Payments

► Attach to Form 1040 or 1040-SR.
► Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074
2019
Attachment Sequence No. 03

Name(s) shown on Form 1040 or 1040-SR | Your social security number

Part I Nonrefundable Credits

1	Foreign tax credit. Attach Form 1116 if required	1	
2	Credit for child and dependent care expenses. Attach Form 2441	2	
3	Education credits from Form 8863, line 19	3	
4	Retirement savings contributions credit. Attach Form 8880	4	
5	Residential energy credit. Attach Form 5695	5	
6	Other credits from Form: **a** ☐ 3800 **b** ☐ 8801 **c** ☐	6	
7	Add lines 1 through 6. Enter here and include on Form 1040 or 1040-SR, line 13b	7	

Part II Other Payments and Refundable Credits

8	2019 estimated tax payments and amount applied from 2018 return	8	
9	Net premium tax credit. Attach Form 8962	9	
10	Amount paid with request for extension to file (see instructions)	10	
11	Excess social security and tier 1 RRTA tax withheld	11	
12	Credit for federal tax on fuels. Attach Form 4136	12	
13	Credits from Form: **a** ☐ 2439 **b** ☐ Reserved **c** ☐ 8885 **d** ☐	13	
14	Add lines 8 through 13. Enter here and on Form 1040 or 1040-SR, line 18d	14	

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71480G **Schedule 3 (Form 1040 or 1040-SR) 2019**

State of Illinois Updates

- Illinois residents are now required to provide their county of residence (a list can be found on page 189)
- Single and Head of Household filing status are now displayed separately on the return
- Estimated tax payment threshold increased from $500 to $1,000
- The tax year 2019 exemption amount for Illinois is **$2,275**

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 (TAP Client Intake and Case Review Guide)

Each tax site has unique qualities, but general site flow of operations are the same. Please refer to the TAP Client Intake and Case Review Guide for a more complete overview of the site set up, intake and case review, tax preparation, quality review, and site break down steps.

Who Needs to File? (TAP Client Intake and Case Review Guide)

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.

Please review the ***TAP Client Intake and Case Review Manual*** for more information

VITA and Ladder Up Scope of Service

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 ***ProSeries Tax Manual –Injured Spouse, Form 8379, page 199***.
- 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

- 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)
- 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 in this situation). Ladder Up clients must be FULL-YEAR ILLINOIS RESIDENTS for us to complete both the Federal and Illinois return.

Bankruptcy

- Client was in bankruptcy at any time during the year and also had a cancellation of debt during the tax year, the client is Out-of-Scope. (Note that any cancellation of debt other than personal credit card debt is also Out-of-Scope)

Sources of Income

- Taxpayers with income from the following sources reported on Form 1040:
    - Other gains/losses (line 14)
    - Farm income (line 18)
- Accrual method for reporting income
- Taxpayers who buy or sell bonds between interest payment dates
- Adjustments needed for amounts listed on Form 1099-OID, or if the taxpayer should have received Form 1099-OID but did not
- Form 1099-INT, box labeled "Specified private activity bond interest" if AMT applies
- 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
- Ministers and members of the clergy because of unique tax issues (such as parsonage/housing allowance, etc.)
- Income from Puerto Rico
- Combat pay (Code Q on Form W-2)

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)

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

Form K-1

Form K-1 is in scope for only the following limited income types:

- Interest income
- Dividend income
- Qualified Dividends income
- 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
- Royalty income (Schedule E)

Any other type of income and any type of expenses, tax credits or similar items puts form K-1 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
- 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

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)

ProSeries Overview

Once you are logged into the computer, click the desk top application for ProSeries 2019:

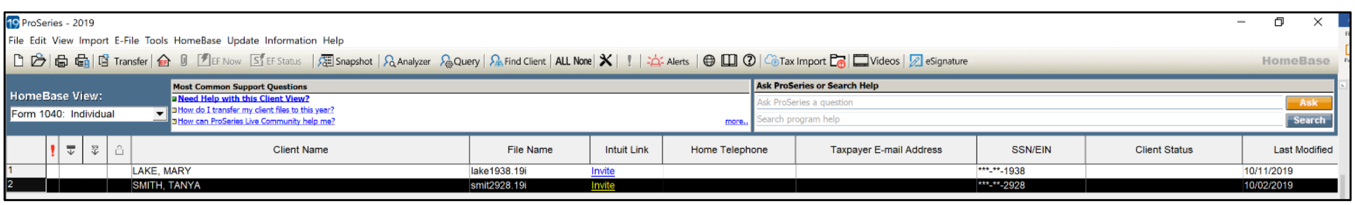
All Ladder Up computers will have ProSeries 2016 – 2019 installed.

Select locations (Loop/HWL and Uptown/Truman have additional years installed).

If you are using a previous year, please note that **many of the ProSeries icons look <u>very similar</u>**. Be sure to select the correct icon that corresponds to the correct tax year!

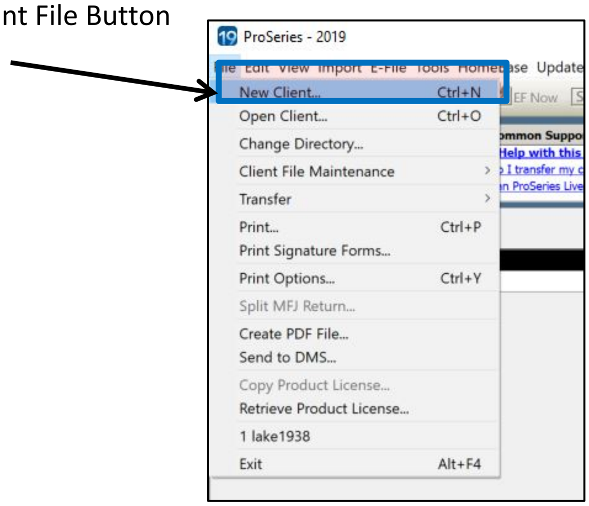
Home Base

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



From HomeBase, or the top bar, you can start a new client be either:

- Clicking "File – New Client"
- Clicking on the New Client File Button
- Using Ctrl+N

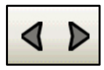


Client Data Toolbar

Once you have opened a return you will see the Client Data Toolbar at the top of the screen:

Arrows: Navigating Forward and Back

At the top right of the page, you will see two small arrows. You can use this to navigate back and forward between different screens and forms.

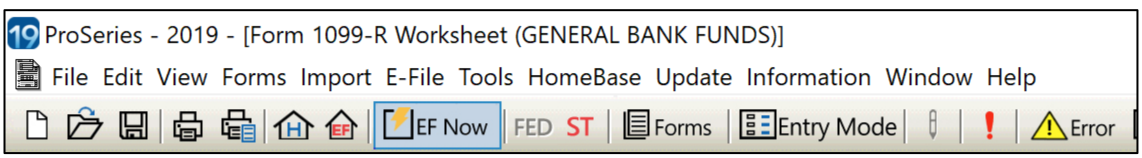


Quick Zoom

You will see the QuickZoom button appear in multiple places throughout ProSeries. This allows you to a certain portion of a worksheet or form fast.

Forms: Where Do I Enter Cheat Sheet

To easily navigate and find any Forms, use the Forms button at the top of the client tool the top bar and the printed YELLOW *Where Do I Enter Cheat Sheet* at your tax site.



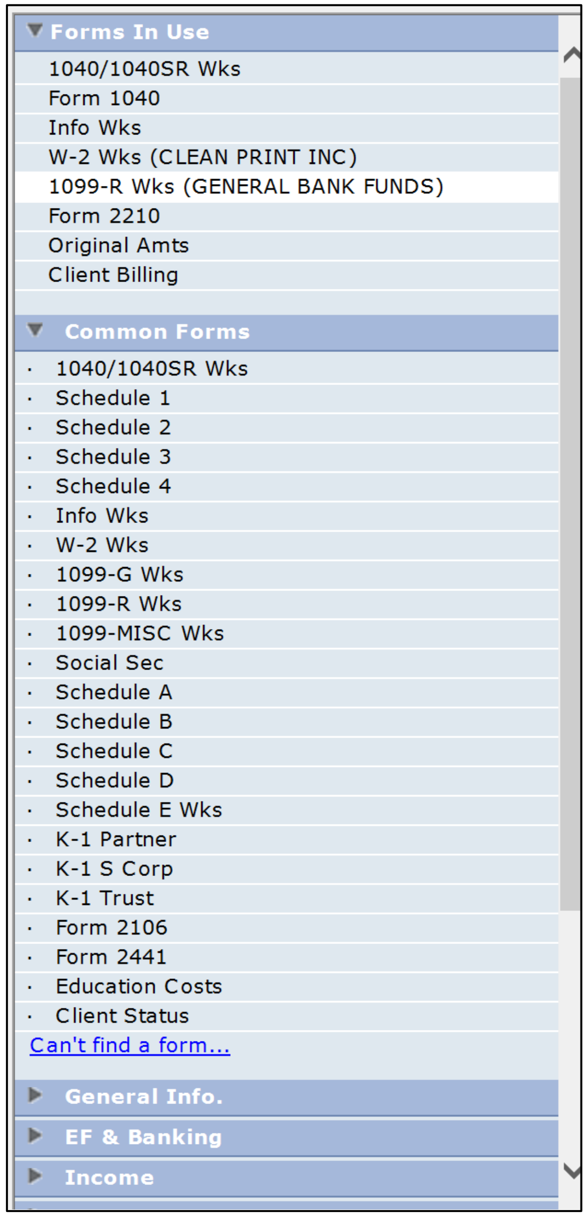
ProSeries General Hints and Tips:

- Press “tab” to move to the next field
- Pink shaded fields must be completed
- Date fields can be filled in as MO/DA/YR (last two digits of the year is sufficient if you type in the slashes between fields)
- When entering an address, enter the Zip Code first and this will auto-populate the City & State
- Enter a form EIN first. If the payer has been entered previously, it will auto-populate

Using the Forms Bar

On the left hand side of the screen, you will see a list of **Forms In Use**:

Immediately below that are **Common Forms**.



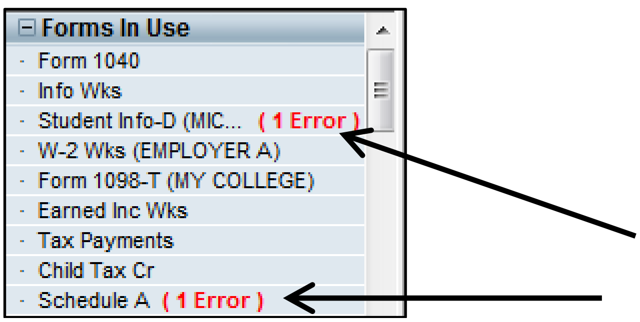
Error Check in ProSeries

In the **Form Bar** on the left side, errors will appear in **RED**.

Clicking on the word "error" next to the open form will take you to the location of the error on the page, which will be shaded in pink.

Note: **Make sure you follow the steps on the PINK Tax Preparer Checklist.**

<u>Wait to clear the errors until AFTER you have entered all of the client's tax documents, any relevant deductions, and credits.</u>



Please make sure to **<u>clear all *other* errors</u>** on **both the Federal and State return** before the return is finalized.

If you are unsure of how to clear a specific error in ProSeries, please use this ProSeries Tax Manual, or ask your Site Manager/Leader (or other experienced volunteers at the site) for assistance.

Saving Client File to Tax Site Hard Drive

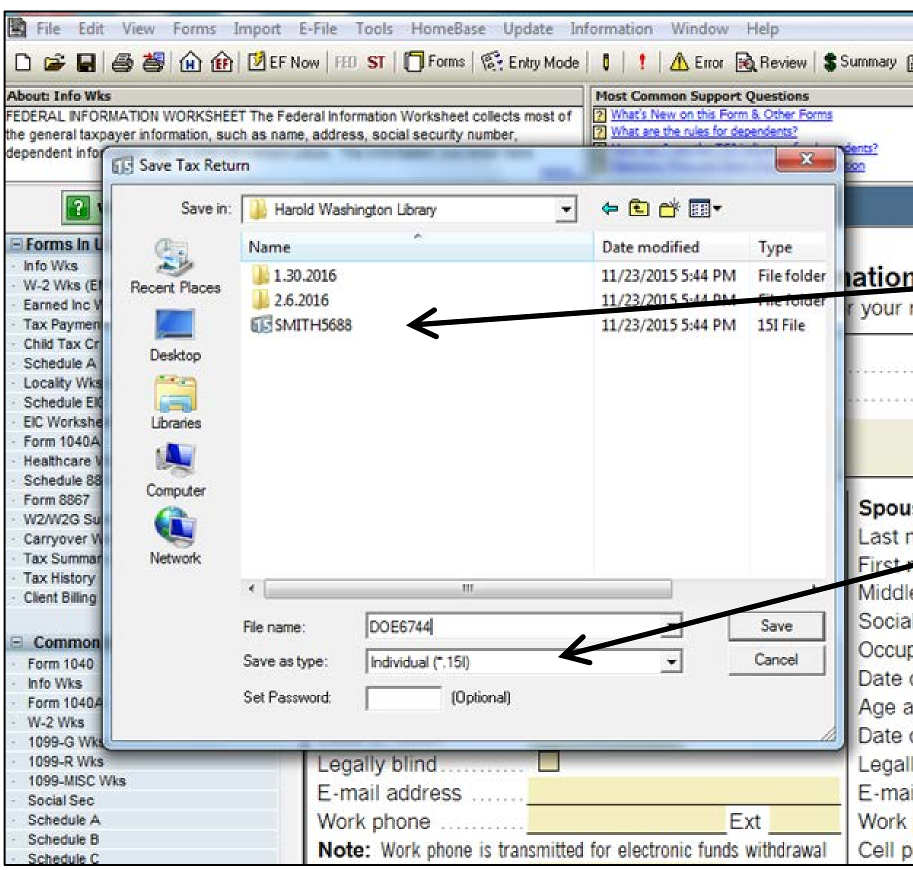
Once you have entered the client's information (name, address, SSN/ITIN, etc.) make sure to save their return. ProSeries is a desktop client and **the file will not save automatically**. Please remember to save the file periodically so that any work you have done is saved in case the computer has any issues.

When you save a client file, please make sure that you **save to the tax site hard drive, not to your computer's hard drive**. The name of your tax site (Harold Washington Library in the screen shot below) should be visible. If it is not, and if you don't know how to fix this, **ask your Site Manager/Leader or a more experienced volunteer before saving.**

Naming Client Files

- The client file name will automatically populate as the first four letters of their last name and last four digits of their TIN. (For example: John Smith, SSN 321-23-1234 would save automatically under the file name "SMIT1234.17i".)
- For amended returns, type "_AMEND" after the last four numbers of the client's SSN in the file name, e.g., SMIT1234_AMEND.16i.

When you save for the first time, make sure you are saving within the Site Location Folder (ex: Loop/Harold Washington Library). For current and prior-year returns, they are all saved to the same location (within the Site Location Folder).



*Do **NOT** place files in dated folders.*

Save within the Site Location Folder, but outside the dated folders.

ProSeries files are automatically named with the tax year so you do not have to change the name if the client has multiple tax years.

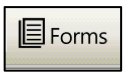
***The file name and save location are defaulted; pleased <u>do not change</u> either,** provided that you are saving to the site hard drive*

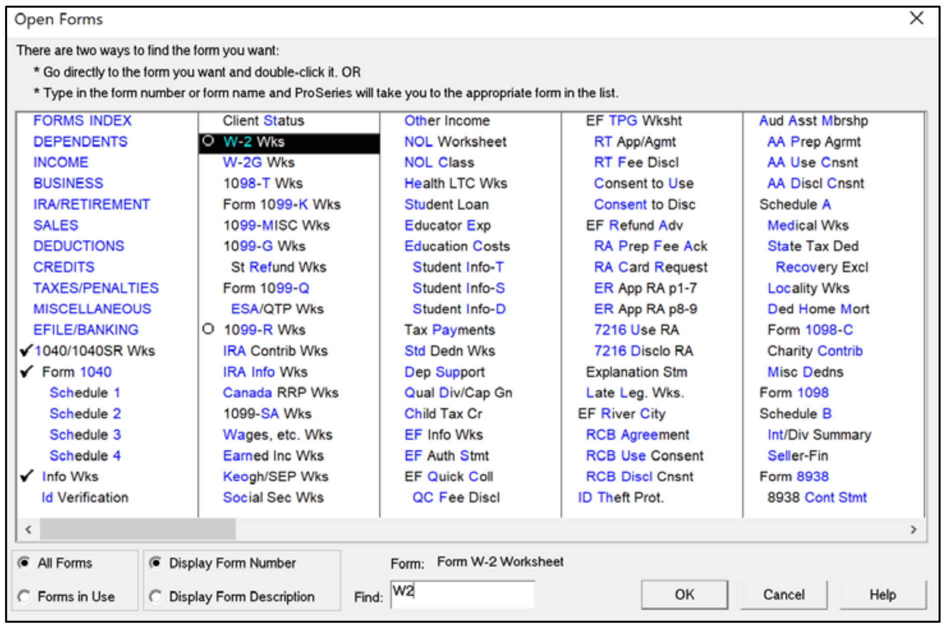
ProSeries files are automatically named with the tax year so you do not have to change the name if the client has multiple tax years (ex: SMIT1234.15i is tax year 2015, SMIT1234.19i is tax year 2019, etc.)

<u>Do NOT save or move the file into the dated folder</u>. Only the Site Manager/Leader will move files into the dated folders, as part of their site closing procedures at the end of the session.

Adding a New Form or Finding an Open Form

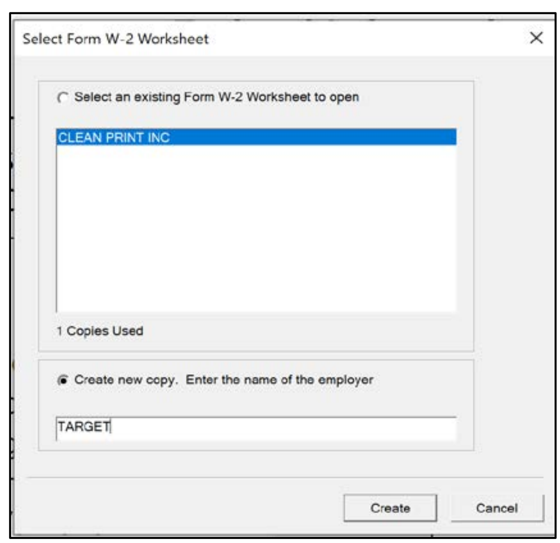
1. Click the **Forms** button, and use the YELLOW "*Where Do I Enter?* Cheat Sheet" to help you find the shortcut to use to open or add the appropriate form.





2. When you are adding a form, <u>always enter a name</u> that corresponds to the employer/payer/entity. (For a Mortgage Form this might be *Bank of America*, for a W2 this might be *Target*, for a 1099-MISC this might be *Uber)*.

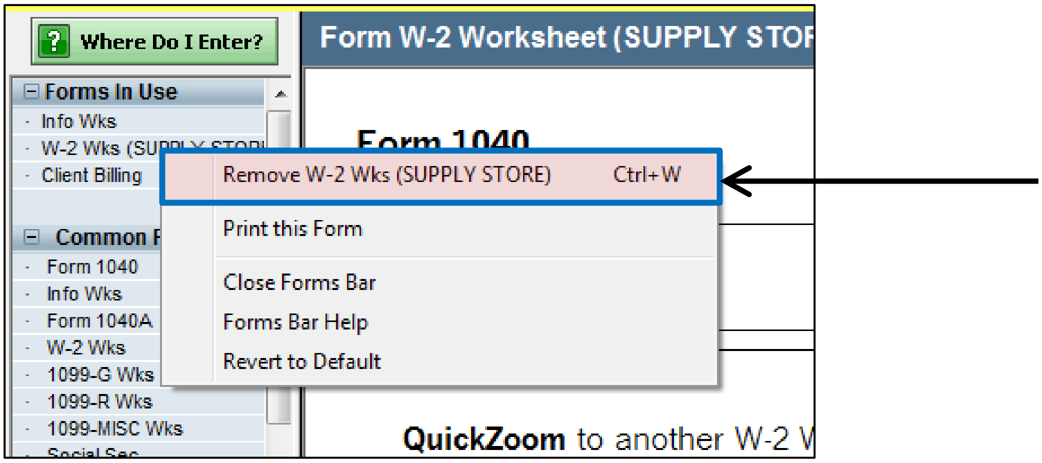
   This will be especially helpful for when you are adding more than one of the same type of form, and will also help the Tax Preparer and Quality Reviewer keep track of which documents have been entered/reviewed.



3. You can use the Forms button to either open up an existing worksheet or to create a new one (Create a new copy).

Removing a Form

To remove a form, right click on the form in the forms tree, and then click on the option to remove the form.



Transfer Client from a Previous Year

If a client had their taxes prepared with Ladder Up at a ProSeries site in 2016, 2017, or 2018, then a copy of their return may be accessed so that their information will carry forward to the next tax year.

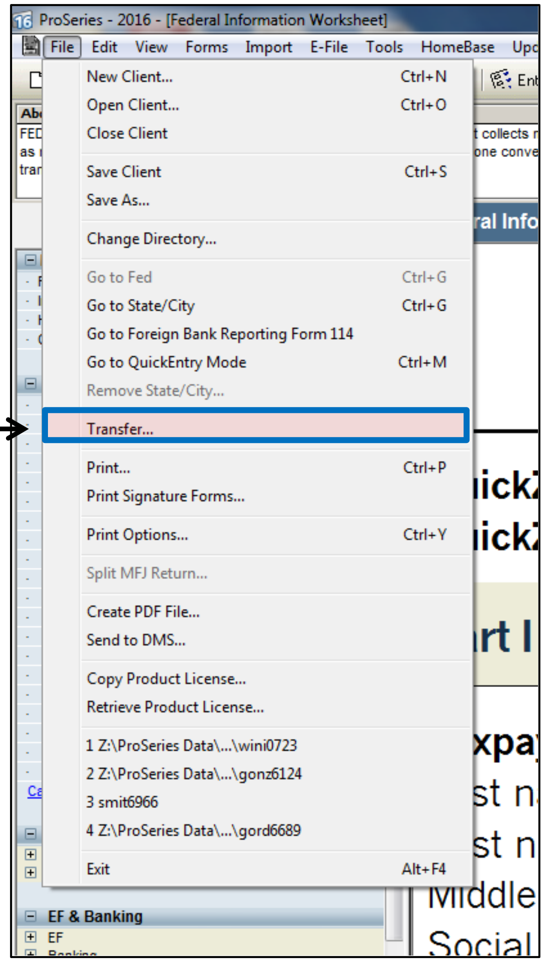
For example: If a client was at Englewood/Kennedy-King College in 2018 and wants to have their returns prepared at Bronzeville/Chicago Bee Library in 2019, we can transfer forward their information into the new return year.

Note: You can only transfer a client's data forward one year. For example, you can transfer a 2017 file forward one year to 2018, but you cannot transfer a 2016 file forward to 2018.

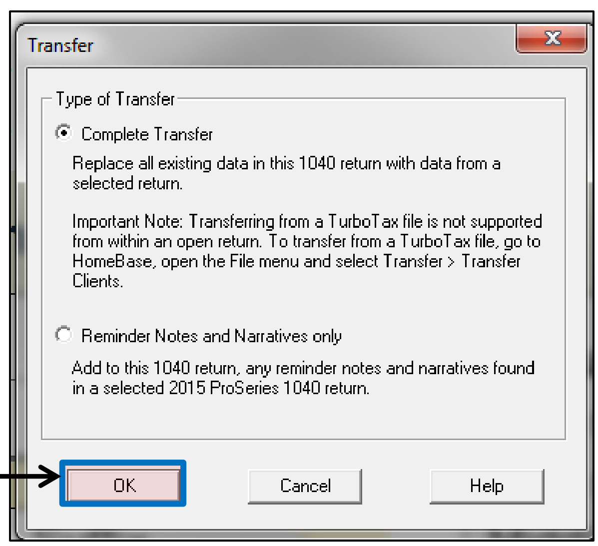
1. Before transferring files, you must open a new file by clicking **File > New Client**. You will be presented with a new, blank screen.

If you do not first open up a new, empty client file to transfer the file into, you will overwrite existing client information.

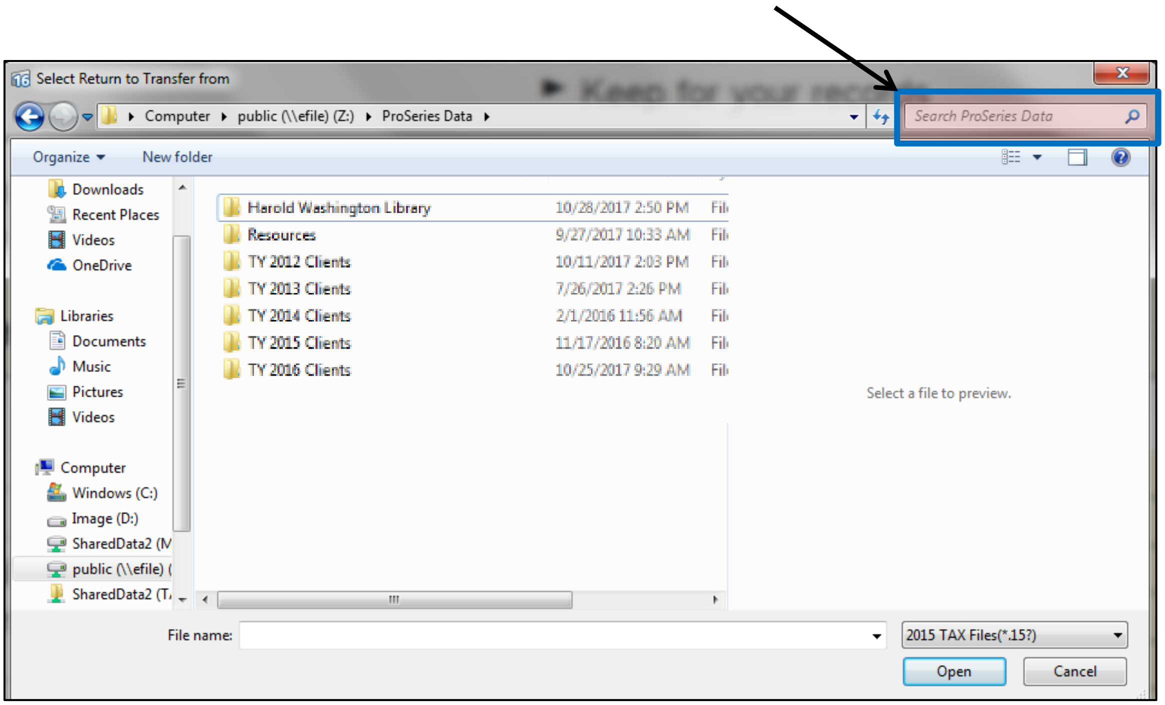
2. Select **File > Transfer**



3. When the next screen is presented with **Complete Transfer** selected, **click "OK"**.

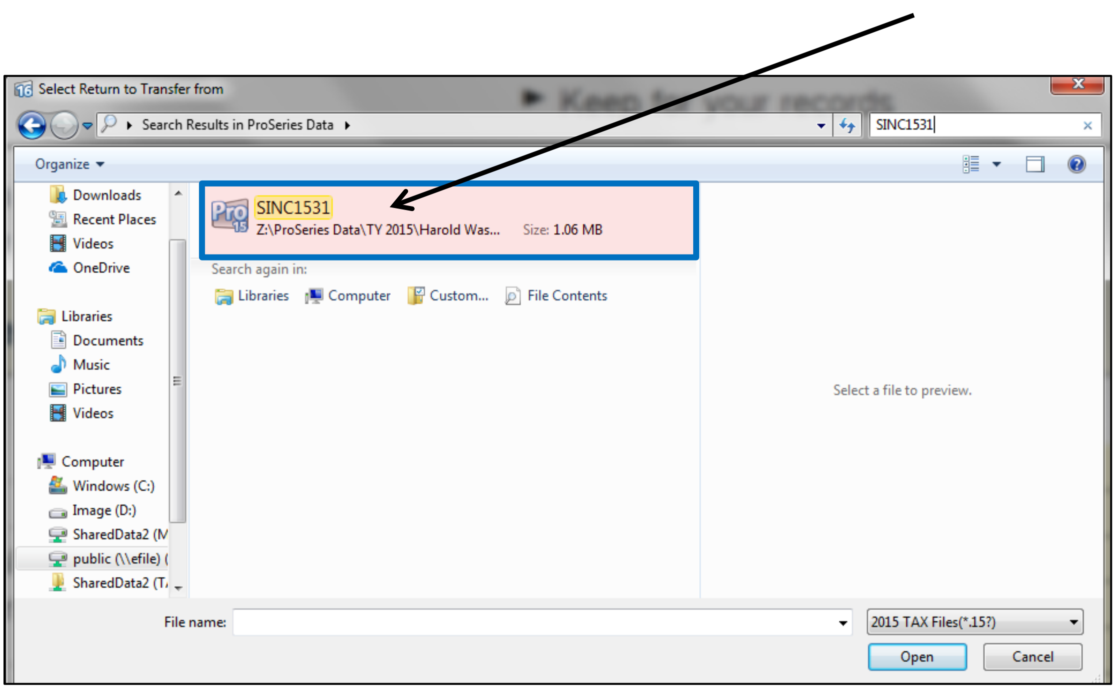


4. Search for the file name of the client which is always in the same format – **first four letters of the last name + last four digits of the Social or ITIN** (e.g. SINC1531)



Note: You can search for the client file across the entire tax year folder, but it may take a bit longer for the computer to finish the search. If the client knows which location they came to in the previous year, it is sometimes faster to open up the tax year and search within the site location folder.

5. If the client was served by Ladder Up last year their file will appear, **click and it and click "Open".**

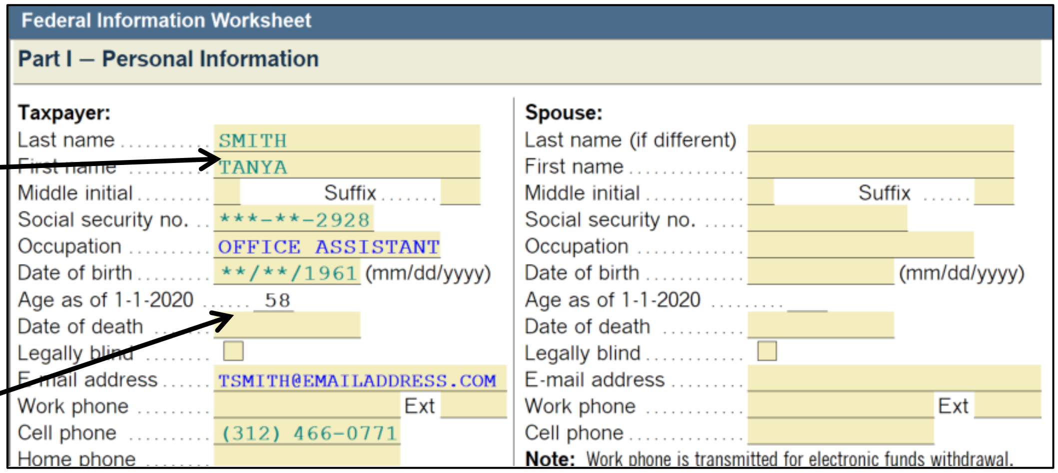


6. The client's Federal and State Information Worksheet that is being carried forward from the previous year return will populate into the return in a lighter blue-green shade. Anything new or changed text will appear in a darker blue shade.

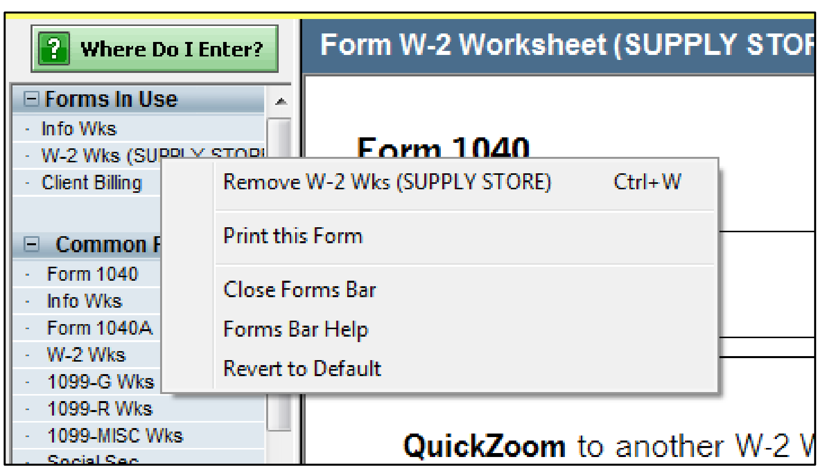
   - Check the client's first name, last name, and middle initial and their Social Security Number/ITIN to ensure you have transferred forward the correct file.
   - As you check through the client's tax documents, make sure to **remove any tax documents that carried forward that are no longer relevant in the current year** (for example, if the client switched jobs)

First and Last name transferred forward and appear light blue-green.

Occupation for client changed, and was typed into this form so it appears in a darker blue shade.



7. If necessary, a form can be removed by *right-clicking over the form* in the "**Forms in Use"** Bar and selecting "**Remove this Form**".



Previous Year Tax Returns

Priority is given to clients completing current tax year returns. During March, if there is a slow down at your tax site, your Site Manager/Leader may decide to also assist clients in preparing up to three prior year returns. (ProSeries 2016, ProSeries 2017, and ProSeries 2018 will be installed on all tax site computers).

If a client has multiple years (2015 or earlier) and your tax site does not have the software or the capacity to accommodate them, please encourage the client to plan to come to the Loop/CPL - Harold Washington or Uptown/Truman College locations during the week in March, or to attend one of Ladder Up's Summer Sessions.

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 *ProSeries Tax Manual: Transfer Client from a Previous Year,* on page 24**Error! Bookmark not defined.**.
- Clients should complete an IRS 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 tax year. Ask your Site Manager/Leader for a copy of previous-year forms or print one from the resource folder on your computer.
- Just like Amendments, most previous-year tax returns cannot be e-filed. **We can only e-file the current tax year returns and one year prior.**
- Clients can claim a tax refund for up to 3 years. For example, clients have until April 15, 2020, 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.

For clients who receive a letter from the IRS stating that they need to file multiple years, the enforcement period is generally not more than six years (meaning the client should complete the current tax year and the six years prior). If the client needs to complete more than three years, please encourage them to attend a Summer Session and arrive as early as possible.

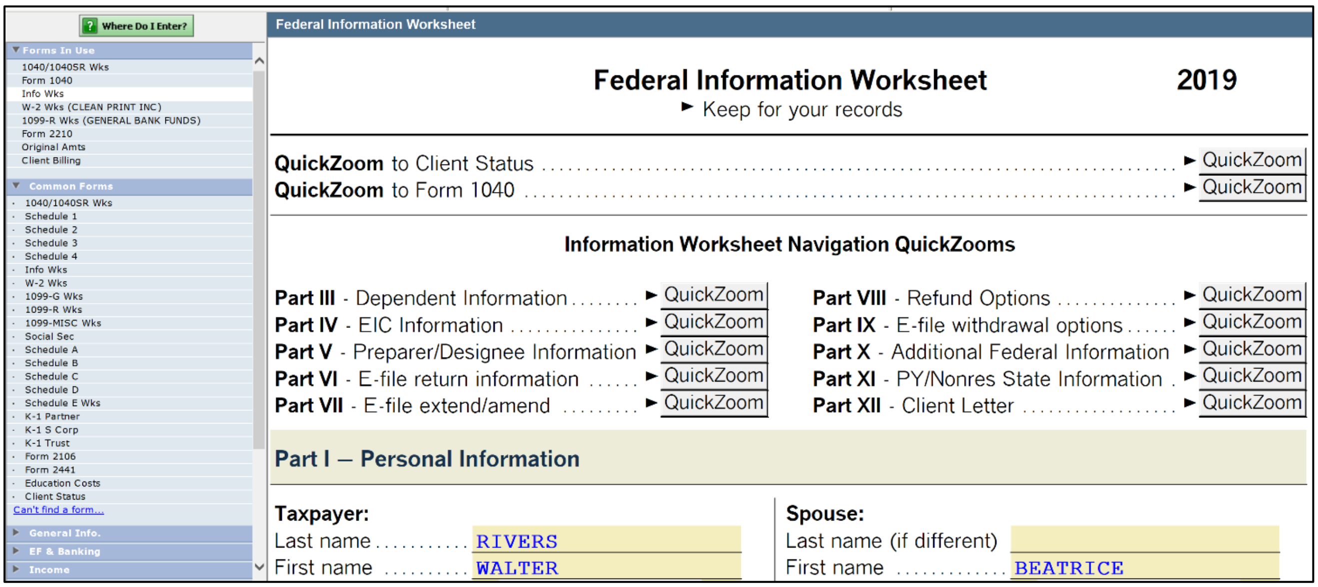
If clients have received a letter from the IRS and are unsure of what to do, please have them contact the Tax Clinic: 312-409-1555 or info@goladderup.org.

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 to 1040

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. Some parts you will complete and others you will skip.

Complete these parts:

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 these parts:

Part V – Preparer Information (Skip most)
Part VI – Electronic Filing (Skip most)
Part VII – E-Filing of Extension (Skip ALL)
Part IX – Electronic Funds Withdrawal Options
Part XI – Part-year and Nonresident State filing (Skip ALL)
Part XII – Client Letter (Skip ALL)

FIW Part I: Personal Information

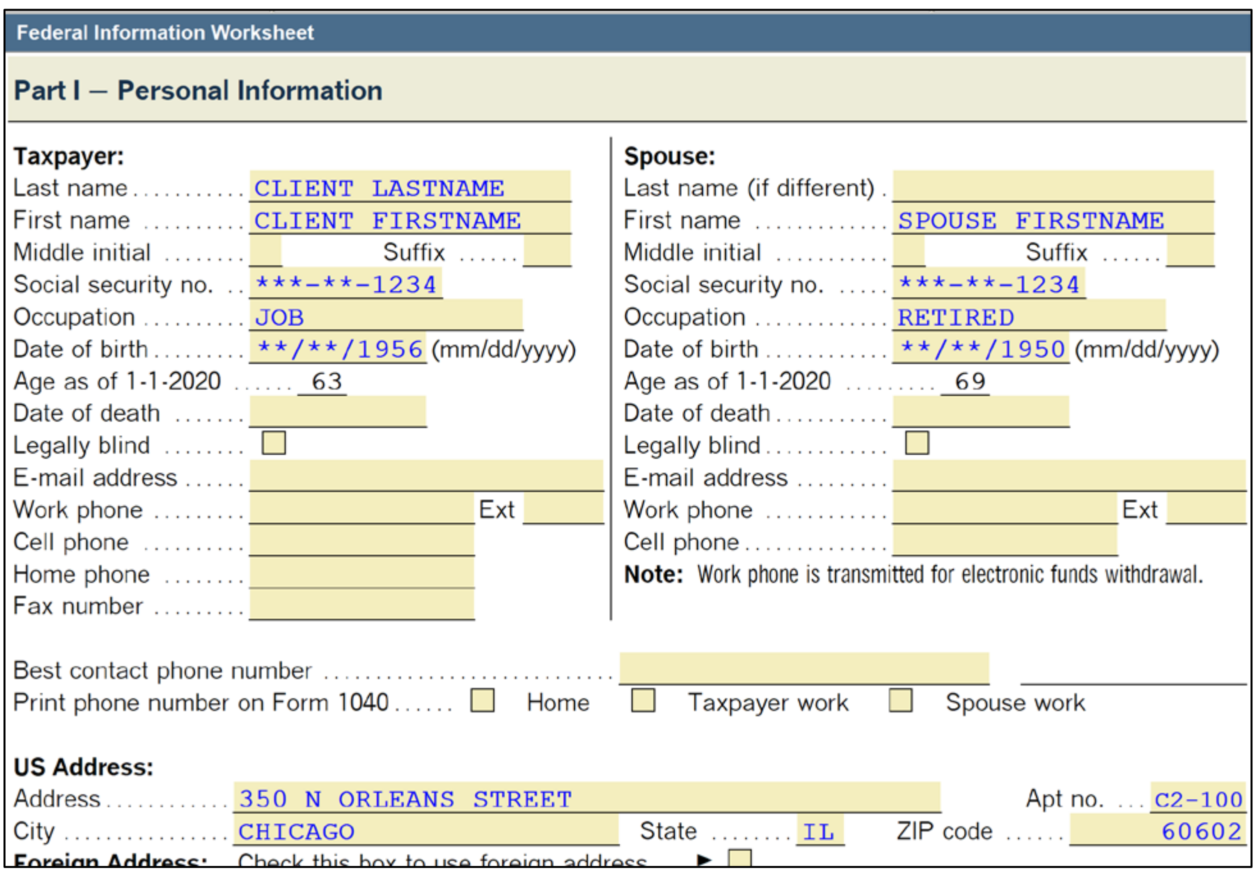
After introducing yourself to the client, ask them to show you their photo ID and Social Security Card. Confirm the client's personal information is correct as you enter them into the client file from the IRS Form 13614-C and Supplemental Intake Forms (e.g., names, birthdates, tax identification numbers).

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 Number (ITIN) or an Adoption Taxpayer Identification Number. Check the accuracy of each TIN as well as the spelling of the name associated with the number by asking to see Social Security cards and/or ITIN cards or letters. If the client says that these are incorrect for some reason, refer the issue to the site leader/manager. **If you transfer a client forward, check that these numbers are correct.**

Make sure to fill in the client phone number, E-mail address, and mailing address.

Ladder Up staff will use this information to contact the client in the event of e-file errors or rejections or send the client a paper copy of the return to sign and file if they are unable to e-file the return.

REMEMBER TO TURN CAPS LOCK ON


Federal Information Worksheet

Part I — Personal Information

Taxpayer:		Spouse:	
Last name	CLIENT LASTNAME	Last name (if different)	
First name	CLIENT FIRSTNAME	First name	SPOUSE FIRSTNAME
Middle initial / Suffix		Middle initial / Suffix	
Social security no.	***-**-1234	Social security no.	***-**-1234
Occupation	JOB	Occupation	RETIRED
Date of birth	**/**/1956 (mm/dd/yyyy)	Date of birth	**/**/1950 (mm/dd/yyyy)
Age as of 1-1-2020	63	Age as of 1-1-2020	69
Date of death		Date of death	
Legally blind	☐	Legally blind	☐
E-mail address		E-mail address	
Work phone	Ext	Work phone	Ext
Cell phone		Cell phone	
Home phone		**Note:** Work phone is transmitted for electronic funds withdrawal.	
Fax number			

Best contact phone number

Print phone number on Form 1040 ☐ Home ☐ Taxpayer work ☐ Spouse work

US Address:

Address 350 N ORLEANS STREET Apt no. C2-100

City CHICAGO State IL ZIP code 60602

Foreign Address: Check this box to use foreign address ► ☐

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.

- Married Filing Jointly
  Married living together with or apart from their spouse, or if their spouse died during the tax year.

- Qualifying Widow(er) with a Qualifying Child
  Widowed because their spouse died during 2017 or 2018, and with a qualifying child.

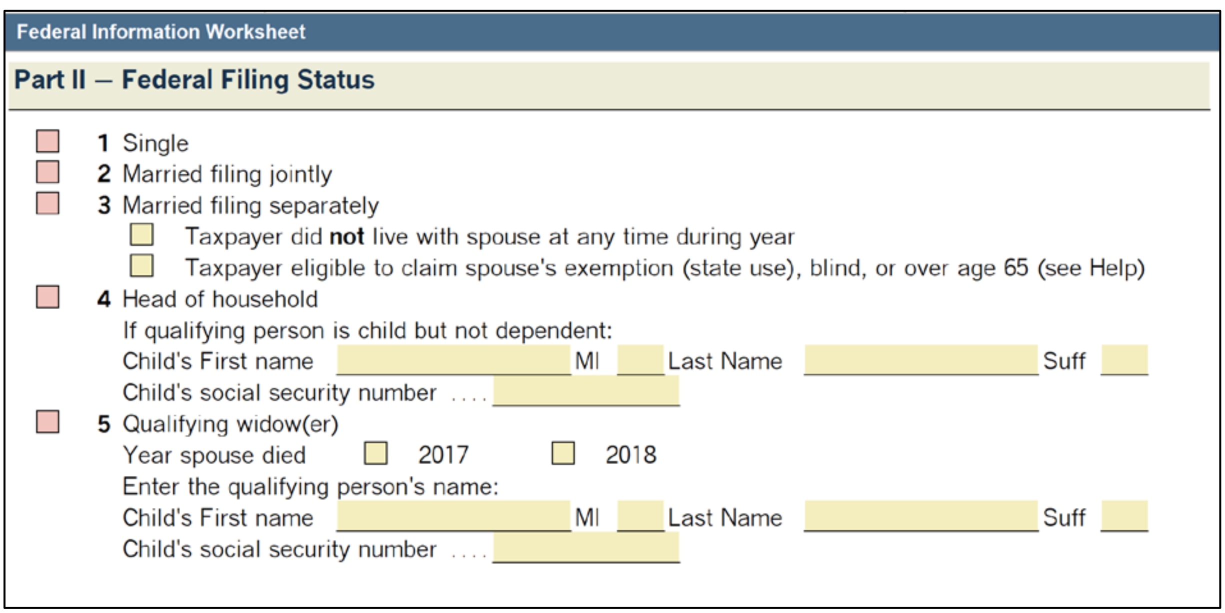
- Head of Household
  Divorced, widowed, or separated for the last 6 months of the tax year and pays more than half the cost of maintaining a home with at least one qualifying person

- Single
  Never married, divorced, widowed, or legally separated (they have a court decree of separation) according to their state of law.

- Married Filing Separately
  Married and living with, or apart from, their spouse.

Please refer to the *TAP Client Intake and Case Review Guide* or *Mini Manual* for information and filing status interview tips that will help you to determine the taxpayer's filing status.

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



Federal Information Worksheet

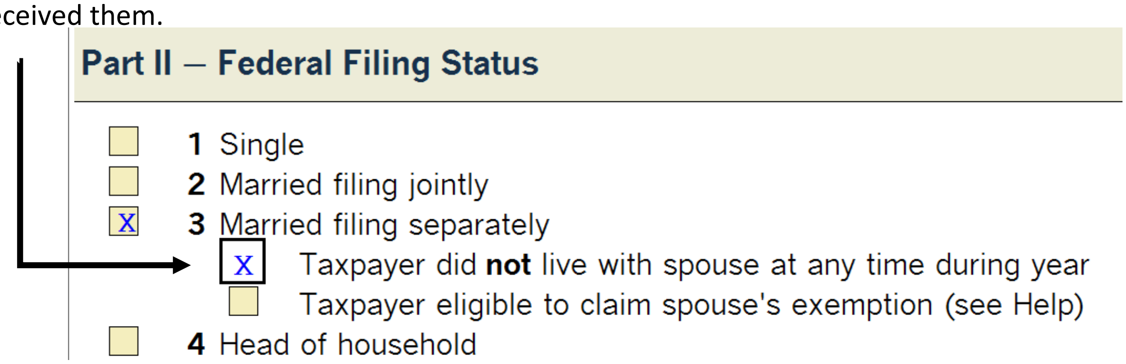
Part II — Federal Filing Status

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 (state use), blind, or over age 65 (see Help)
4 Head of household
If qualifying person is child but not dependent:
Child's First name MI Last Name Suff
Child's social security number . . . .
5 Qualifying widow(er)
Year spouse died 2017 2018
Enter the qualifying person's name:
Child's First name MI Last Name Suff
Child's social security number . . . .

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.

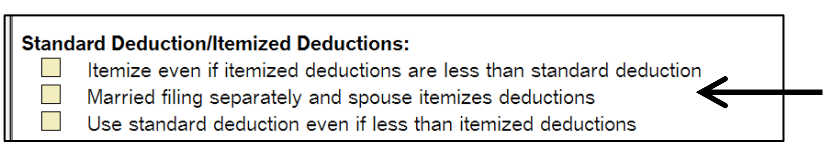


Why Are Taxes Usually Higher for Married Filing Separately?
Special rules apply to Married Filing Separately taxpayers, which generally result in taxpayers paying a higher tax. For example, when filing separately:

- 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

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

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



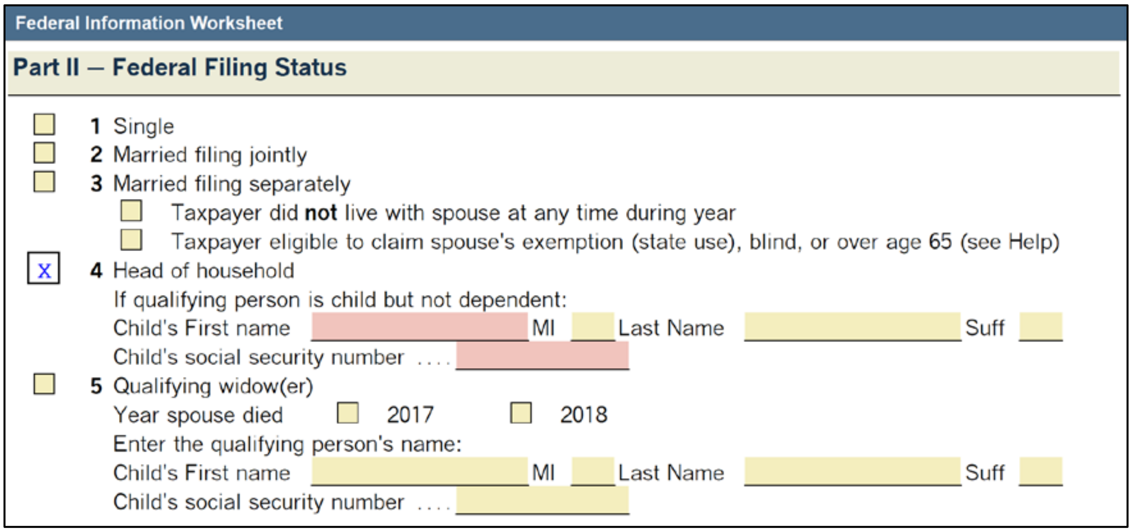
Mark this in Part X of the Federal Information Worksheet

For the complete list of special rules, see *IRS 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

When Head of Household is selected in ProSeries, the child's first name and child's Social Security number fields initially become shaded pink. This is because the Taxpayer must specify the person(s) who qualifies them for the Head of Household status. Otherwise, the IRS must delay processing until contacting the taxpayer and obtaining the information.


Federal Information Worksheet

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 (state use), blind, or over age 65 (see Help)
- [x] **4** Head of household
  - If qualifying person is child but not dependent:
  - Child's First name ____ MI ____ Last Name ____ Suff ____
  - Child's social security number . . . . ____
- [ ] **5** Qualifying widow(er)
  - Year spouse died [ ] 2017 [ ] 2018
  - Enter the qualifying person's name:
  - Child's First name ____ MI ____ Last Name ____ Suff ____
  - Child's social security number . . . . ____

<u>If the qualifying person is the taxpayer's unmarried child who is not a dependent</u> 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/ITIN in the line beneath the name.

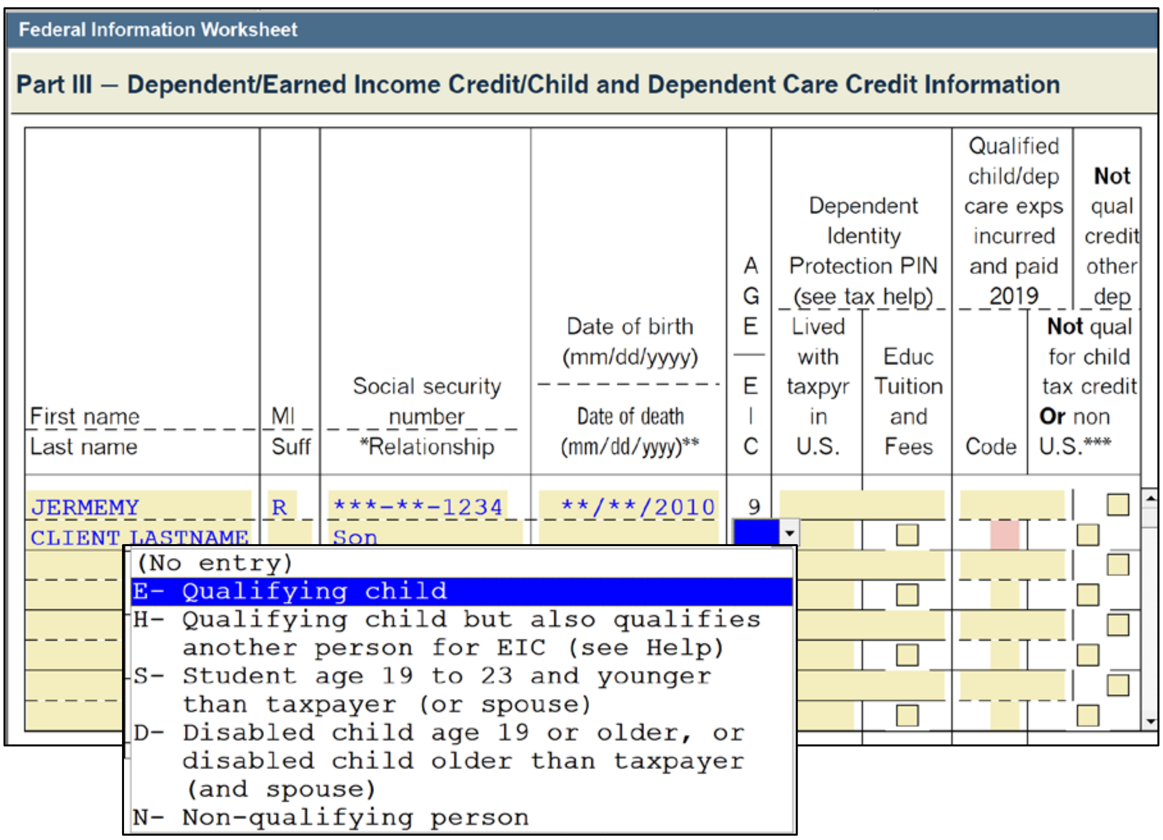
If the qualifying person is a dependent, enter the dependent's information in Part III of the Federal Information Worksheet, ***not*** in Part II.

FIW Part III: Dependents

Each dependent must be entered into the Federal Information Worksheet, Part III. **Please refer to the IRS Form 13614-C and *TAP Client Intake and Case Review Guide* or *Mini Manual* to determine whether the taxpayer can claim a person as a dependent and add the appropriate code(s) into ProSeries.**

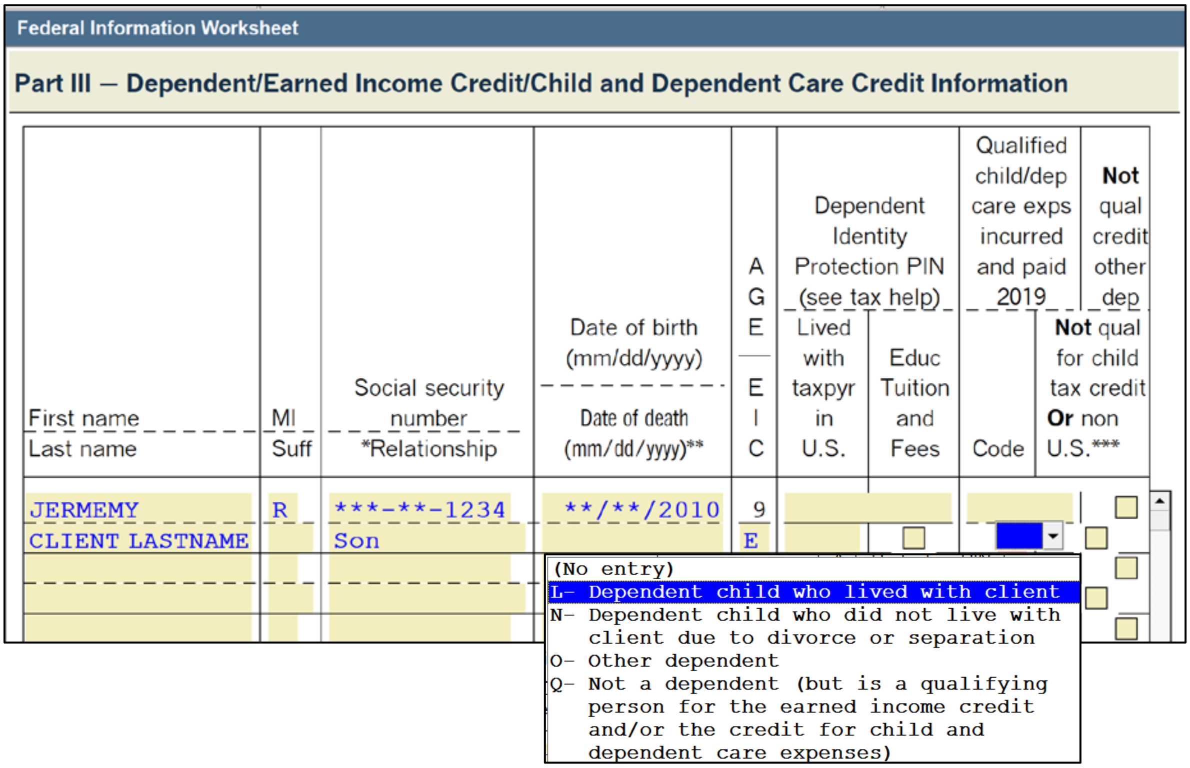
For each of the taxpayer's dependents, enter name, TIN, relationship, date of birth, and months lived with taxpayer in the United States. ProSeries will automatically calculate their age based on the birthdate entered.

- Make sure you check the dependent's name against their Social Security card. Sometimes the last name differs from the taxpayer!
- Make sure you select the appropriate Code from the dropdown menu on the second line of each dependent's information in Part III to indicate whether the person qualifies the taxpayer for EITC.
- Make sure you select the appropriate Code from the dropdown menu on the second line of each dependent's information in Part III to indicate the type of dependent.



EIC: A dropdown menu appears for the type of qualifying child for the Earned Income Tax Credit (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


Federal Information Worksheet

Part III — Dependent/Earned Income Credit/Child and Dependent Care Credit Information

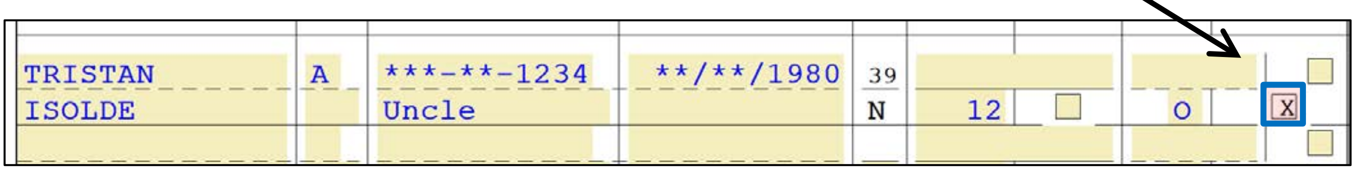
First name / Last name	MI / Suff	Social security number / *Relationship	Date of birth (mm/dd/yyyy) / Date of death (mm/dd/yyyy)**	AGE / EIC	Dependent Identity Protection PIN (see tax help) / Lived with taxpyr in U.S.	Educ Tuition and Fees	Qualified child/dep care exps incurred and paid 2019 / Code	Not qual credit other dep / Not qual for child tax credit Or non U.S.***
JERMEMY / CLIENT LASTNAME	R	***-**-1234 / Son	**/**/2010	9 / E				

(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)

L: Dependent child who lived with client
N: Dependent child who did not live with client due to divorce or separation
O: Other dependent[1]
Q: Not a dependent (but is a qualifying person for the EITC and/or the credit for child and dependent care expenses)[2]

[1]Other Dependent refers to another Qualifying Relative
[2]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.

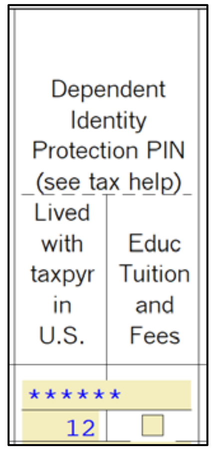
NOT Qualified for Child Tax Credit/Credit for Other Dependent
If any of the dependents do not qualify for these credits, ProSeries will calculate this and put an **X** in the corresponding columns in the table:



TRISTAN / ISOLDE	A	***-**-1234 / Uncle	**/**/1980	39 / N	12	O	X

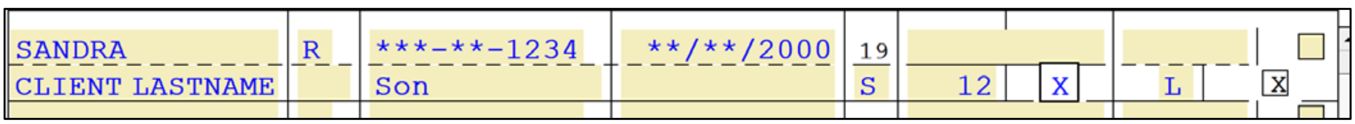
Dependent Identity Protection PIN

If any of the dependents on the return have an IP PIN, this table is where it should be entered:



Education Tuition and Fees

If Code S (Student age 19-23) is entered, and the **Education Tuition and Fees Box is checked**, ProSeries will generate a *Dependent Student Worksheet* in the Forms tree. ***See ProSeries Tax Manual: Dependent Education Expenses and Credits, page 180,*** for more information.

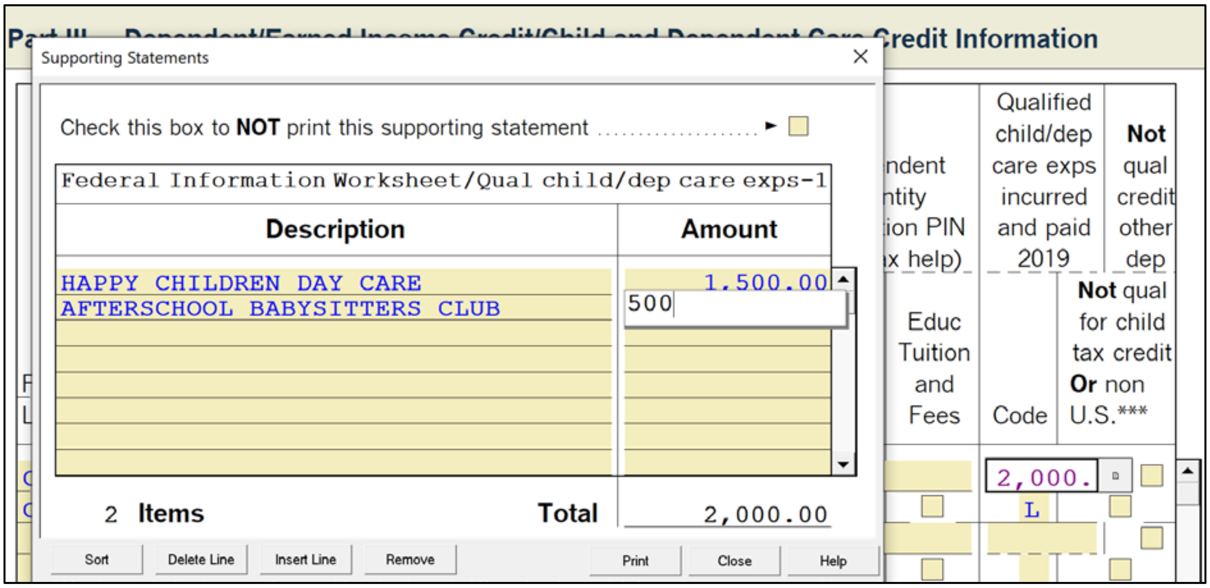


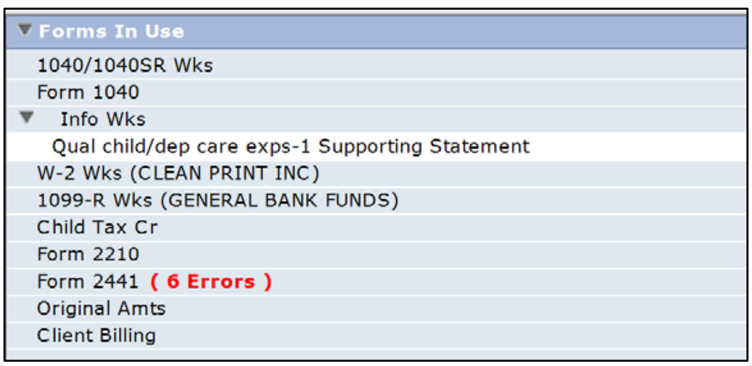
After you finish filling in the rest of the Federal Information Worksheet, come back to this Student Info worksheet and use QuickZoom to fill in a 1098-T worksheet for the student if applicable ***See ProSeries Tax Manual: Dependent Education Expenses and Credits, page 180,*** for more information.

Do ***not*** enter K-12 expenses on the Federal Return – they go on the Illinois return and are entered in the Smart Worksheet contained on Schedule ICR. ***See ProSeries Tax Manual: IL State Return K-12 Education Expense Credit, page 190180,*** for more information.

Qualified Child and Dependent Care Expenses

If the taxpayer had qualified childcare and dependent expenses, enter these expenses into this box in the dependents table. If there are multiple expenses, use the scratch pad to enter the amounts and the software will total them. ProSeries will generate Form 2441 in the Forms tree. ***See ProSeries Tax Manual: Child and Dependent Care Expenses, page 163,*** for more information.





After you finish filling in the rest of the Federal Information Worksheet, don't forget to come back to this Form 2441 and fill in the information for the care providers.

See ProSeries Tax Manual: Child and Dependent Care Expenses, page 163, for more information.

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 descendent of any of these.	Lived 1/2+ year with the taxpayer[3]	Child did not provide over 1/2 of their 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	Qualifying Relative's gross income cannot exceed $4,200[2]
Child Tax Credit	At the end of the tax year, the child must be <17 and also younger than the taxpayer. There is no exception for students or the disabled.	Child, stepchild, adopted or foster child, sibling, stepsibling, or descendent of any of these.	Lived 1/2+ year with the taxpayer[3]	Child did not provide over 1/2 of their own support for the year.	Child cannot be claimed by another taxpayer as a dependent; Taxpayers with ITINs can claim this credit, but child must be a U. S. citizen, U. S. national or resident alien of the U.S. with a **valid SSN**
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 U.S. and does not require a SSN (ITIN is accepted).				
Earned Income Tax Credit (EITC/EIC)	At the end of the tax year, the child must be <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 descendent of any of these.	Lived 1/2+ year with the taxpayer	No support test.	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.
Child Care Credit	Child must be <13 at the time of the childcare; **or any age if disabled**	Child, stepchild, adopted or foster child, sibling, stepsibling, or descendent of any of these.	Lived 1/2+ year with the taxpayer	Child did not provide over 1/2 of their own support for the year.	Child care costs must be work-related (paying for costs that enable the taxpayer to work or look for work).

[1]Special rules for temporary absence, such as illness, education, business, vacation or military service

[2]Does not include Social Security Income or, for disabled persons, income from a sheltered worskshop

[3]Special Rules for children of divorced or separated parents

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. • Enter this in **Part III** for dependent.
Taxpayer received an IP PIN but did not bring it with them, or misplaced/lost their IP PIN	1. Complete the tax return for the taxpayer. 2. Provide the taxpayer with two copiesy of the tax return and have them **<u>paper file</u>** their return. 3. Refer to Replacing Lost or Missing IP PIN below
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: 312-409-1555). 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 their tax return to the IRS. 2. Provide the taxpayer with two copies of his tax return. 3. Refer taxpayer to the Tax Clinic.

Replacing a Lost or Missing IP PIN:

If a taxpayer did not receive their new IP PIN or misplaced it, the client has two options:

- A taxpayer can register and create a user profile to access their 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 their 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.
- 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 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 the tax year?
The answer to this question should always be "Yes" because one of Ladder Up's eligibility 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	
	X	Is taxpayer or spouse qualifying child for EIC for another person?
X		Was taxpayer's (and spouse's if married filing jointly) home in United States for more than half of 2019?

Incomplete or incorrect responses in Part IV are common causes for missing the Earned Income Tax Credit on a taxpayer's return in ProSeries! This is one of the most common mistakes that new tax preparers make. ***See ProSeries Tax Manual: Earned Income Tax Credit (EITC), page 149*** for more information.

If any of the additional situations apply to your client, make sure to check the additional boxes below:

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 2019
- Taxpayer notified by IRS that EIC cannot be claimed in 2019

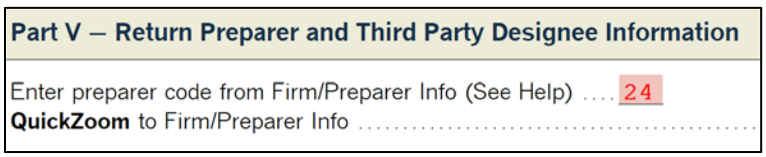
If taxpayer eligible for earned income credit:

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

FIW Part V – Return Preparer and Third-Party Designee Information

Note: One exception to this in Part V is if the client had their taxes completed at a different Ladder Up location in the previous year, you may need to change the preparer code from Firm/Preparer Info number (Site Codes are listed on page 208 of the ProSeries Tax Manual:



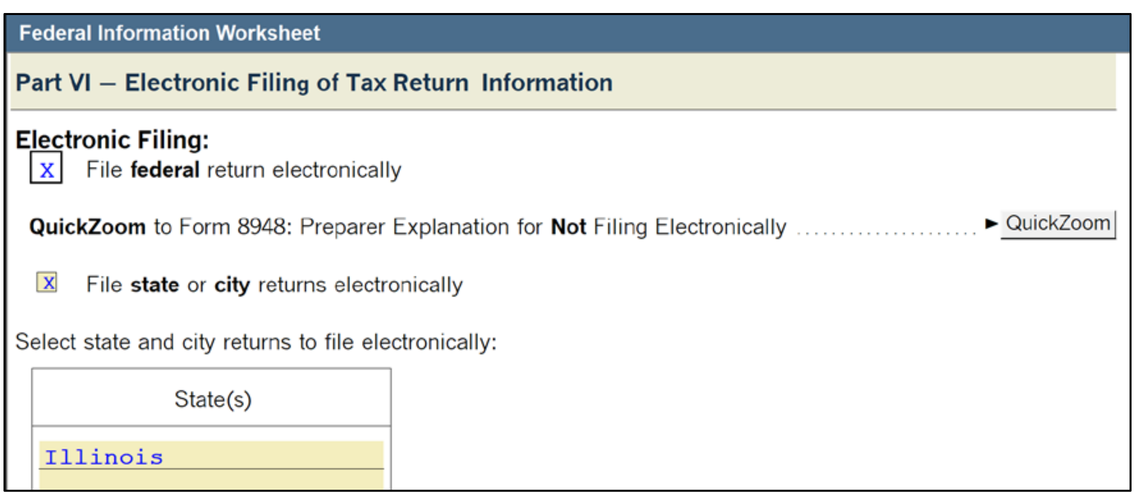
Please do NOT enter any other information or check any additional boxes in Part V.

FIW Part VI – Electronic Filing of Tax Return Information

If the client is paper filing, skip this section.

If the client is E-filing, select *File **federal** return electronically*. If the client is also filing their Illinois return, also select *File **state or city** returns electronically.*

If the client has out-of-state income or only their IRS transcript and we are therefore only preparing the Federal return, only select "File federal return electronically", and leave the state unchecked.



If the client is E-Filing, ProSeries will automatically generate a PIN for the taxpayer (that is equivalent the last 5 digits of their Social Security Number/ITIN). You will then be prompted to put in today's date:

Taxpayer's PIN (enter any 5 numbers). . . . . *****
Spouse's PIN filing a joint return (enter any 5 numbers) . . . .
Date PIN entered . . . .

If the taxpayer or spouse has an Identity Protection PIN, enter that in Part IV of the FIW:

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 . . . . ►

FIW Part VII – SKIP ALL

Both Preparers and Checkers skip Part VII.

Part VII – Electronic Filing of Extension Information

Federal Extension:
File **Form 4868** (application for extension of time to file return electronically)

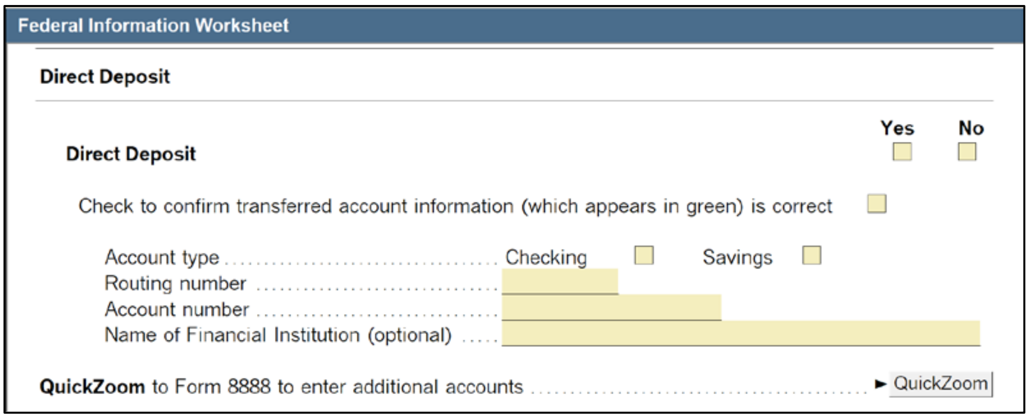
SKIP PART VII

QuickZoom to Form 4868 to mark freeze box and enter amount paid with Form 4868 . . . . ► QuickZoom
QuickZoom to Form 4868 Electronic Filing Info Worksheet . . . . ► QuickZoom

FIW Part VIII – Direct Deposit Information and Refund Disbursement Options

If a client is due a refund, use Part VIII to allocate these amounts. Clients have the option of receiving their refund via:

- Paper check that is mailed to them (check *No* under Direct Deposit)
- Direct Deposit into one bank account (check *Yes* under Direct Deposit and enter account information)
- Purchase of a US Savings Bond (QuickZoom to Form 8888 to enter information)
- Splitting their refund up into multiple bank accounts and/or Savings Bond and/or a portion via paper check (QuickZoom to Form 8888 to enter multiple accounts and/or Savings Bond information)


Federal Information Worksheet

Direct Deposit

Direct Deposit — Yes ☐ No ☐

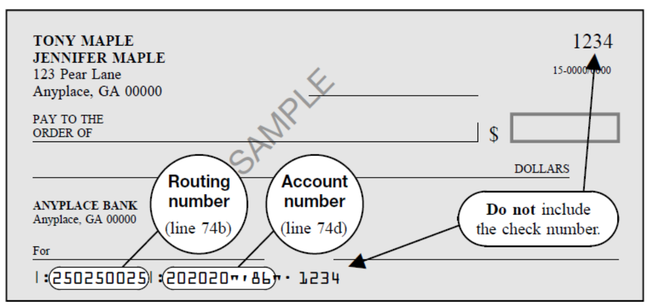
Check to confirm transferred account information (which appears in green) is correct ☐

Account type .... Checking ☐ Savings ☐
Routing number ....
Account number ....
Name of Financial Institution (optional) .....

QuickZoom to Form 8888 to enter additional accounts .... ► QuickZoom

In most cases, your client will bring in a check, which you can use to obtain their routing and account numbers.

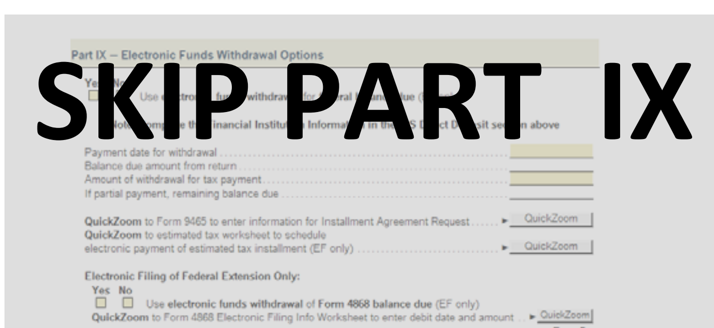
Do not include the check number.



Please see ***ProSeries Tax Manual: Form 8888 Allocation of Federal Refund, page 201*** for more information on splitting a client refund into multiple accounts.

FIW Part IX – Electronic Funds Withdrawal Options

Ladder Up does NOT offer Electronic Funds Withdrawal options to clients. The client should visit www.irs.gov/pay or set up an installment payment plan if needed.



FIW Part X – Additional Federal Return Information

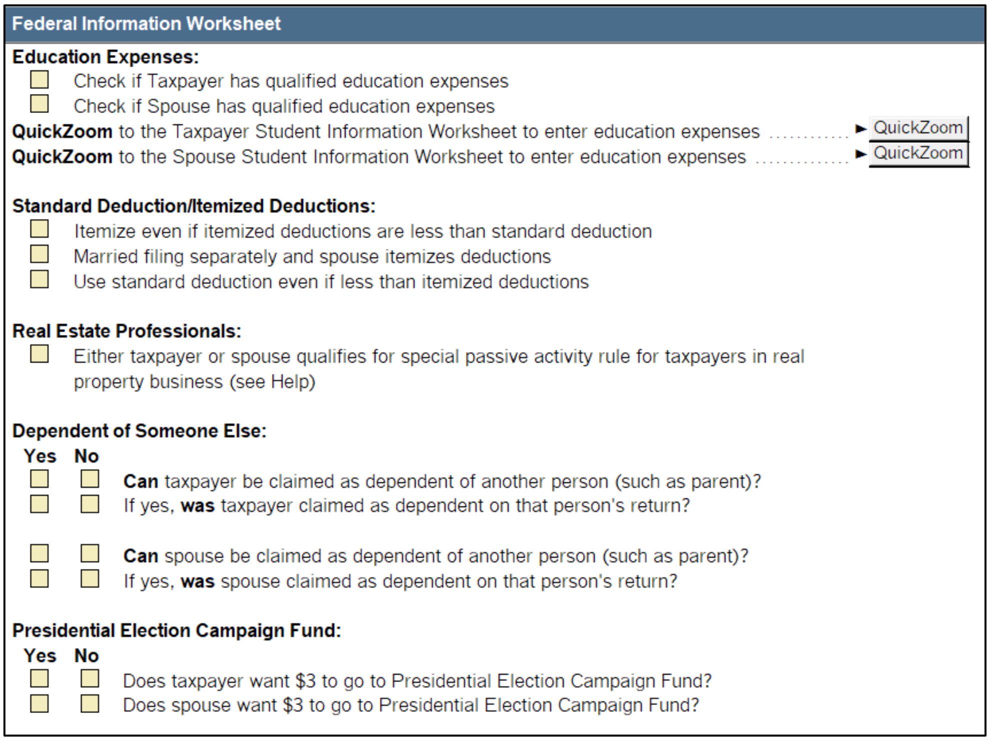
Skip down to *Education Expenses,* and answer questions all the way through *Credit for Elderly or Disabled (Schedule R)*

Use IRS Form 13614-C page 1 to answer whether the taxpayer/spouse had qualified education expenses during the tax year.

ProSeries will automatically apply the best option for the client (Standard or Itemized). For most clients this will be blank. However, if any of these additional situations apply for the client, please check the appropriate boxes.

If the taxpayer or spouse is a dependent of someone else, be sure to check the appropriate boxes.

Use IRS Form 13614-C page 3 to answer the Presidential Election Fund question. (Please note that checking yes does not change the client's refund amount. For more information visit www.fec.gov)



Federal Information Worksheet

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

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

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:

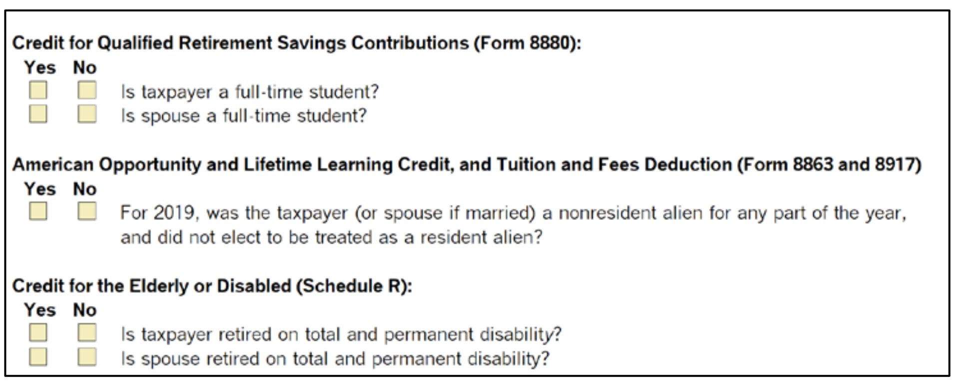
Yes	No	
☐	☐	**Can** taxpayer be claimed as dependent of another person (such as parent)?
☐	☐	If yes, **was** taxpayer claimed as dependent on that person's return?
☐	☐	**Can** spouse be claimed as dependent of another person (such as parent)?
☐	☐	If yes, **was** spouse claimed as dependent on that person's return?

Presidential Election Campaign Fund:

Yes	No	
☐	☐	Does taxpayer want $3 to go to Presidential Election Campaign Fund?
☐	☐	Does spouse want $3 to go to Presidential Election Campaign Fund?

Use IRS Form 13614-C page 1 to answer whether the taxpayer/spouse was a full-time student during the tax year

Please note the *Credit for Elderly or Disabled* question should only be checked Yes if the client is **BOTH retired AND on permanent disability.**[1]



Credit for Qualified Retirement Savings Contributions (Form 8880):

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

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

Yes	No	
☐	☐	For 2019, 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?

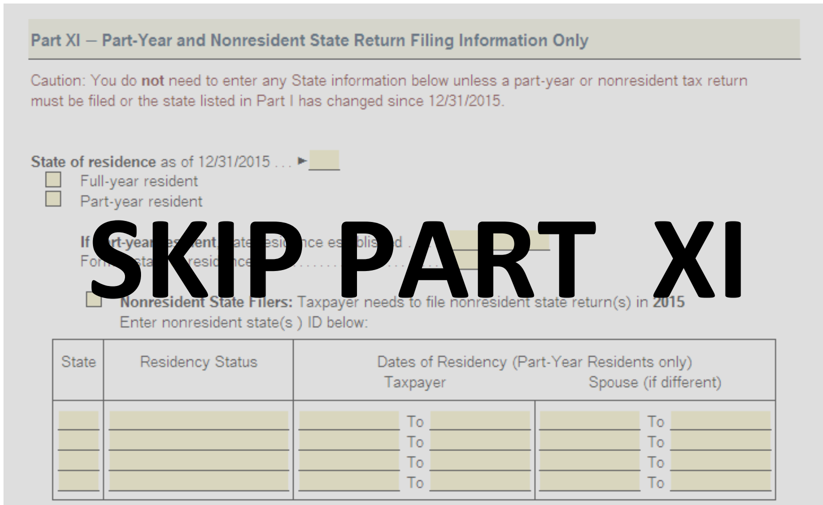
[1]Total and permanent disability means that the taxpayer has an illness lasting more than 12 months, preventing gainful employment for the taxpayer.

Skip the rest of FIW Part X, starting with the following question, regarding Foreign Tax Credit (Form 1116) can be skipped. Form 1116 is Out-of-Scope. See ***ProSeries Tax Manual: Foreign Tax Credit, page 161,*** for more information.

FIW Part XI: SKIP ALL

Both Preparers and Checkers skip Part XI.

Please do not enter any information or make any changes to these parts of the Federal Information Worksheet.


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

SKIP PART XI

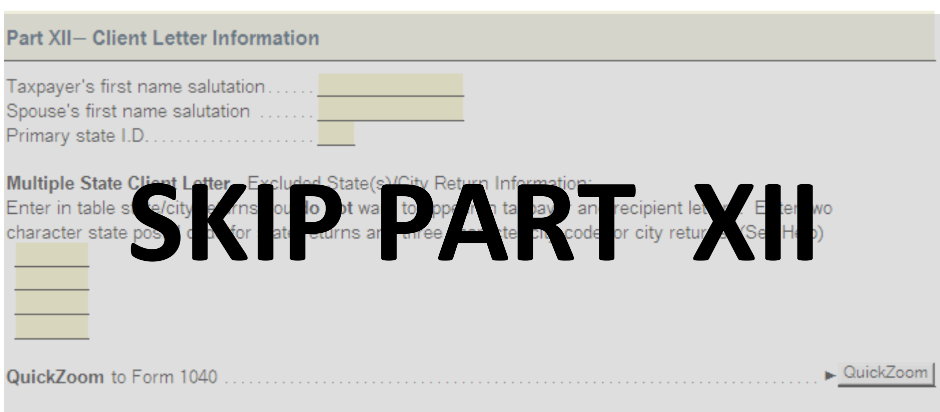
Nonresident State Filers: Taxpayer needs to file nonresident state return(s) in **2015**
Enter nonresident state(s) ID below:

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

FIW Parts XII: SKIP ALL

Both Preparers and Checkers skip XII.

Please do not enter any information or make any changes to these parts of the Federal Information Worksheet.


Part XII– Client Letter Information

Taxpayer's first name salutation . . . . . .
Spouse's first name salutation . . . .
Primary state I.D. . . . .

SKIP PART XII

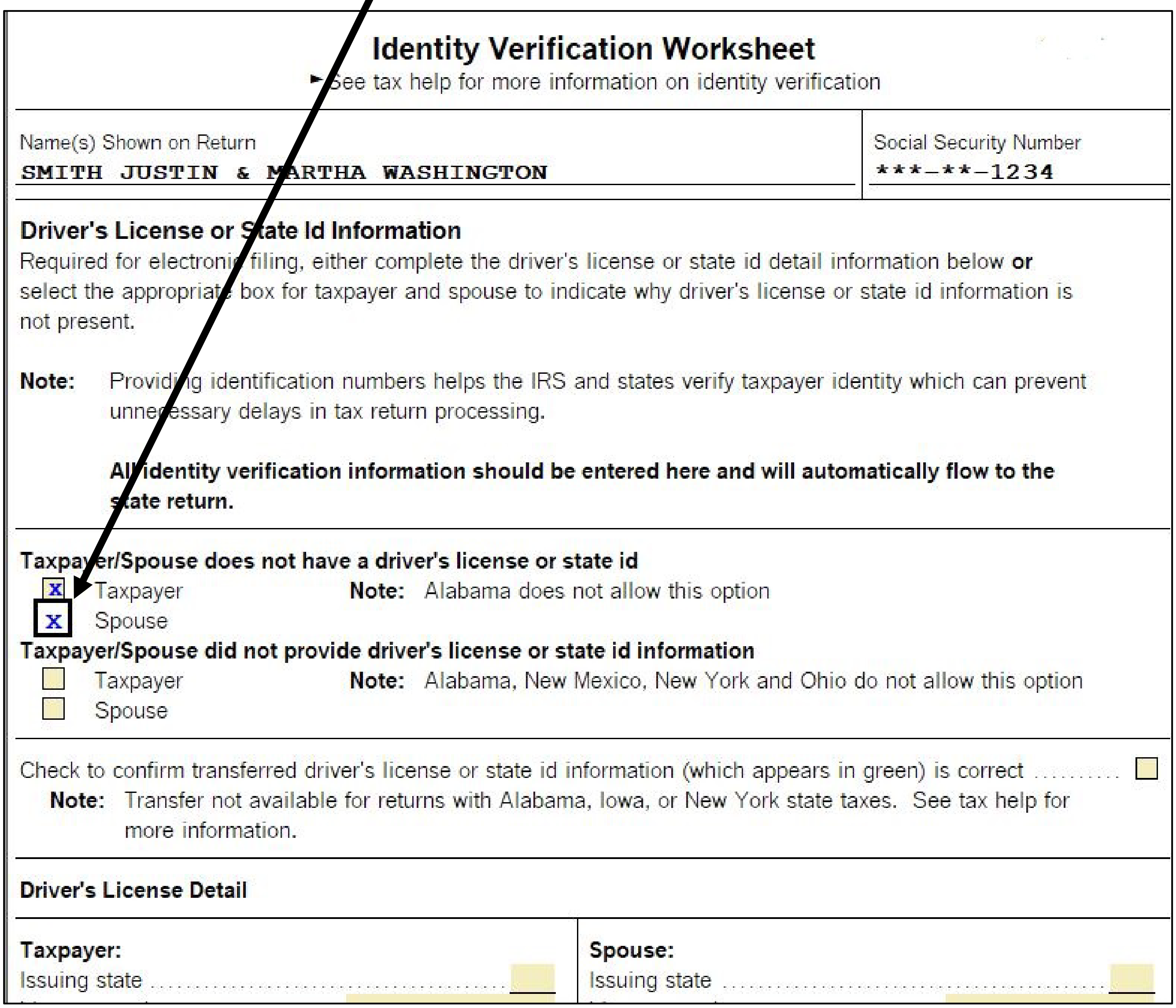
QuickZoom to Form 1040 . . . . ► QuickZoom

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 "NO TAXPAYER ID" for both Taxpayer and Spouse, if applicable.

This information does NOT need to be entered into ProSeries, and it will save you time. Client IDs are verified as part of the Intake and Case Review.



Identity Verification Worksheet

► See tax help for more information on identity verification

Name(s) Shown on Return	Social Security Number
SMITH JUSTIN & MARTHA WASHINGTON	***-**-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

- [x] Taxpayer **Note:** Alabama does not allow this option
- [x] Spouse

Taxpayer/Spouse did not provide driver's license or state id information

- [ ] Taxpayer **Note:** Alabama, New Mexico, New York and Ohio do not allow this option
- [ ] Spouse

Check to confirm transferred driver's license or state id information (which appears in green) is correct .... [ ]

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:	**Spouse:**
Issuing state	Issuing state ....

Income

The following are examples of common in scope 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 add the appropriate worksheet, form, or schedule within ProSeries. Additional forms and tax documents that are less common can be found in the Volunteer Resources folder on your site laptop, or on the Ladder Up website.

Client's Form	Description	Form 1040 Line #	In ProSeries, Complete:	Page #
W-2	Wages and Salaries	1	W-2 Worksheet	51
W-2G	Certain Gambling Winnings	Schedule 1, line 8	Form W-2G Worksheet	55
1099-INT	Interest	2a 2b	Interest Income Worksheet on Schedule B	57
1099-DIV	Dividends	3a 3b	Dividend Income Worksheet on Schedule B	60
1099-MISC	Box 7: Miscellaneous Income Box 2: Royalties Box 3: Prizes, Awards, Jury Duty (enter as Other Income)	Sched 1, line 8 Sched 1, line 5 Sched 1, line 8	1099-MISC Worksheet & Schedule C Expenses over $25,000 are out-of-scope	73
1099-K	Payment Card and Third Party Network Transactions	Sched 1, line 3	Form 1099-K Worksheet	76
1099-B	Capital Gain (or loss)	6	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.	80
1099-R	Distribution from IRAs or Distribution from Retirement Plans	4a/4b 4c/4d	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>)	95
1099-G	Unemployment Compensation or Taxable State Tax Refund	Sched 1, line 7 Sched 1, line 1	1099-G Worksheet	100
SSA-1099	Social Security Benefits	5a/5b	Social Security Benefits Worksheet	106
RRB-1099	Railroad Retirement Benefits Tier 1 (treat like Soc Security) Tier 2 treat like contributory pensions for Fed return)	Tier 1 - 5a/5b Tier 2 - 4a/4b	Social Security Benefits Worksheet or 1099-R Worksheet	106 107
1099-C	Cancellation of Debt	Schedule 1, line 8	1099-C Worksheet (Code A in Box 6 is <u>Out-of-Scope</u>)	109
1098-T	Tuition Statement (Scholarships & Grants)	1 With SCH annotation	Student Information Worksheet and 1098-T Worksheet	174
1098-E	Student Loan Interest	Schedule 1, line 20	1098-E Student Loan Interest Deduction Worksheet	117

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

- Missing W-2: The taxpayer has not received a W-2 from their 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 ***ProSeries Tax Manual – Income: Alimony Payments Received, page 121,*** for more information. Note that payments made under an agreement executed before 1985 are <u>Out-of-Scope</u> of the program.
- Cash Income: The taxpayer was paid in cash. See ***ProSeries Tax Manual – Income: Cash Income, page 78***, 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 ***See ProSeries Tax Manual: Earned Income Tax Credit (EITC), page 149,*** for more information about what qualifies as Earned Income Credit.

<u>Taxable Income</u>

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.

<u>Nontaxable Income</u>

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.

Taxable vs Non-Taxable income is different from Earned vs Unearned Income

Nontaxable Income Includes:

Aid to Families with Dependent Children (AFDC)		Inheritance[1] or bequests		Rental allowance of clergyman (Out-of-Scope)
Child support		Insurance proceeds: Accident, Casualty, Health, Life		Sickness and injury payments
Damages for physical injury (other than punitive)		Interest on tax-free securities		Social Security benefits - portion may be nontaxable
Death payments		Interest in EE/I bond redeemed for qualified higher education expenses		Supplemental Security Income (SSI)
Dividends on life insurance		Meals and lodging for the convenience of employer		Temporary Assistance for Needy Families (TANF)
Federal Employees' Compensation Act payments		Payments to the beneficiary of a deceased employee		Veterans' benefits
Federal income tax refunds		Relocation payments (taxable except for military relocation – Out-of-Scope)		Welfare payments (including TANF) and food stamps
Gifts (can be taxable to the giver of the gift)		Payments or payments in lieu of worker's compensation		Worker's compensation and similar payments

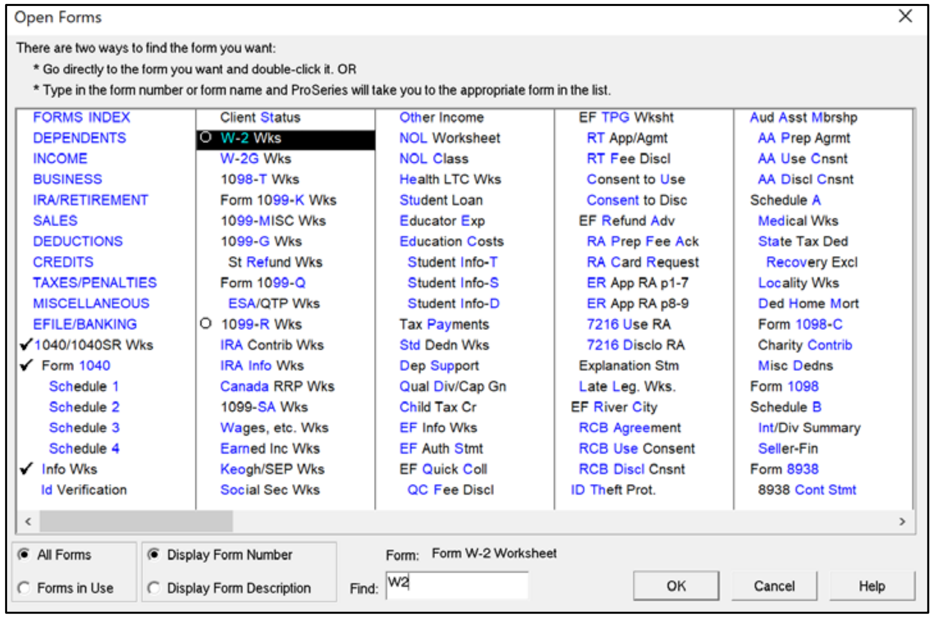
Taxable Income Includes:

Alimony (depending on the separation year and agreement details)		Fees		Railroad retirement – Tier I (portion may be taxable)
Annuities		Gains from sale of property or securities		Railroad retirement – Tier II
Awards		Gambling winnings		Recovery of prior-year deduction[2] (medical, property taxes, etc.)
Back pay		Hobby income		Refund of state taxes[3]
Breach of contract		Interest		Rental Income (Out-of-Scope)
Business income/Self-employment		Interest on life insurance dividends		Rewards
Compensation for personal services		IRA distributions		Royalties
Debts forgiven[2]		Jury duty fees		Self-employment
Director's fees		Military pay is sometimes exempt (Military pay requires an additional IRS Certification to Prepare)		Severance pay
Disability benefits (employer-funded)		Military pension		Social Security benefits -portion may be taxable
Discounts		Non-employee compensation		Supplemental unemployment benefits
Dividends		Notary fees		Taxable scholarships and grants
Employee awards		Partnership, Estate, and S-Corporation: Schedule K-1s, Taxpayer's share (most of these are Out-of-Scope)		Tips and gratuities
Employee bonuses		Pensions		Unemployment compensation
Estate and trust income (Out-of-Scope)		Prizes		Wages, salaries, bonuses, commissions
Farm income (Out-of-Scope)		Punitive damage		Worldwide income

[1]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
[2]If the taxpayer received a Form 1099-C, Cancellation of Debt, in relation to their main home, it can be nontaxable. However, anything other than Cancellation of Debt for Credit Card is Out-of-Scope.
[3]If itemized in year paid and taxes were reduced because of deduction

Entering 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. Use the YELLOW *Where Do I Enter?* Cheat Sheet to help you find the shortcut to use to open or add the appropriate form.

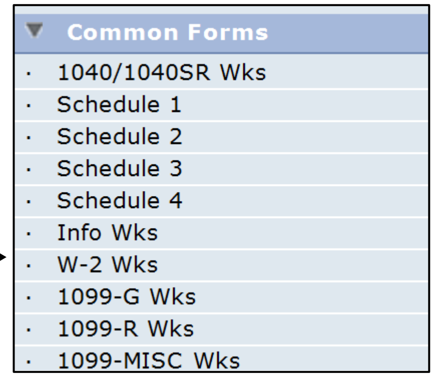


Refer to the TAP Client Intake and Case Review Guide to check that the client's tax documents are all in scope. If you see a form you are unfamiliar with, or you are unsure, check with a Site Manager/Leader before proceeding.

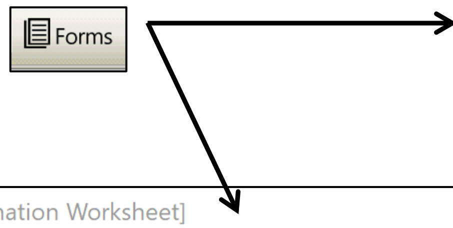
Form W-2: Wage and Tax Statement

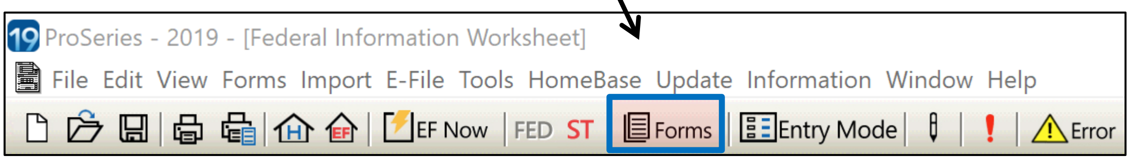
In ProSeries, W-2 income information is entered using a W-2 Worksheet. A separate W-2 Worksheet must be created for each W-2 the taxpayer and spouse have.

Note: If the client's tax return was transferred forward from a prior year, check with the client to see if any of their jobs changed from the previous year. All prior W-2 forms that are not being used in the current year must be removed from the current tax year return, so they do not trigger an error.

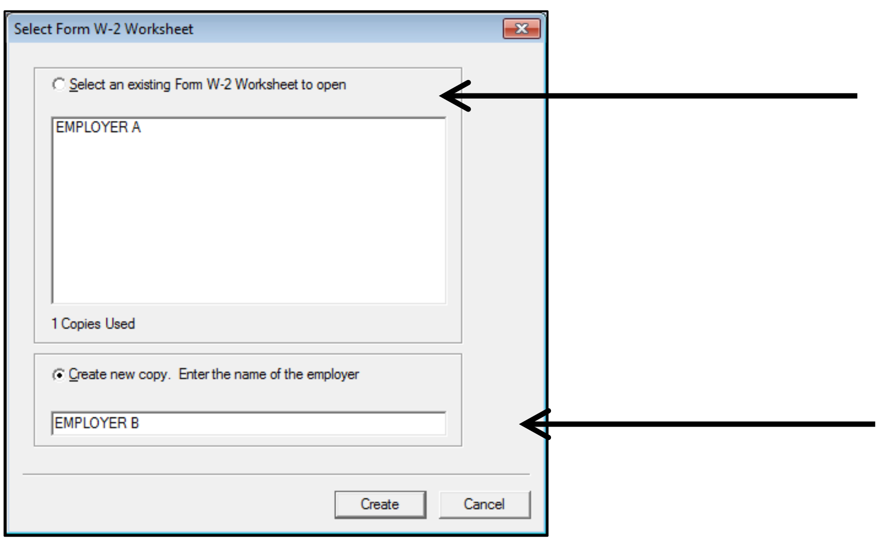


To start or edit a W-2 worksheet use the **Forms Bar**, or click the **Forms** button in the navigation bar at the top of the screen.





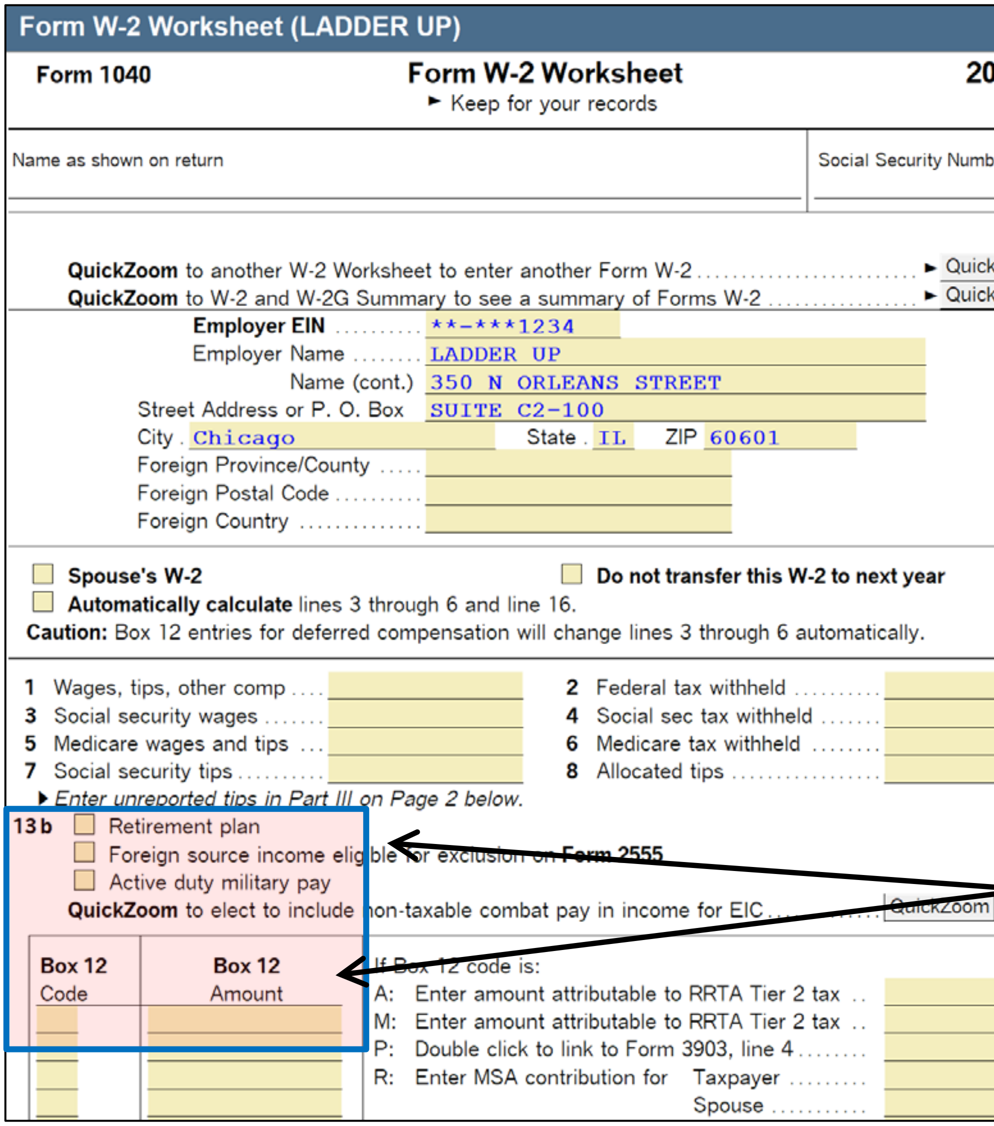
This will bring up the "Select Form W-2 Worksheet" dialog box, as shown below:



To open an existing W-2 Worksheet, click the radio button and the name of the W-2 Worksheet

To create a new W-2 Worksheet, click the radio button and type in the <u>employer name</u> from the new W-2

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 (LADDER UP)

Form 1040 | **Form W-2 Worksheet** | **20**

► Keep for your records

Name as shown on return | Social Security Numb

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

Employer EIN .... **-***1234
Employer Name .... LADDER UP
Name (cont.) 350 N ORLEANS STREET
Street Address or P. O. Box SUITE C2-100
City . Chicago State . IL ZIP 60601
Foreign Province/County .....
Foreign Postal Code ....
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.*

13 b ☐ 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

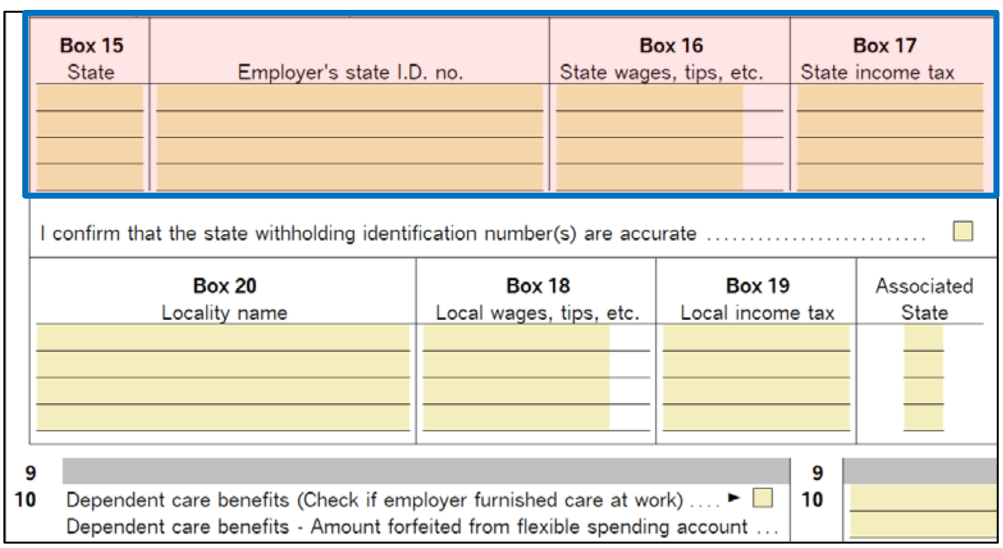
If Box 12 code is:
A: Enter amount attributable to RRTA Tier 2 tax ..
M: Enter amount attributable to RRTA Tier 2 tax ..
P: Double click to link to Form 3903, line 4 ....
R: Enter MSA contribution for Taxpayer ....
Spouse ....

Fill in employer information from the W-2

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

Check to see if there is anything in Box 12 and Box 13. These are both often overlooked!

WATCH OUT! Box 12 with code W requires an H.S.A. Certification to complete



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

I confirm that the state withholding identification number(s) are accurate .... ☐

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

9
10 Dependent care benefits (Check if employer furnished care at work) .... ► ☐ **9**
Dependent care benefits - Amount forfeited from flexible spending account ... **10**

Don't forget to enter STATE tax information into Boxes 15 – 17

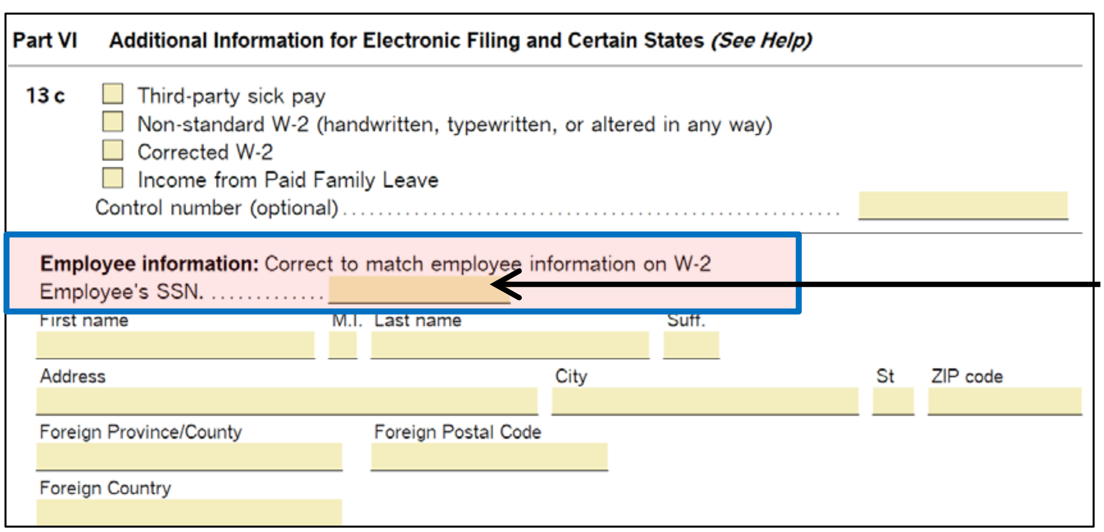
Keep in mind:

- 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.
- If there is a number in **Box 8** for allocated tips, add these tips to the amount in Box 1 on the W-2 and report this amount as wages on Form 1040, Line 1.
- **Box 12 –** if the code listed in Box 12 is W (Employer contributions to Health Savings Account), then the preparer and reviewer must also have H.S.A. Certification to complete the client return.
- **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. (If statutory employee is marked, employment taxes are withheld by the employer, but the taxpayer will report income and deduct expenses using Schedule C. Re-enter income as statutory income on Schedule C and enter related expenses. Do not mix statutory employee income with other income on the same Schedule C).
    - 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 their employer, including any allocated tips shown on Form (s) W-2 that the client must report as income. By filing this form, the client's Social Security and Medicare tips will be credited to his Social Security record.

Correcting Mismatched Information in Part VI

You can utilize this bottom portion of the W-2 Worksheet (Part VI) to correct any other employee information including name and address.


Part VI **Additional Information for Electronic Filing and Certain States *(See Help)***

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. . . . .

First name | M.I. | Last name | Suff.

Address | City | St | ZIP code

Foreign Province/County | Foreign Postal Code

Foreign Country

Fill in the SSN that appears on the W2 here

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 the 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 for the full number.

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 ***ProSeries Tax Manual: Postsecondary Education Expenses and Credits*** section starting on page 167 for more information about tuition, grants and scholarships, including Form 1098-T amounts

Form W-2G: Certain Gambling Winnings

Form W-2G may be issued to the taxpayer for certain gambling winnings. Total gambling winnings will be reported on Form 1040, Schedule 1, Line 8 (Other income: list type and amount). In ProSeries, total gambling winnings should be entered into a W-2G Worksheet. Each column of that worksheet can take one W-2G document; use an additional W-2G worksheet if more than four W-2G's are included on the return.

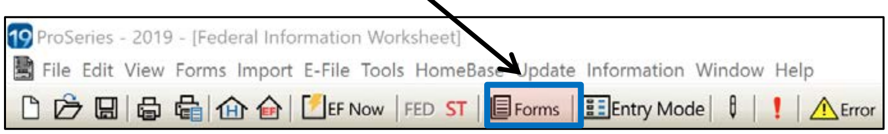
If the taxpayer also had gambling losses, the losses can be deducted on Schedule A up to the amount of reported gambling winnings. As always, the taxpayer must be itemizing in order to take advantage of this deduction. See ***ProSeries Tax Manual: Itemized Deductions, page 130,*** for more information about entering itemized deductions.

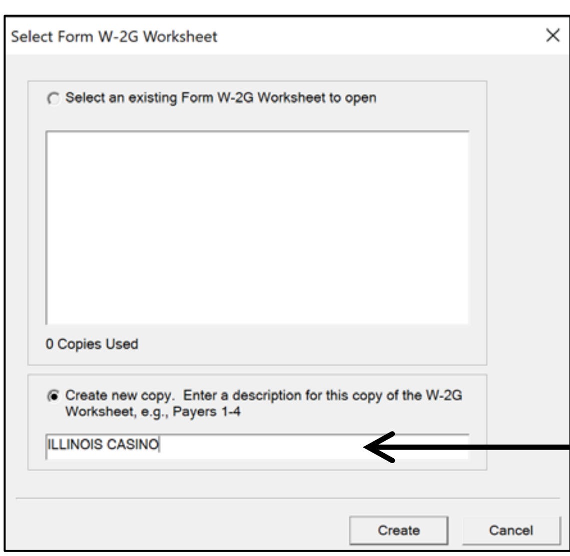
Note: The State of Illinois has no deduction for gambling losses. Therefore gambling earnings are always fully taxable on the Illinois State return. ProSeries will automatically handle this calculation if Gambling Winnings are entered into a W-2G Worksheet.

Sometimes gambling winnings are from states outside of Illinois. If a client has winnings from Indiana or Wisconsin, they can go to the Loop (Harold Washington Library) or Uptown (Truman College) locations for assistance with filing of their state returns.

- Auburn Gresham (CPL – Thurgood Marshall Branch), Pullman (Olive-Harvey College), Southland (Bloom Township) may also be able to assist clients with Indiana income depending on volunteer availability.
- Lake County/Waukegan (Catholic Charities) may also be able to assist clients with Wisconsin income depending on volunteer availability.

To start or edit a W-2G worksheet in ProSeries, click the **Forms** button at the top of the page. (W-2G will not be listed under common forms)





To create a new W-2G Worksheet, click the radio button and type in the Payer's Name from the new W-2G

Form W-2G Worksheet (ILLINOIS CASINO)

Description : ILLINOIS CASINO

Box	Description	Payer 1	Payer 2	Payer 3	Payer 4
	Payer's Federal ID No	**-***0123			
	Payer's name	ILLINOIS CASINO			
	Payer's name (cont)				
T/S	Check if spouse's W-2G	☐	☐	☐	☐
1	Reportable winnings	2,500.			
4	Federal income tax withheld	0.			
13	State code	IL			
15	State income tax withheld	0.			
17	Local income tax withheld				
18	Name of locality				

If the client wishes to e-file, you must also fill in the additional portions of the W-2G worksheet (Additional Electronic Filing Information Smart Worksheet):

Form W-2G Worksheet (ILLINOIS CASINO)

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 W-2G	☐			
20	Corrected W-2G	☐			

Form W-2G Additional Electronic Filing Information Smart Worksheet

Payer 1	Winner 1
Payer's Federal ID Number **-***0123	Winner's Name:
Payer's Name: ILLINOIS CASINO	Transfer address information from the federal information worksheet ☐
U.S Address, City, State, ZIP:	U.S Address, City, State, ZIP:
Telephone Number	
Foreign Address, City, Province, Postal Code, Country	Foreign Address, City, Province, Postal Code, Country

The gambling winnings will appear on Form 1040, Schedule 1, Line 8:

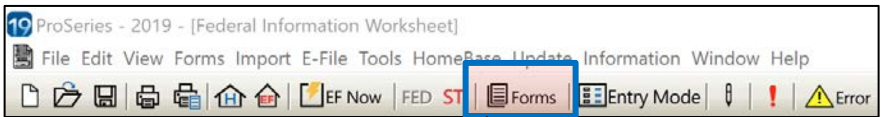
8	Other income. List type and amount ► Gambling Winnings	2,500.	8	2,500.

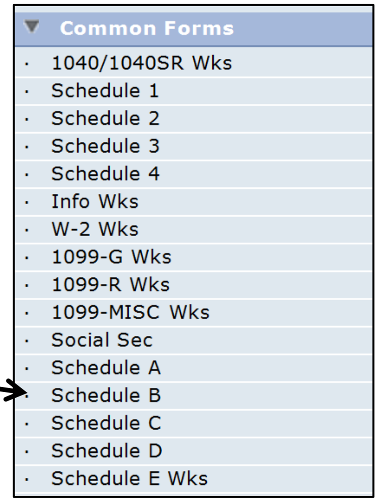
Schedule B: Interest and Dividend Income

Form 1099-INT: Interest Income

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

Note: Interest and Dividends are often reported as one form (they are itemized, but there is only one summary form). This is typical for Brokerage Firms. Check to see that you are entering interest and dividends into the correct lines, and whether they are Ordinary or Qualified.





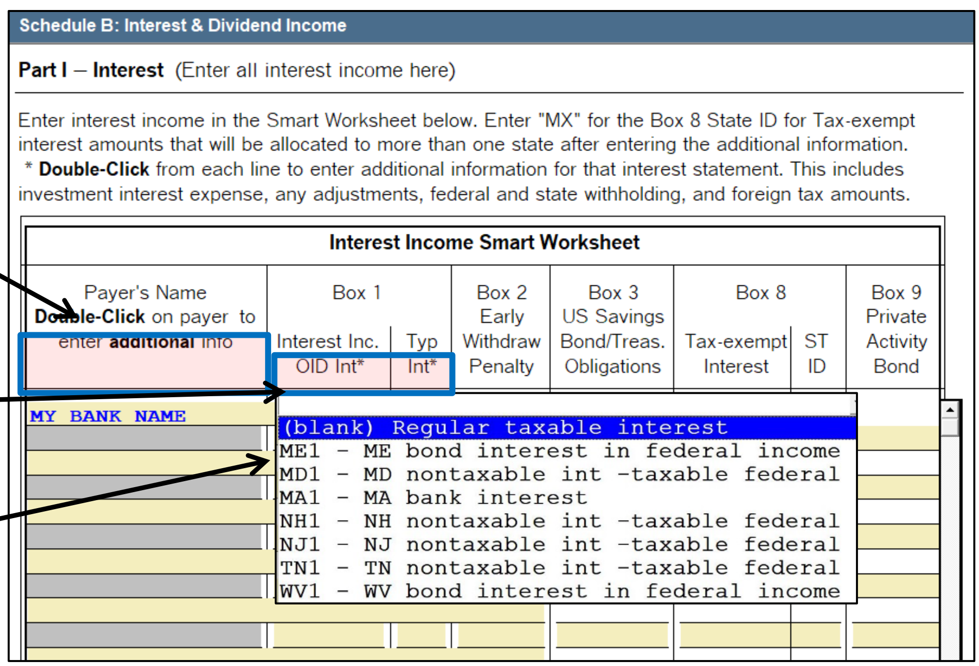
To enter information into **Schedule B**, use the common **Forms Bar**, or click the **Forms** button in the navigation bar at the top of the screen.

<u>Be sure to use Schedule B, Part I: Interest</u>, and not *Part II: Ordinary Dividends*. Information from *<u>multiple</u>* 1099-INT forms should be entered directly into the **Interest Income Smart Worksheet.**

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

Enter the amount from Box 1 into the worksheet.

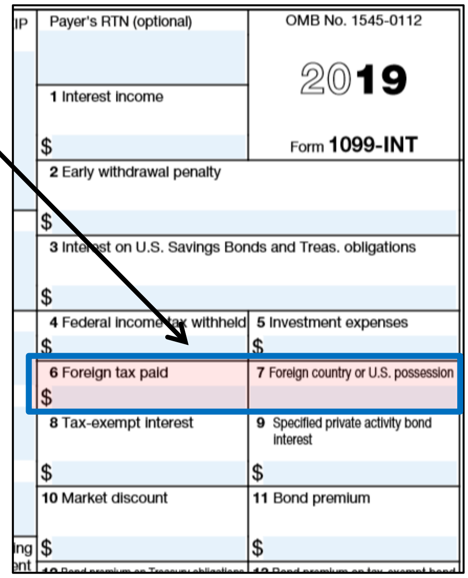
Select Interest Type from the drop-down menu. (Most of the time this will be Blank for regular taxable interest)



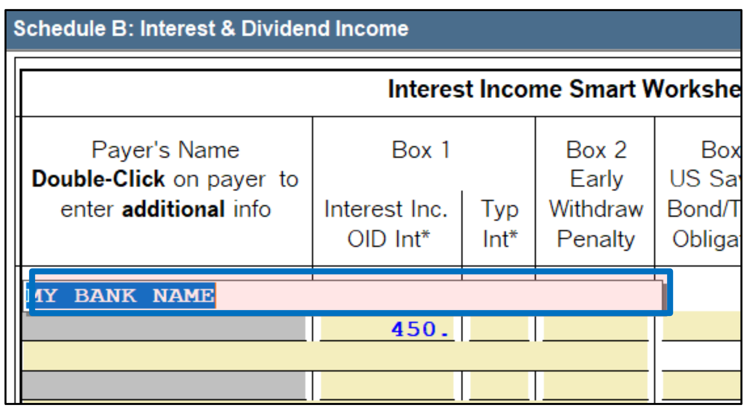
Box 2 shows any early withdrawal penalty amount and is an adjustment to income reported on Form 1040, Schedule 1, Line 30. Some taxpayers withdraw funds from a time deposit before the maturity date of the account and, therefore, incur an interest penalty which is Out-of-Scope.

If there are amounts in **Box 6** or **Box 7** of Form 1099-INT, do not enter them on this worksheet.

Instead, enter see ***ProSeries Tax Manual: Foreign Tax Credit,*** *page 161,* for more information on entering them into ProSeries.

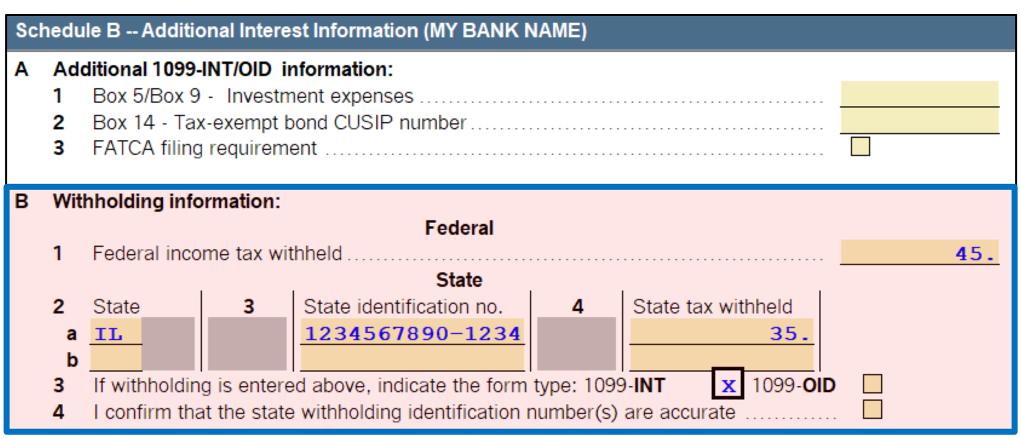

Payer's RTN (optional)
OMB No. 1545-0112
2019
Form 1099-INT
1 Interest income
$
2 Early withdrawal penalty
$
3 Interest on U.S. Savings Bonds and Treas. obligations
$
4 Federal income tax withheld
$
5 Investment expenses
$
6 Foreign tax paid
$
7 Foreign country or U.S. possession
8 Tax-exempt interest
$
9 Specified private activity bond interest
$
10 Market discount
$
11 Bond premium
$

To enter Additional Interest Information shown in the additional boxes on the 1099-INT (Box 4: Federal Income Tax Withheld, Box 11: Bond Premium, etc.), **Double-Click on the Payer's name**.


Schedule B: Interest & Dividend Income
Interest Income Smart Workshe

Payer's Name **Double-Click** on payer to enter **additional** info	Box 1 Interest Inc. OID Int*	Typ Int*	Box 2 Early Withdraw Penalty	Box US Sa Bond/T Obliga
MY BANK NAME				
	450.			

Enter information from **Box 4** (Federal Withholding) and **Boxes 15 and 17** (State Tax Withholding) into **Part B, Lines 1-3**, and indicate that the withholding is coming from the 1099-INT:


Schedule B -- Additional Interest Information (MY BANK NAME)

A Additional 1099-INT/OID information:
1 Box 5/Box 9 - Investment expenses
2 Box 14 - Tax-exempt bond CUSIP number
3 FATCA filing requirement

B Withholding information:
Federal
1 Federal income tax withheld 45.
State

	2 State	3 State identification no.	4 State tax withheld
a	IL	1234567890-1234	35.
b			

3 If withholding is entered above, indicate the form type: 1099-**INT** X 1099-**OID**
4 I confirm that the state withholding identification number(s) are accurate

Enter information from **Boxes 11-13** (Bond Premiums) into **Part D, Lines 2-4**:

- Box 11 – Enter into Part D, Line 2
- Box 12 – Enter into Part D, Line 3
- Box 13 – Enter into Part D, Line 4

Schedule B -- Additional Interest Information (MY BANK NAME)

D	**Bond discount and premium information:**		
	1	Market discount (See tax help)	
	2	Bond/Acquisition premium	
	3	Bond/Acquisition premium on treasury obligations	
	4	Bond/Acquisition premium on tax-exempt bond	

If a taxpayer received less than $10 in interest income from an individual payer in the tax year, the taxpayer may not have received a form 1099-INT; however, <u>the taxpayer must still report all interest income on their tax return.</u>

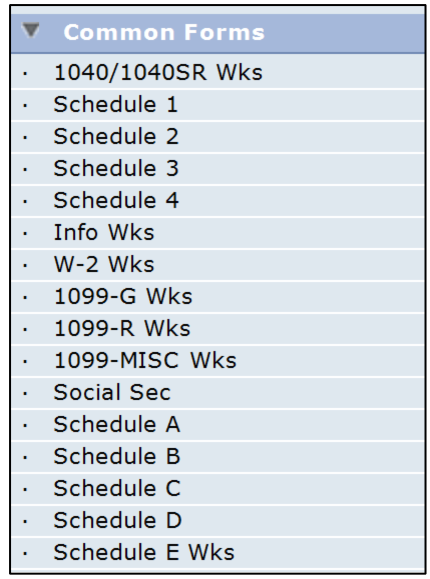
Some interest is not taxable; examples include state and local bonds, qualified Series EE and Series I savings bonds used to pay higher education expenses, and interest earned in a traditional IRA.

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 a 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.

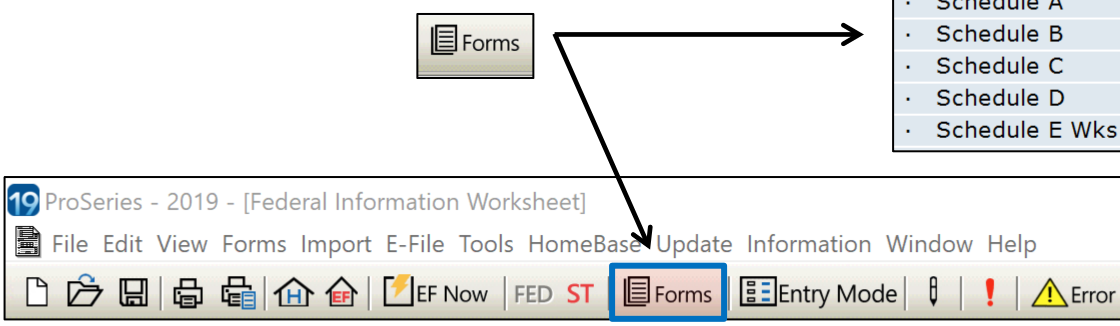
Form 1099-DIV: Dividends and Distributions

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

Note: Interest and Dividends are often reported as one form (they are itemized, but there is only one summary form). This is typical for Brokerage Firms. Check to see that you are entering interest and dividends into the correct lines, and whether they are Ordinary or Qualified.



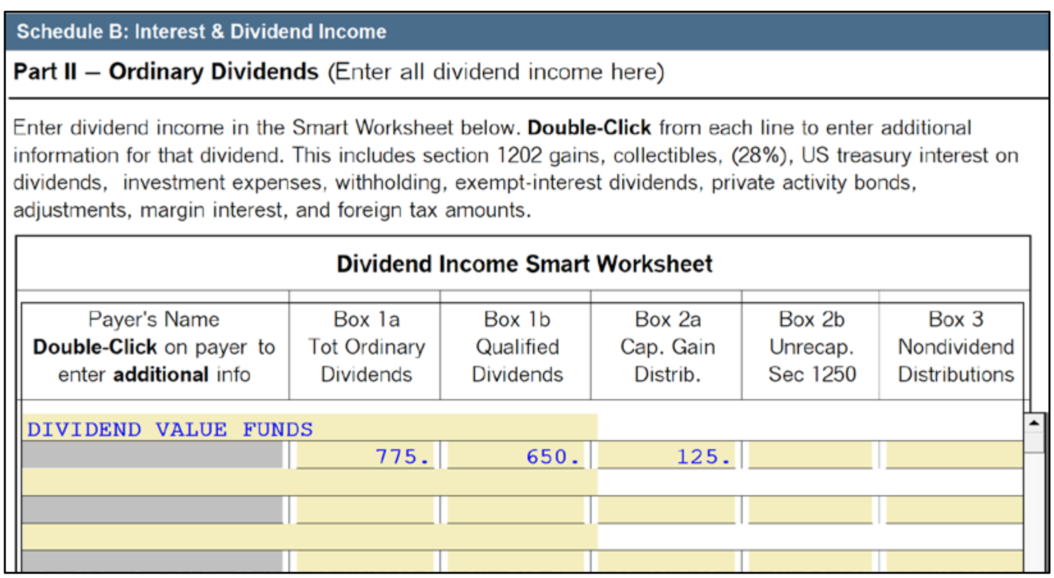
To enter information into Schedule B, use the Forms Bar, or click the **Forms** button in the navigation bar at the top of the screen.



<u>Be sure to use Schedule B, Part II: Ordinary Dividends</u> and not *Part I: Interest*. Information from *<u>multiple</u>* 1099-DIV forms should be entered directly into the **Dividend Income Smart Worksheet.**

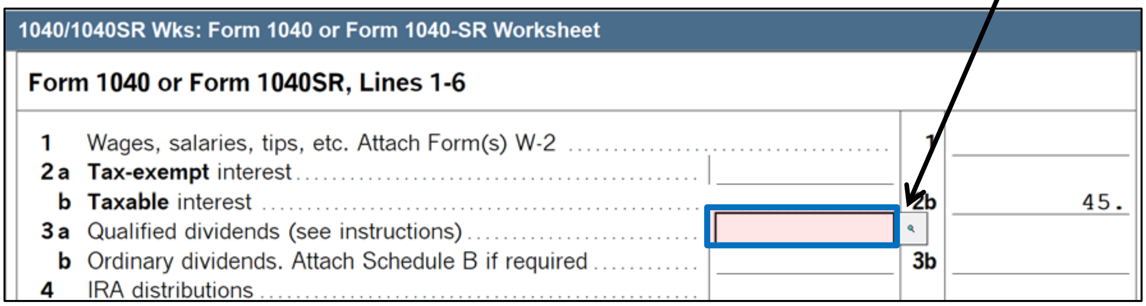
Enter the Payer's Name found on Form 1099-DIV

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



In ProSeries, you can also get to Schedule B Part II by clicking through the Form 1040, Line 3a (Qualified Dividends)

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.

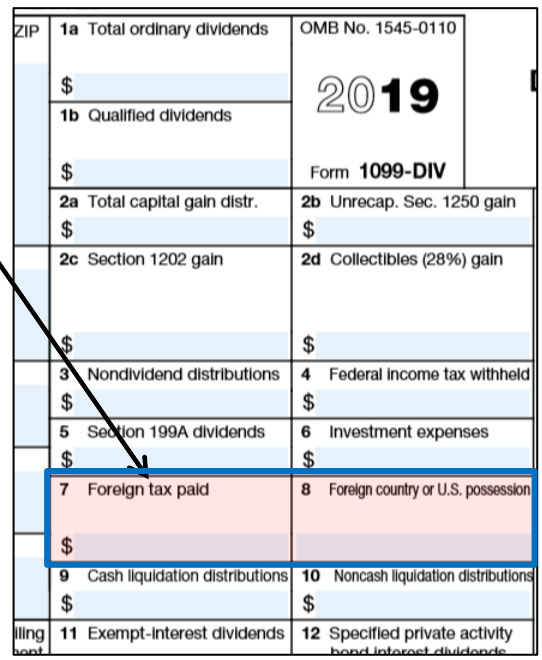

1040/1040SR Wks: Form 1040 or Form 1040-SR Worksheet

Form 1040 or Form 1040SR, Lines 1-6

1	Wages, salaries, tips, etc. Attach Form(s) W-2		1	
2 a	**Tax-exempt** interest			
b	**Taxable** interest		2b	45.
3 a	Qualified dividends (see instructions)			
b	Ordinary dividends. Attach Schedule B if required		3b	
4	IRA distributions			

If there are amounts in **Box 7** or **Box 8** of Form 1099-DIV, do not enter them on this worksheet.

Instead, enter see ***ProSeries Tax Manual: Foreign Tax Credit***, *page 161*, for more information on entering them into ProSeries.


1a Total ordinary dividends $	OMB No. 1545-0110 2019
1b Qualified dividends $	Form 1099-DIV
2a Total capital gain distr. $	2b Unrecap. Sec. 1250 gain $
2c Section 1202 gain $	2d Collectibles (28%) gain $
3 Nondividend distributions $	4 Federal income tax withheld $
5 Section 199A dividends $	6 Investment expenses $
7 Foreign tax paid $	8 Foreign country or U.S. possession
9 Cash liquidation distributions $	10 Noncash liquidation distributions $
11 Exempt-interest dividends	12 Specified private activity bond interest dividends

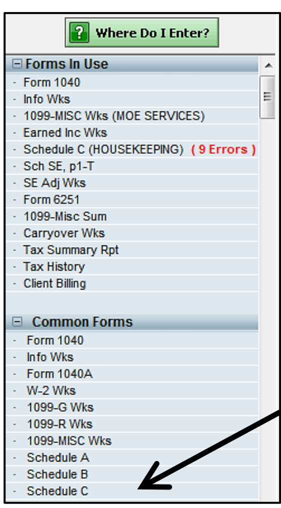
Schedule C: Profit or Loss from Business

Reminder: The return is *OUT-OF-SCOPE.* if the client:

- Had a business with expenses that total over $25,000
- Used an accounting method other than cash
- Had inventory or cost of goods sold at any time during the year
- Had a business with employees or contract labor (paid someone else to help with the business)
- Had a net loss from the business
- Is claiming business use of the home deduction
- Sold their business
- Had vehicle leases of over 30 days
- Had vehicle expenses where actual expenses were used in this or any 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 (if the client purchased a capital asset to use in the business during the tax year or is already depreciating items acquired in a previous tax year)
- Has expenses for business use of their home
- Has prior-year unallowed passive activity losses from his business
- Engaged in hobby or not-for-profit activities that generated income
- Has income from controlled substances (such as marijuana)

Note: If a client who drove for Uber/Lyft did not own their own vehicle, it is likely they will trigger one or more of the situations that will result in the client being Out-of-Scope.

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:



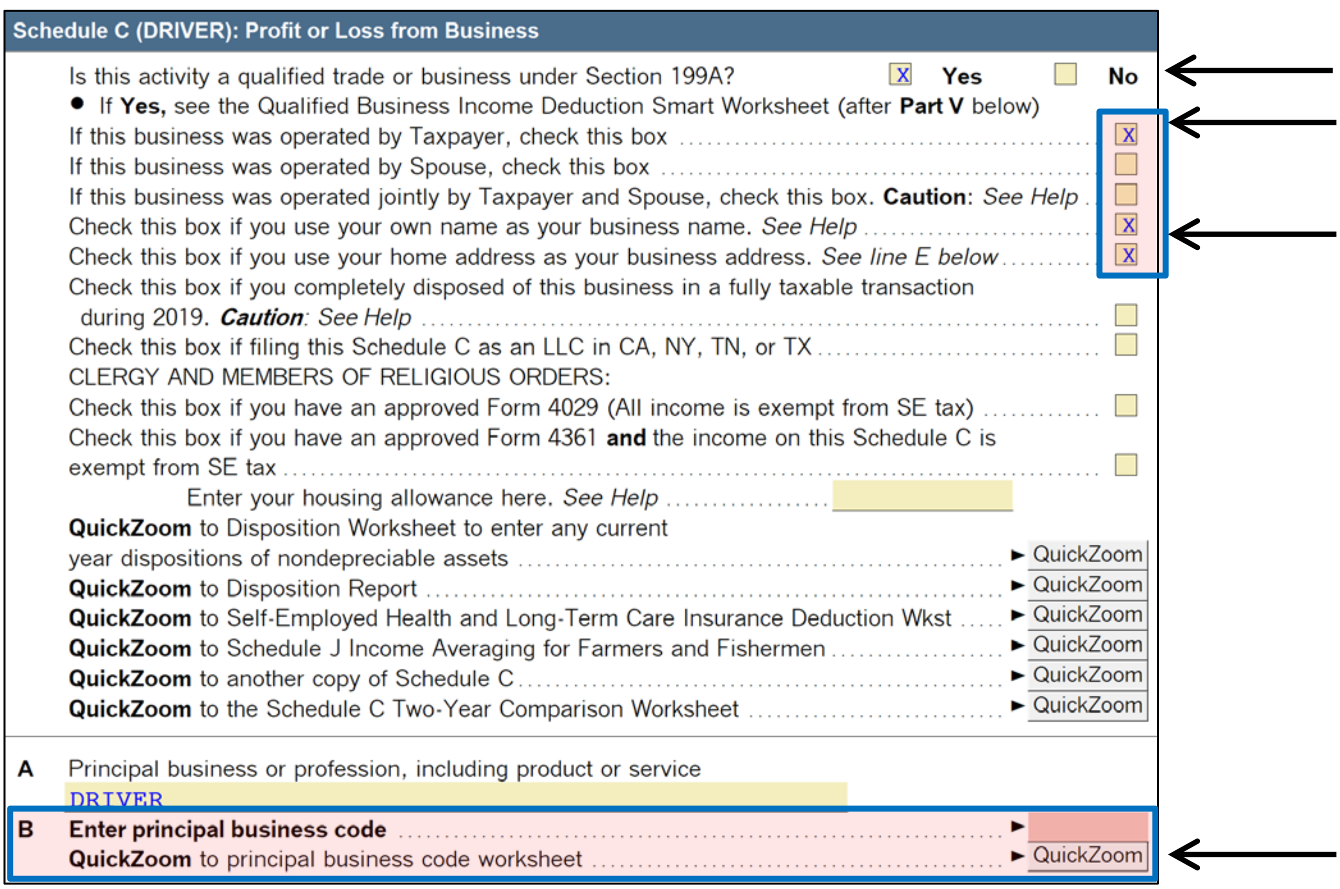
*From the Forms Bar, click on an existing **Schedule C linked to a 1099-MISC***

OR

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

Then begin filling out Schedule C:

1. Check the appropriate box to indicate whether this activity is a qualified trader or business. (If Yes, see the Qualified Business Income Deduction Smart Worksheet after Part V below.)
2. In most cases, you will also then check the boxes to indicate that the business was operated by Taxpayer and/or Spouse
3. In most cases, you will also then check the box to indicate that you use your own name as your business name
4. In most cases, you will also then check the box to indicate that you use your home address as your business name
5. Scroll down to ***Part B*** to enter the Principal Business Code. If you don't know which code to use, **QuickZoom** to a full list of **Principal Business or Professional Activity Codes**
    - **485300** – Other transit and ground passenger transportation (Driver for Uber/Lyft)
    - **492000** – Couriers and Messengers
    - **621610** – Home health care services
    - **561729** – Janitorial Services & Housekeeping
    - **236110** – Residential Building Construction
    - **236200** – Commercial Building Construction)
    - **238100-900** – Specialty trade contractors (electrical, plumbing, etc.)



Schedule C (DRIVER): Profit or Loss from Business

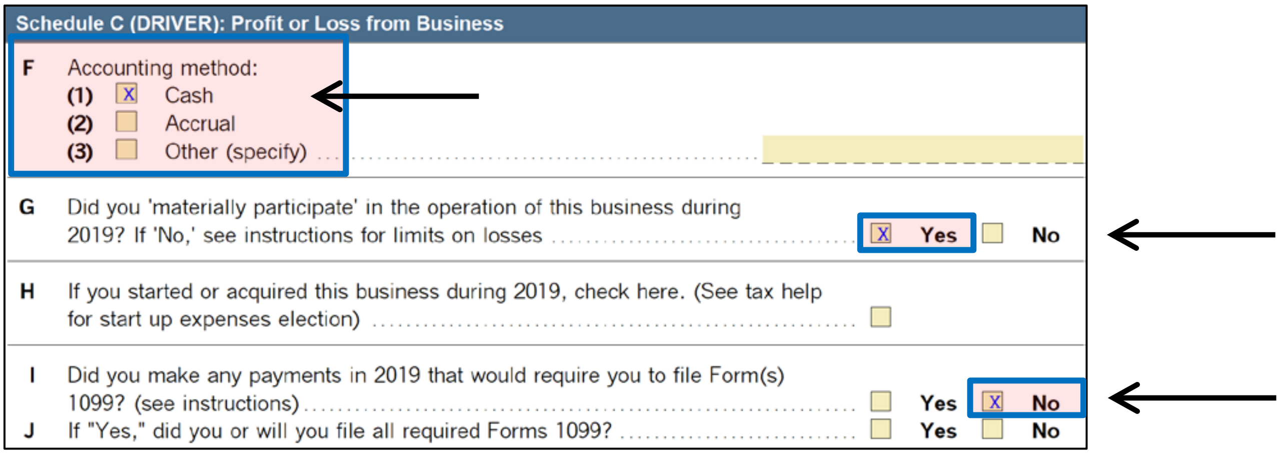
Is this activity a qualified trade or business under Section 199A? [X] **Yes** [ ] **No**
- If **Yes,** see the Qualified Business Income Deduction Smart Worksheet (after **Part V** below)

If this business was operated by Taxpayer, check this box ..... [X]
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 if you use your own name as your business name. *See Help* ..... [X]
Check this box if you use your home address as your business address. *See line E below* ..... [X]
Check this box if you completely disposed of this business in a fully taxable transaction during 2019. ***Caution***: *See Help* ..... [ ]
Check this box if filing this Schedule C as an LLC in CA, NY, TN, or TX ..... [ ]
CLERGY AND MEMBERS OF RELIGIOUS ORDERS:
Check this box if you have an approved Form 4029 (All income is exempt from SE tax) ..... [ ]
Check this box if you have an approved Form 4361 **and** the income on this Schedule C is exempt from SE tax ..... [ ]
Enter your housing allowance here. *See Help* .....
QuickZoom to Disposition Worksheet to enter any current year dispositions of nondepreciable assets ..... ► QuickZoom
QuickZoom to Disposition Report ..... ► QuickZoom
QuickZoom to Self-Employed Health and Long-Term Care Insurance Deduction Wkst ..... ► QuickZoom
QuickZoom to Schedule J Income Averaging for Farmers and Fishermen ..... ► QuickZoom
QuickZoom to another copy of Schedule C ..... ► QuickZoom
QuickZoom to the Schedule C Two-Year Comparison Worksheet ..... ► QuickZoom

A Principal business or profession, including product or service
DRIVER
B **Enter principal business code** ..... ►
QuickZoom to principal business code worksheet ..... ► QuickZoom

6. In ***Part F***, enter the Accounting Method: **<u>(1) Cash</u>.** (Clients who used other methods are <u>Out-of-Scope</u>)
7. In ***Part G***, enter **<u>Yes</u>.** (Clients who do not meet the material participation tests are <u>Out-of-Scope</u>)
8. In ***Part I***, enter **<u>No</u>**. (Clients who are required to file Form 1099, who paid $600 or more to another taxpayer, then their return is <u>Out-of-Scope</u>)

Note**:** Make sure to use the **Self-Employment Expenses Worksheet** and use the **material participation tests** in the *TAP Client Intake and Case Review Guide*, if the Case Reviewer did not already use these to screen the client initially.


Schedule C (DRIVER): Profit or Loss from Business

F Accounting method:
(1) X Cash
(2) Accrual
(3) Other (specify)

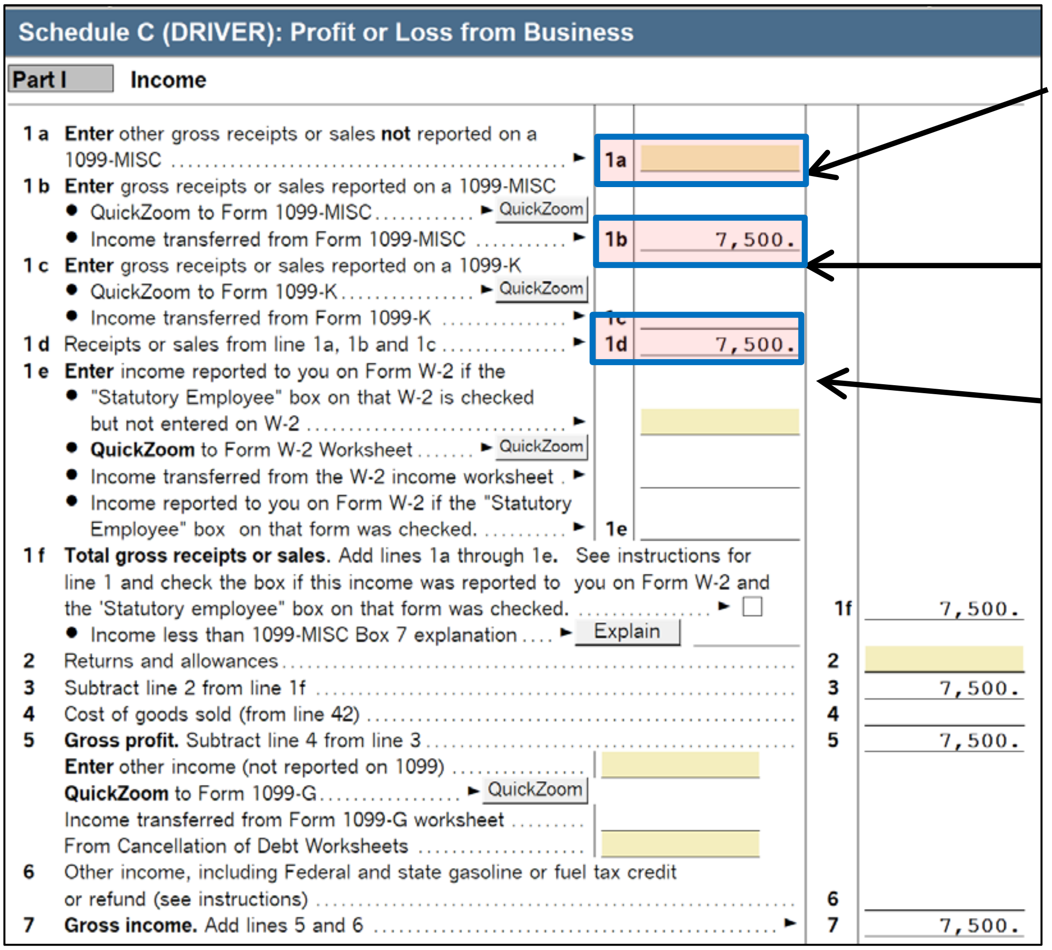
G Did you 'materially participate' in the operation of this business during 2019? If 'No,' see instructions for limits on losses X Yes No

H If you started or acquired this business during 2019, check here. (See tax help for start up expenses election)

I Did you make any payments in 2019 that would require you to file Form(s) 1099? (see instructions) Yes X No
J If "Yes," did you or will you file all required Forms 1099? Yes No

Schedule C: Part I Income

Make sure to <u>link and enter all contractor or business income for the same type of work</u> onto the same Schedule C. (For example, a client that is a Driver who worked for both Lyft and Uber should have all income related to both jobs entered on one Schedule C for Driver.)



Schedule C (DRIVER): Profit or Loss from Business

Part I **Income**

1 a	**Enter** other gross receipts or sales **not** reported on a 1099-MISC	1a		
1 b	**Enter** gross receipts or sales reported on a 1099-MISC			
	• QuickZoom to Form 1099-MISC ► QuickZoom			
	• Income transferred from Form 1099-MISC	1b	7,500.	
1 c	**Enter** gross receipts or sales reported on a 1099-K			
	• QuickZoom to Form 1099-K ► QuickZoom			
	• Income transferred from Form 1099-K	1c		
1 d	Receipts or sales from line 1a, 1b and 1c	1d	7,500.	
1 e	**Enter** income reported to you on Form W-2 if the			
	• "Statutory Employee" box on that W-2 is checked but not entered on W-2			
	• **QuickZoom** to Form W-2 Worksheet ► QuickZoom			
	• 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.	1e		
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. ► ☐		1f	7,500.
	• Income less than 1099-MISC Box 7 explanation ► Explain			
2	Returns and allowances		2	
3	Subtract line 2 from line 1f		3	7,500.
4	Cost of goods sold (from line 42)		4	
5	**Gross profit.** Subtract line 4 from line 3		5	7,500.
	Enter other income (not reported on 1099)			
	QuickZoom to Form 1099-G ► QuickZoom			
	Income transferred from Form 1099-G worksheet			
	From Cancellation of Debt Worksheets			
6	Other income, including Federal and state gasoline or fuel tax credit or refund (see instructions)		6	
7	**Gross income.** Add lines 5 and 6 ►		7	7,500.

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

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

Income from 1099-K can be entered here.

Schedule C: Part II Expenses

Ladder Up clients can have up to 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*.**

Next, enter any work-related expenses that the taxpayer must report. Make sure you remind the client that they will need to be able to substantiate these expenses in the event of an audit.

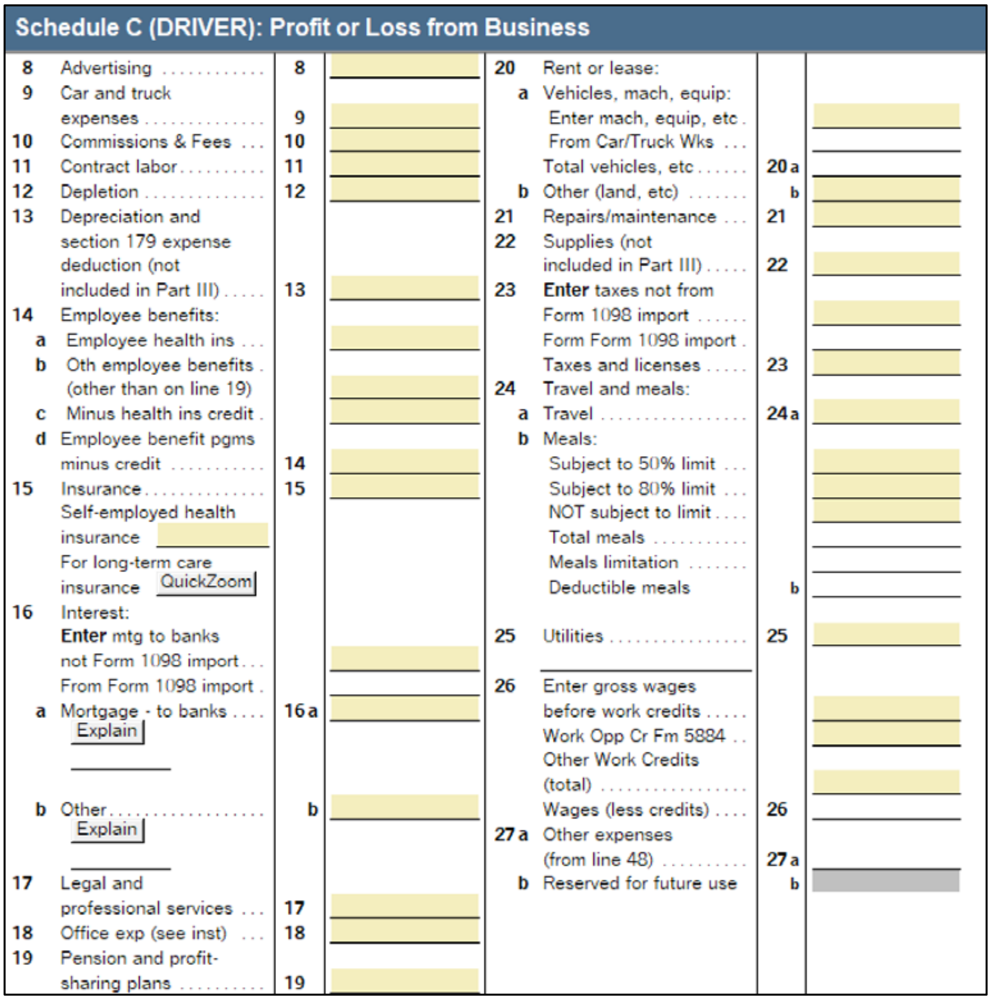
A business expense must be both ordinary and necessary to be a deductible expense:

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.

Examples of deductible expenses include the following (see **IRS Publication 4491,** pages 10-3 through 10-9):

- Advertising (Schedule C, Line 8)
- Car and Truck expenses (including business portion of auto loan interest - Schedule C, Line 9)
- Commissions and Fees (Schedule C, Line 10)
- Insurance
- Other interest (Schedule C, Line 16b)
- Legal and Professional services and fees
- Office expenses (if the client uses their home as their office, the return is Out-of-Scope)
- Rent or lease expenses (vehicle leases of more than 30 days are Out-of-Scope)
- Repairs and Maintenance
- Supplies, such as Bottled Water and Phone Chargers for passengers not associated with goods sold (Schedule C, Line 22)
- Taxes and Licenses
- Travel & Meals*
- Utilities, including Cell Phone & In-Car Entertainment like Pandora/Spotify, etc. (Schedule C, Line 25)

Expenses are added in Part II: Expenses, lines 8 – 27, in Schedule C:


Schedule C (DRIVER): Profit or Loss from Business

8 Advertising 8
9 Car and truck expenses 9
10 Commissions & Fees . . . 10
11 Contract labor 11
12 Depletion 12
13 Depreciation and section 179 expense deduction (not included in Part III) 13
14 Employee benefits:
a Employee health ins . . .
b Oth employee benefits . (other than on line 19)
c Minus health ins credit .
d Employee benefit pgms minus credit 14
15 Insurance 15
Self-employed health insurance
For long-term care insurance QuickZoom
16 Interest:
Enter mtg to banks not Form 1098 import . . .
From Form 1098 import .
a Mortgage - to banks 16a
Explain
b Other . . . . b
Explain
17 Legal and professional services . . . 17
18 Office exp (see inst) . . . 18
19 Pension and profit-sharing plans 19

20 Rent or lease:
a Vehicles, mach, equip:
Enter mach, equip, etc .
From Car/Truck Wks . . .
Total vehicles, etc 20a
b Other (land, etc) . . . . b
21 Repairs/maintenance . . . 21
22 Supplies (not included in Part III) 22
23 **Enter** taxes not from Form 1098 import . . . . . .
Form Form 1098 import .
Taxes and licenses 23
24 Travel and meals:
a Travel 24a
b Meals:
Subject to 50% limit . . .
Subject to 80% limit . . .
NOT subject to limit . . . .
Total meals . . . .
Meals limitation . . . .
Deductible meals b
25 Utilities 25
26 Enter gross wages before work credits . . . . .
Work Opp Cr Fm 5884 . .
Other Work Credits (total) . . . .
Wages (less credits) 26
27a Other expenses (from line 48) 27a
b Reserved for future use b

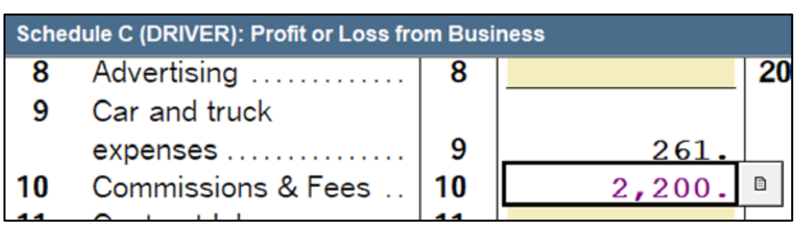
**For meals: Only meals while traveling away from home for business, or meals that are business-related entertainment are deductible.*

Enter the full amount of the meal expenses, and ProSeries will apply the 50% limit calculation.

When adding multiple expenses into a line in Schedule C, use the supporting statements tool whenever possible:

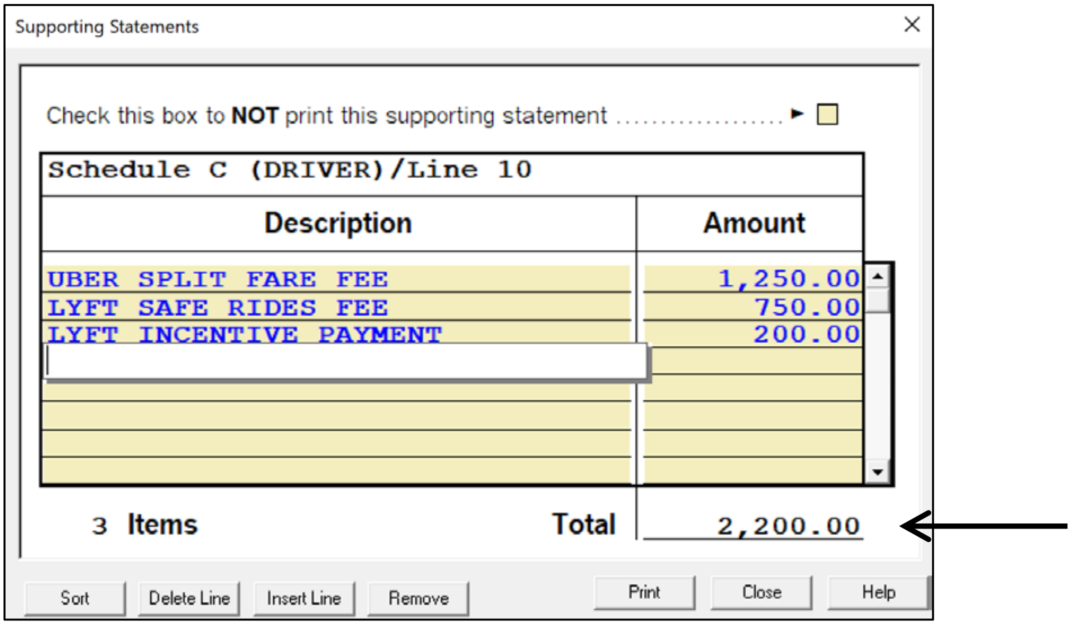
Commissions & Fees

For Rideshare Drivers, make sure to include all the fees and commissions in Expenses, under Schedule C Line 10. Click on the *Supporting Statements* Icon.


Schedule C (DRIVER): Profit or Loss from Business

8 Advertising . . . . 8 | 20
9 Car and truck expenses . . . . 9 | 261.
10 Commissions & Fees . . 10 | 2,200.

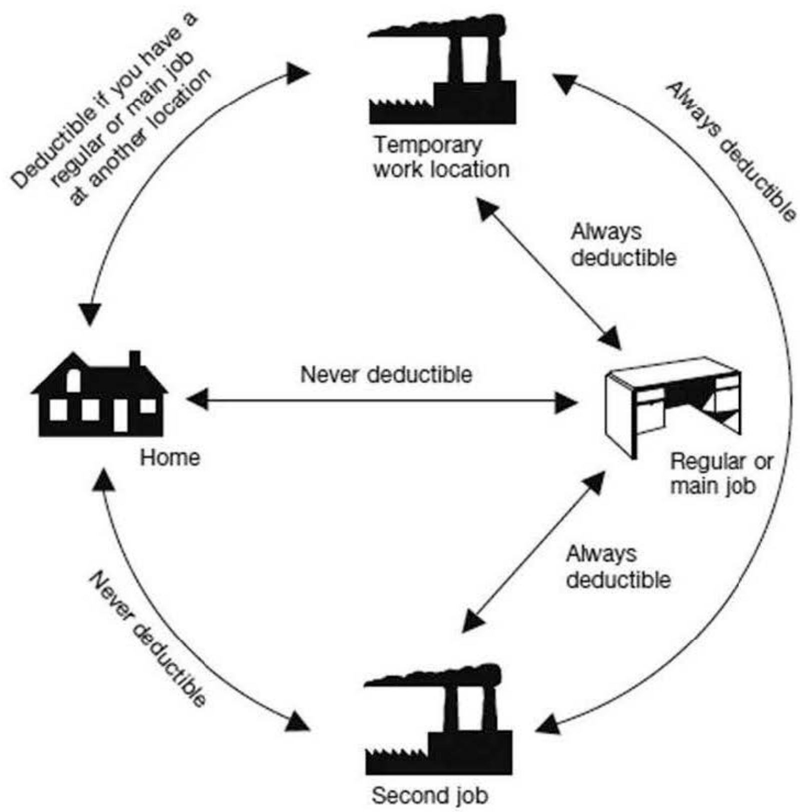
ProSeries will sum the total of each item entered, and this will make it easier for someone to check for accuracy later:



Expenses that are NOT deductible include:
Bribes and kickbacks, charitable contributions, demolition expenses or losses, and dues paid to business, social, athletic, luncheon, sporting, airline and hotel clubs.

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. See *Office in the home*.)



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 do not 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 cannot deduct your transportation expenses between your home and a second job on a day off from your main job.

Car and Truck Expenses

If the taxpayer is self-employed and using a vehicle for their business, they can choose how to deduct vehicle expenses. In general, taxpayers will want to select:

- **Standard mileage deduction if the taxpayer owns a car that is not a heavy SUV**
- *Depreciation method if the taxpayer owns a large SUV (over 6,000 lbs) – Out-of-Scope*
- *Actual expenses if the taxpayer leases a livery vehicle – Out-of-Scope*

VITA Programs, including Ladder Up are only allowed to process client returns using standard mileage. If the Actual Expenses were used in ANY prior year for this vehicle, or if the taxpayer wishes to use actual expenses this year, the return is Out-of-Scope.

Examples of Out-of-Scope Actual Expenses:

- Vehicle depreciation (own vehicle)
- Car Rental/Lease Payments
- Registration Fees
- License Plates
- Taxes
- Insurance
- Gas (or Diesel) & Oil
- Maintenance and Repairs (including Parts & Tires, etc.)
- Garage Rent
- Parking Fees

Special Note for Uber, Lyft, and Amazon Drivers
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.**

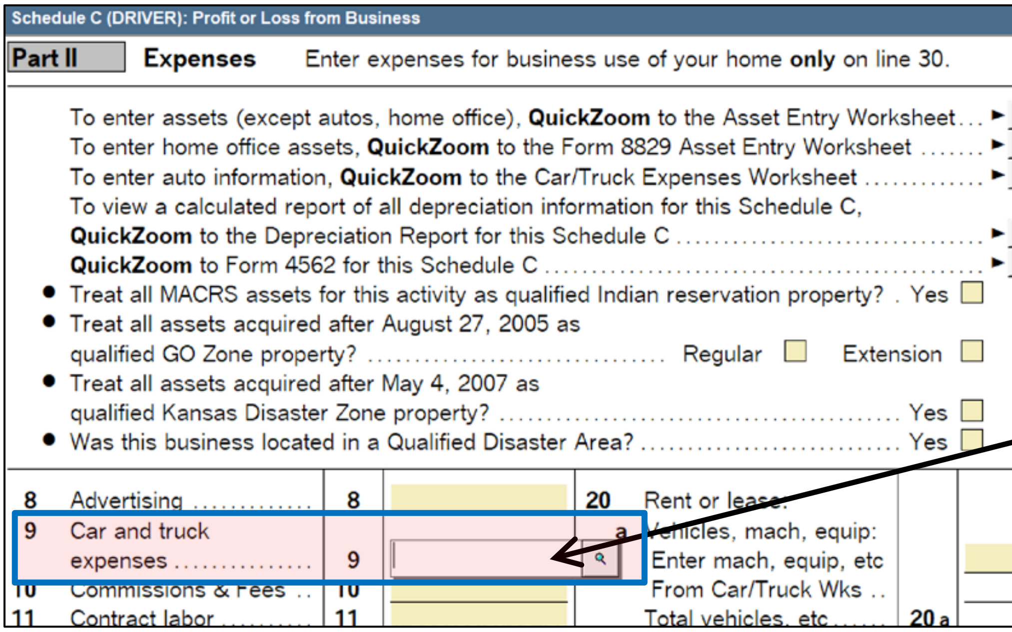
Standard Mileage Rate
The standard mileage rate for tax year 2019 is: 58 cents per mile for business miles driven.
The standard mileage rate for tax year 2018 is: 54.5 cents per mile for business miles driven.

Clients taking the standard mileage rate can also deduct the business part of interest on a car loan, state and local personal property tax on the car, parking fees, and tolls, whether or not they claim the standard mileage rate. For-hire drivers may have other deductible expenses such as cellular service, fees, and ridesharing insurance in addition to using the standard mileage rate. Commuting and other personal automobile expenses such as depreciation, lease payments, maintenance and repairs, gasoline (including gasoline taxes), oil, insurance, or vehicle registration fees are not deductible.

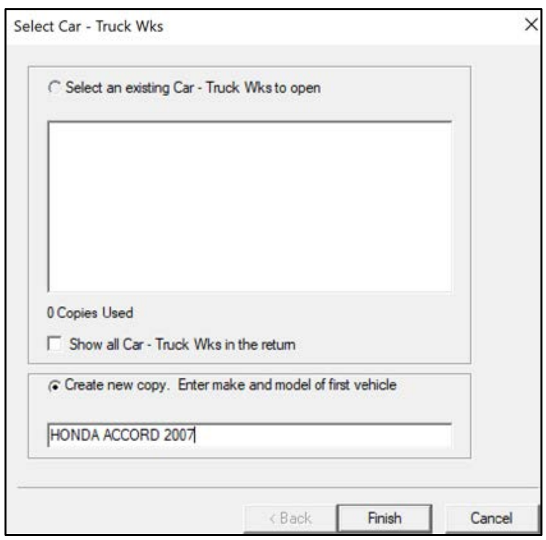
Schedule C: Car-Truck Worksheet

To add Car and Truck expenses to a Schedule C, click on **Box 9: Car and truck expenses**. This will open a Car-Truck Worksheet, which will allow you to enter the details of the car/truck use. In order to create and Car/Truck Worksheet, complete the following:

1. Click on **Schedule C Part II: Expenses, Line 9** (Car and truck expenses).



2. Title the name of the Car-Truck Worksheet with the **make and model** of the car or truck used by the taxpayer.



3. Complete the Car-Truck Worksheet following lines:
    - **Line 2** (Approximate date the vehicle was placed into service)
    - **Line 5c** (Total miles driven for the year, or use 5a and 5b to have ProSeries calculate)
    - **Line 6** (Business miles for the year – all "On-Trip Mileage" should be added here.)
    - **Line 7** (Commuting miles for the year)

4. ProSeries will automatically calculate Line 8 and Line 9 (percent of business use).

   Note: Business mileage does <u>not</u> include miles spent commuting between home and work, or miles driven for meals.

   Business mileage does include miles spent "on-trip" and between client rides (for example, a Lyft/Uber drive could also count the mileage between dropping off a ride customer and picking up the next ride customer).

Schedule C (DRIVER) -- Car - Truck Wks (HONDA ACCORD 2007)

1	Make and model of vehicle	HONDA ACCORD 2007		
2	Date acquired			
3	Date placed in service	10/01/2017		
4	Type of vehicle	A1 – Auto		
5 a	Ending mileage reading			
b	Beginning mileage reading			
c	**Total miles** for the year	900		
6	Business miles for the year	450		
7	Commuting miles for the year	50		
8	Other personal miles for the year	400		
9	Percent of business use	50.00 %	%	%
10	Months for special allocation. See Tax Help			
11	Is another vehicle available for personal use?	☐ Yes ☒ No	☐ Yes ☐ No	☐ Yes ☐ No
12	Was the vehicle available for personal use during off-duty hours?	☒ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
13	Was the vehicle used primarily by a more than 5% owner or related person?	☒ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
14 a	Is there evidence to support the business use claimed?	☒ Yes ☐ No		
b	If 'Yes,' is the evidence written?	☒ Yes ☐ No		

Standard Mileage Rate

15	Does vehicle qualify for standard mileage rate?	☒ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
16	Was the vehicle leased?	☐ Yes ☒ No	☐ Yes ☐ No	☐ Yes ☐ No
17	**Standard mileage deduction**	261.		

5. Complete Car-Truck Worksheet, **Line 11 – Line 16** based on the Self-Employment Worksheet and other information shared with you by the client.

Other Additional Vehicle Expenses that can be added to the Car-Truck Worksheet:

- **Line 26a of Car-Truck Worksheet** – Business related parking fees, tolls, etc.
- **Line 26d of Car-Truck Worksheet** – Interest on Vehicle/Auto Loan (the business portion of the auto loan interest can be included)

Note: **Car washes are considered to be part of the expense of maintaining the car**, and as such, that expense is included in the standard mileage rate. If a taxpayer is taking the standard mileage rate, car washes cannot also be deducted.

Form 1099-MISC: Miscellaneous Income

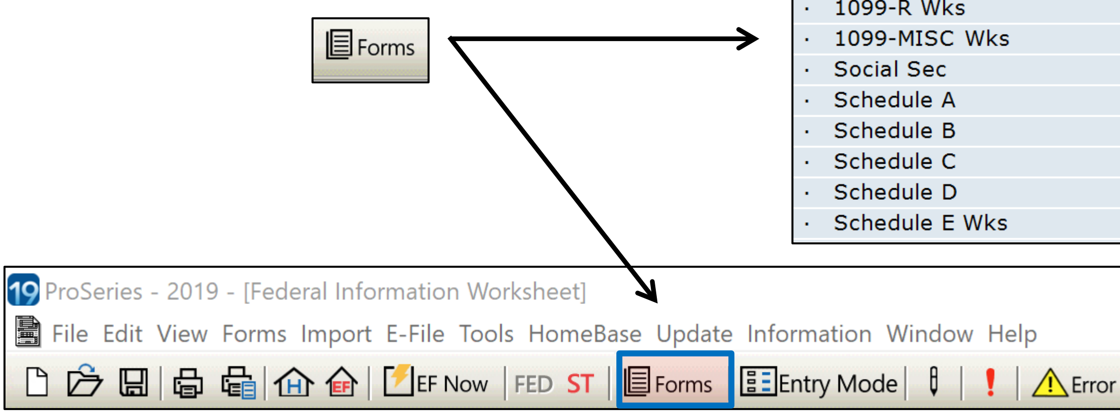
Most Ladder Up taxpayers with earnings reported on Form 1099-MISC, Box 7, are considered to be self-employed or independent contractors. These amounts should be reported on Schedule C in ProSeries.

Net losses and profits are reported on Form 1040, Schedule 1 line 3. 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. (In less frequent instances, for example if it’s a one-time non-repetitive service event, this can sometimes be reported on Schedule 1, Line 8.)

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.

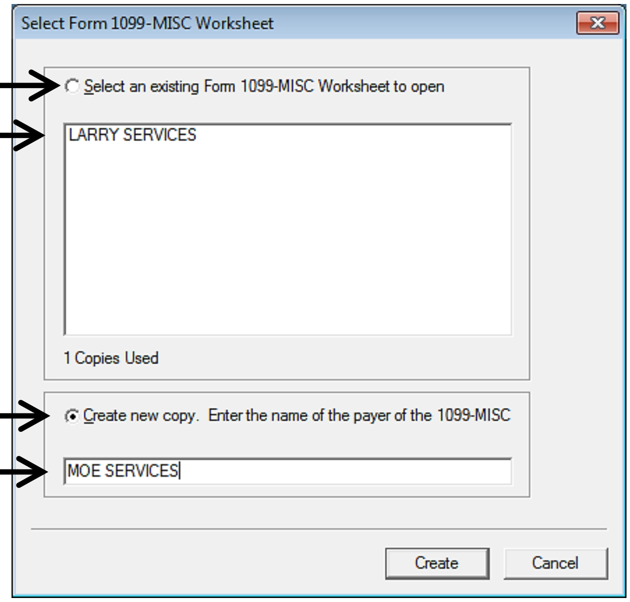
In ProSeries, 1099-MISC information is entered using a 1099-MISC Worksheet. As with the W-2 Worksheet, a separate 1099-MISC Worksheet must be created for each 1099-MISC that the taxpayer and spouse have. Use the Forms Bar on the left to create a new or edit an existing 1099-MISC Worksheet.

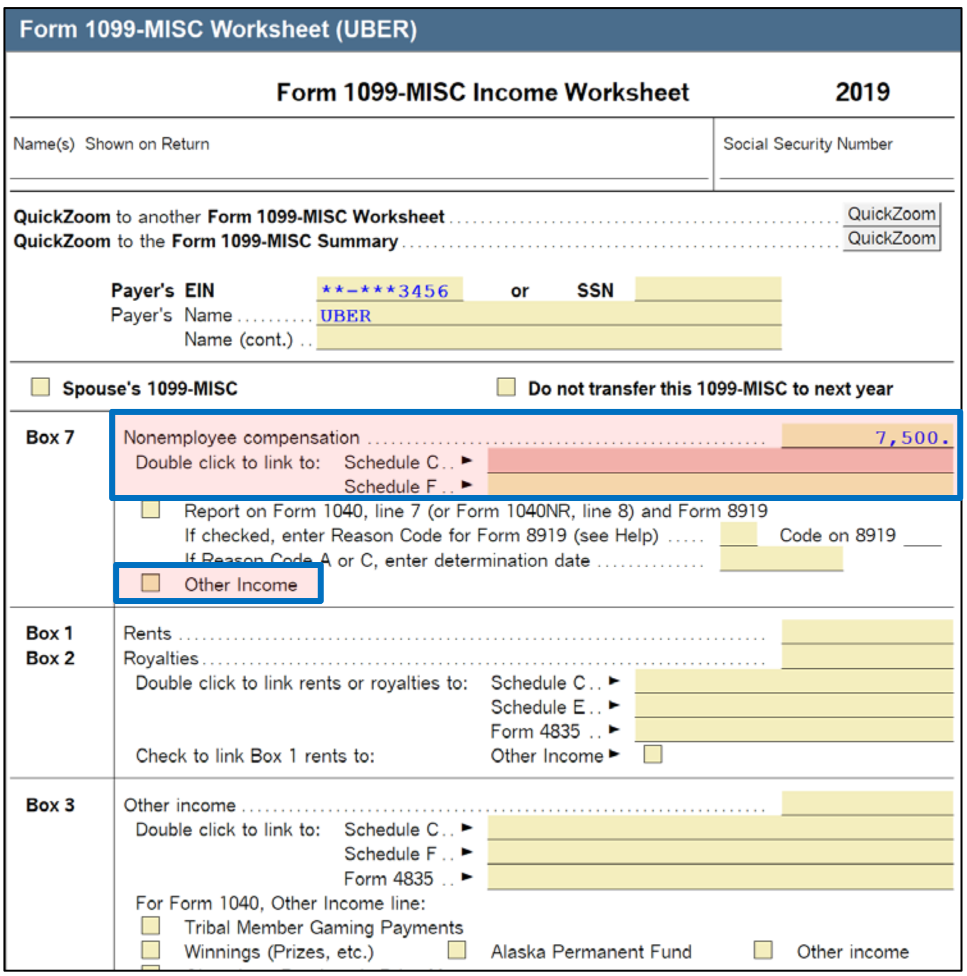
To enter information into 1099-MISC Worksheet, use the **Forms Bar**, or click the **Forms** button in the navigation bar at the top of the screen.



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 (ex: Lyft, Uber, Amazon, etc.) from the 1099-MISC


Select Form 1099-MISC Worksheet
Select an existing Form 1099-MISC Worksheet to open
LARRY SERVICES
1 Copies Used
Create new copy. Enter the name of the payer of the 1099-MISC
MOE SERVICES
Create
Cancel


Form 1099-MISC Worksheet (UBER)

Form 1099-MISC Income Worksheet 2019

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 **-***3456 or SSN
Payer's Name UBER
Name (cont.)

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

Box 7
Nonemployee compensation 7,500.
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

Box 1
Box 2
Rents
Royalties
Double click to link rents or royalties to: Schedule C
Schedule E
Form 4835
Check to link Box 1 rents to: Other Income

Box 3
Other income
Double click to link to: Schedule C
Schedule F
Form 4835
For Form 1040, Other Income line:
Tribal Member Gaming Payments
Winnings (Prizes, etc.)
Alaska Permanent Fund
Other income

*If **Box 7** shows an amount, **Schedule C** also needs to be completed.*

*See **ProSeries Tax Manual: Schedule C,** page 62, for further instructions.*

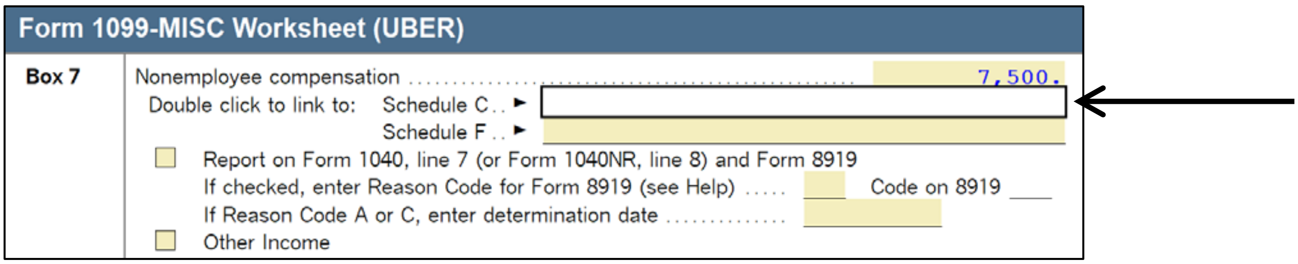
*If there is an amount in **Box 3**, enter the amount here and check the “Other Income” Box.*

*Clients rarely have Federal or State income withheld, but if they do then scroll down to **Box 4** (Federal) and **Box 16** (State).*

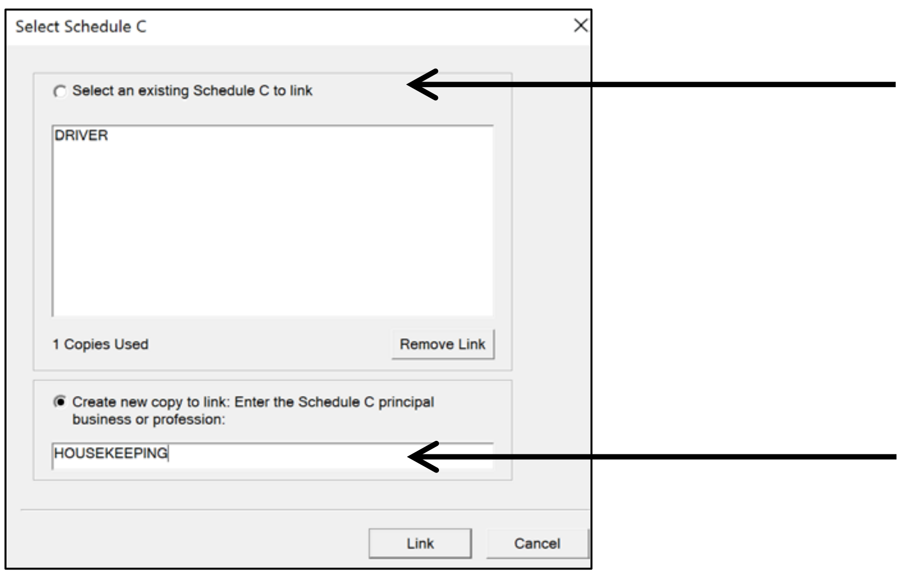
Form 1099-MISC and Schedule C

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:

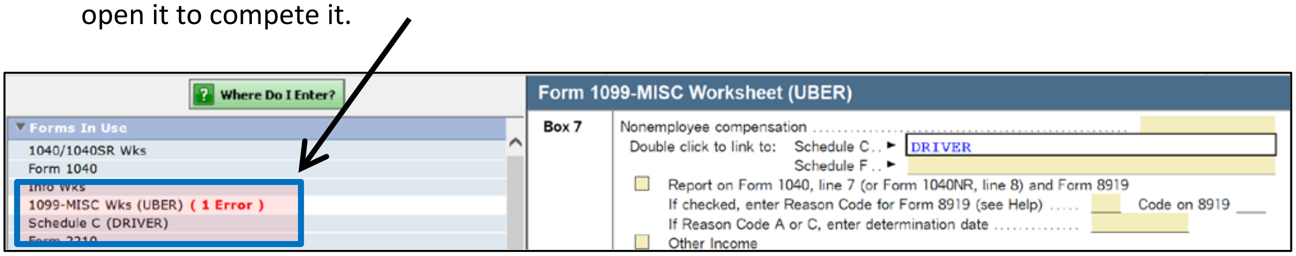
1. Double click the space next to *"Schedule C"*



2. Create a new Schedule C to link, or select an existing Schedule C to link. For Schedule C, make sure you enter the ***<u>type of employment</u>***, not the payer's name.



3. A new Schedule C will appear in the **Forms Bar**. Click on the new Schedule C in the **Forms Bar** and open it to compete it.



Form 1099-K: Merchant Card and Third-Party Payments

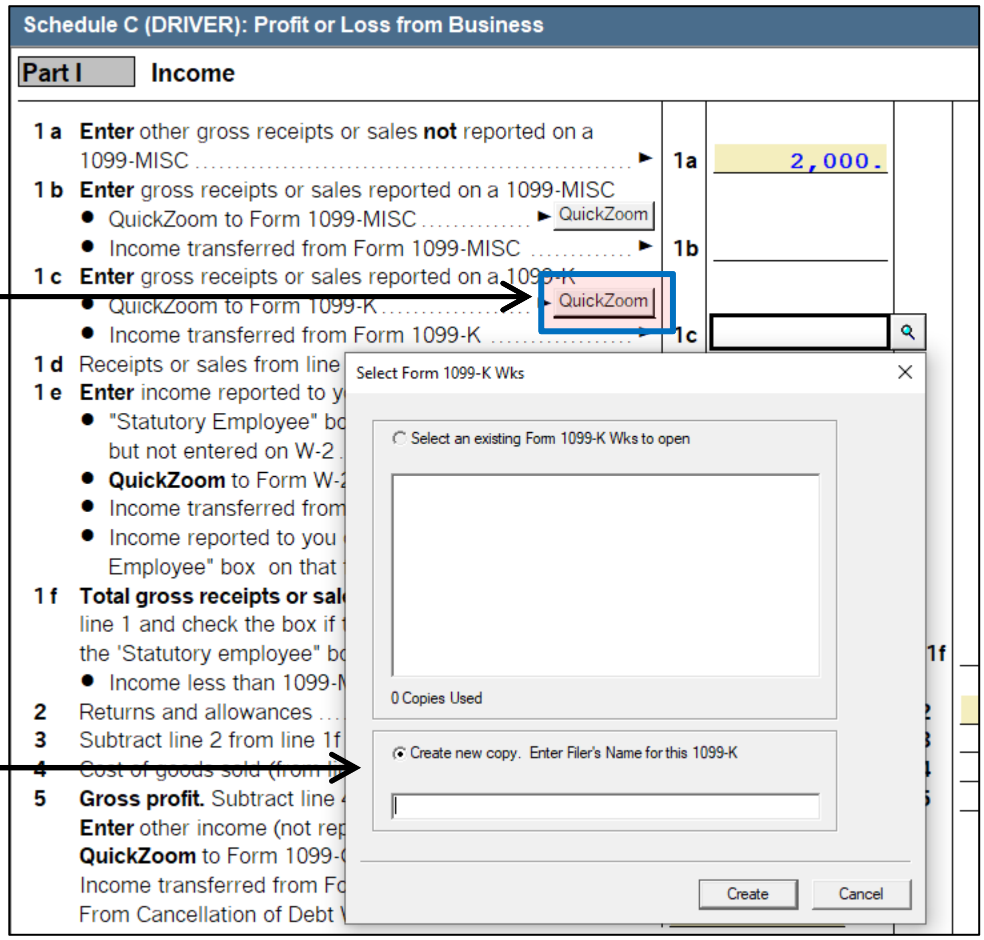
Form 1099-K shows income that was received by clients from a payment settlement entity (PSE), a third-party company that handles transactions from debit cards, credit cards, and even PayPal. If a client had 200 or more transactions with a PSE that totaled $20,000 or more, then they will receive a Form 1099-K. <u>This type of income is in-scope if the business is itself is in-scope.</u>

Form 1099-K data is entered in the 1099-K worksheet. You can get to the form either:

- clicking the **Forms** Button at the top of the navigation bar and typing in “99K”
- using QuickZoom from **Schedule C, Line 1c.**

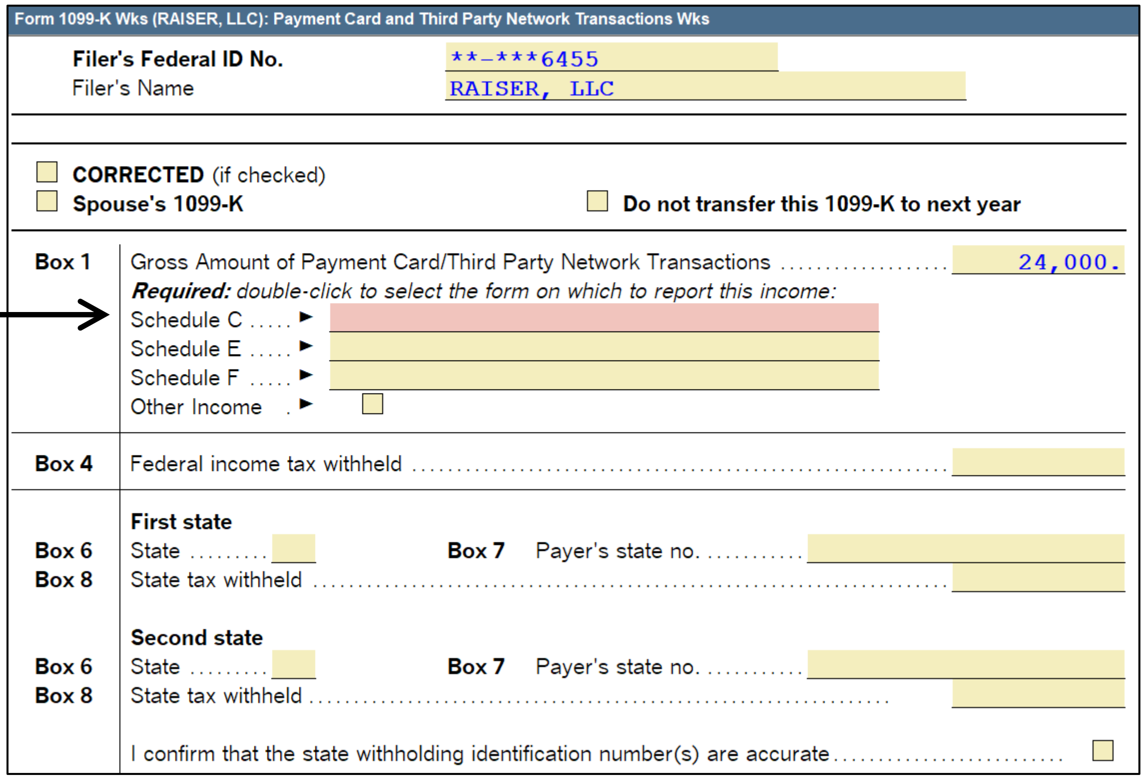
To create a new 1099-K Worksheet, click the QuickZoom button from Schedule C, Line 1c,

Type in the name of the <u>filer’s name.</u>



Then begin filling out the 1099-K Worksheet:

1. Create a new copy, and enter the Filer's name.
2. Enter Filer's Federal ID No.
3. In **Box 1**
   - Enter the Gross Amount of Payment Card/Third Party Network Transactions
   - Click to link the form to the appropriate Schedule C



Form 1099-K Wks (RAISER, LLC): Payment Card and Third Party Network Transactions Wks

Filer's Federal ID No. **-***6455
Filer's Name RAISER, LLC

☐ **CORRECTED** (if checked)
☐ **Spouse's 1099-K**
☐ **Do not transfer this 1099-K to next year**

Box 1	Gross Amount of Payment Card/Third Party Network Transactions	24,000.
	Required: *double-click to select the form on which to report this income:*	
	Schedule C ►	
	Schedule E ►	
	Schedule F ►	
	Other Income ► ☐	
Box 4	Federal income tax withheld	
	First state	
Box 6	State	**Box 7** Payer's state no.
Box 8	State tax withheld	
	Second state	
Box 6	State	**Box 7** Payer's state no.
Box 8	State tax withheld	
	I confirm that the state withholding identification number(s) are accurate ☐	

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

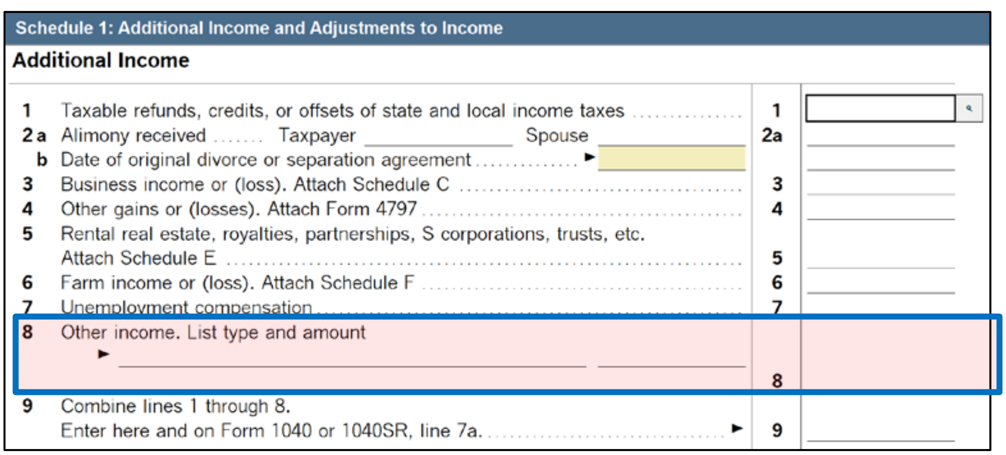
Payments from state agencies to family caregivers who care for children are taxable and may be found on Form 1099-MISC in either **Box 7** or **Box 3**.

If family caregivers are not conducting a business of caring for children, this income is reported on Form 1040, Schedule 1 line 8 (Other Income).

If the family caregivers are conducting a business of caring for children, this income is reported on Schedule 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

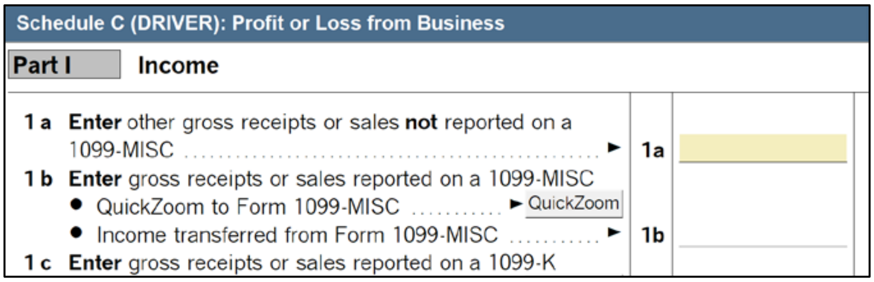
Other Income is reported on Form 1040, Schedule 1, Line 8. Other income is subject to income tax.


Schedule 1: Additional Income and Adjustments to Income

Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes	1
2 a	Alimony received .... Taxpayer Spouse	2a
b	Date of original divorce or separation agreement	
3	Business income or (loss). Attach Schedule C	3
4	Other gains or (losses). Attach Form 4797	4
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5
6	Farm income or (loss). Attach Schedule F	6
7	Unemployment compensation	7
8	Other income. List type and amount	8
9	Combine lines 1 through 8. Enter here and on Form 1040 or 1040SR, line 7a.	9

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, Part I: Income, Line 1**. For more information, see ***ProSeries Tax Manual: Form 1099-MISC**, page 75* and ***ProSeries Tax Manual: Schedule C**, page 62.*



Schedule D: 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 the taxpayer 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 them to their stockbroker.
- If a taxpayer purchased the asset and cannot provide their basis in the property, the IRS will deem it to be zero. **Refer the taxpayer to a professional tax preparer if they 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 Out-of-Scope for 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.

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.

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 their capital gains, the excess can be deducted on the taxpayer’s return and used to reduce other income, such as wages, up to an annual limit of $3,000, or $1,500 if the taxpayer is married filing separately. The taxpayer may deduct capital losses only on investment property, not on property held for personal use. If the client’s total net capital loss is more than the yearly limit on capital loss deductions, the client can carry over the unused part to the next year and treat it as if it 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 line 6 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.

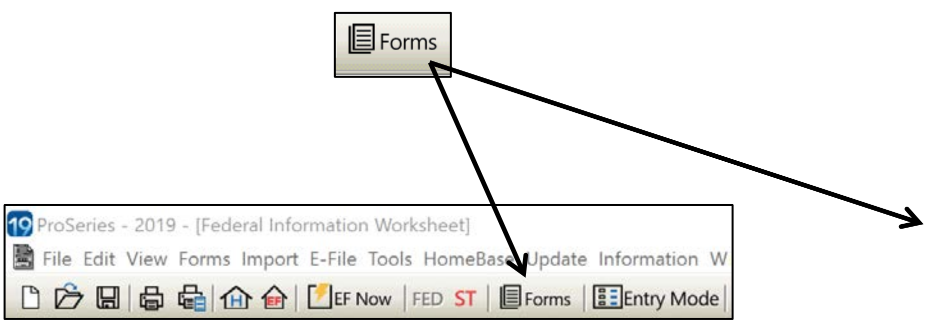
The odds are that you will rarely see an actual 1099-B form. Brokers are allowed to prepare a substitute form 1099-B that contains the same information. They virtually always do this, typically showing many transactions on a single page. Often they include a 1099-INT and/or 1099-DIV in the same document, 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. See the ***TAP Client Intake and Case Review Guide*** for examples.

⚠ **If the client has sold assets other than common stocks or mutual funds, or their own residence (for example, bonds, investment real estate, collectibles, or commodities) then the return is Out-of-Scope for VITA and the client should be referred to a paid preparer.**

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.

In ProSeries, 1099-B information is entered using Schedule D.

To enter information into Schedule D, use the Forms Bar, or click the **Forms** button in the navigation bar at the top of the screen.



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 more quickly in Schedule D.

To fill in Schedule D:

1. 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.
2. Scroll down the page, and enter the remaining proceeds and costs for <u>short-term</u> gains/losses in ***Schedule D: Part I, Line 1a*** –
    - o Column D – Proceeds (sales price)
    - o Column E – Cost (or other Basis)
    - o ProSeries will automatically calculate Column H

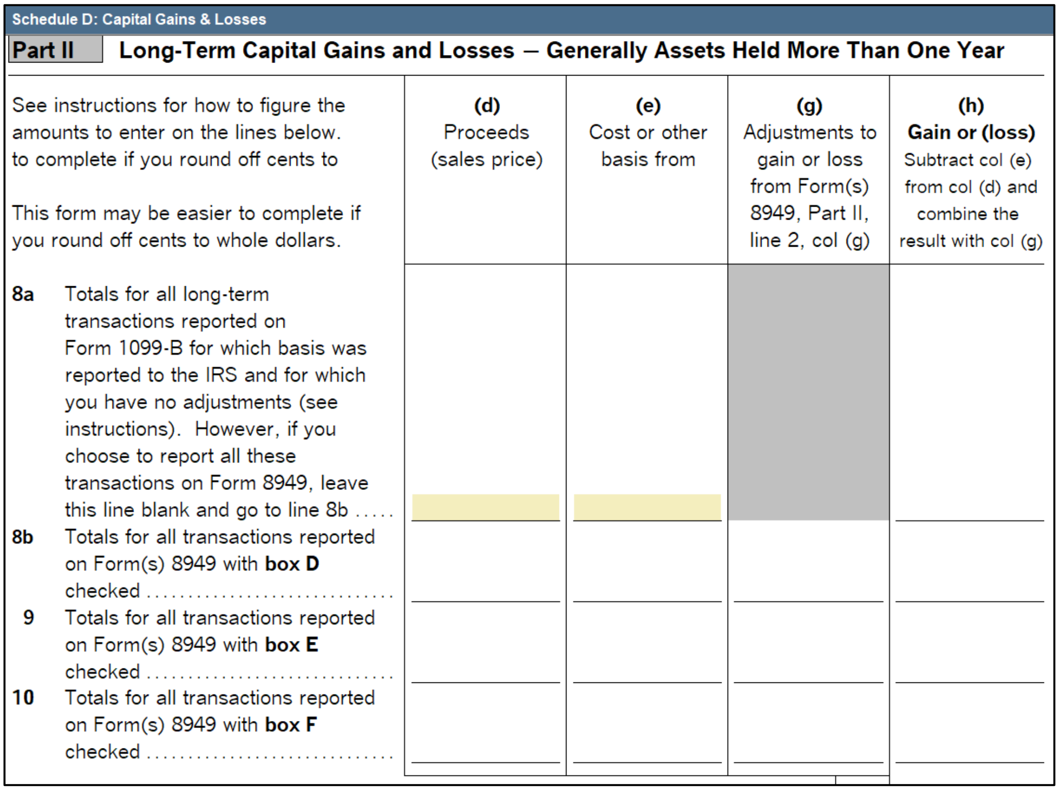
Schedule D: Capital Gains & Losses

Part I **Short-Term Capital Gains and Losses — Generally Assets Held One Year or Less**

See instructions for how to figure the amounts to enter on the lines below. This form may be easier to complete if you round off cents to whole dollars.	**(d)** Proceeds (sales price)	**(e)** Cost (or other basis)	**(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)
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 and go to line 1b	4,375.	2,025.		2,350.
1b Totals for all transactions reported on Form(s) 8949 with **box A** checked.				
2 Totals for all transactions reported on Form(s) 8949 with **box B** checked				
3 Totals for all transactions reported on Form(s) 8949 **box C** checked				

3. Scroll down the page, and enter the remaining proceeds and cost for <u>long-term</u> gains/losses in ***Schedule D: Part II, Line 8a –***
    - o Column D – Proceeds (sales price)
    - o Column E – Cost (or other Basis)
    - o ProSeries will automatically calculate Column H

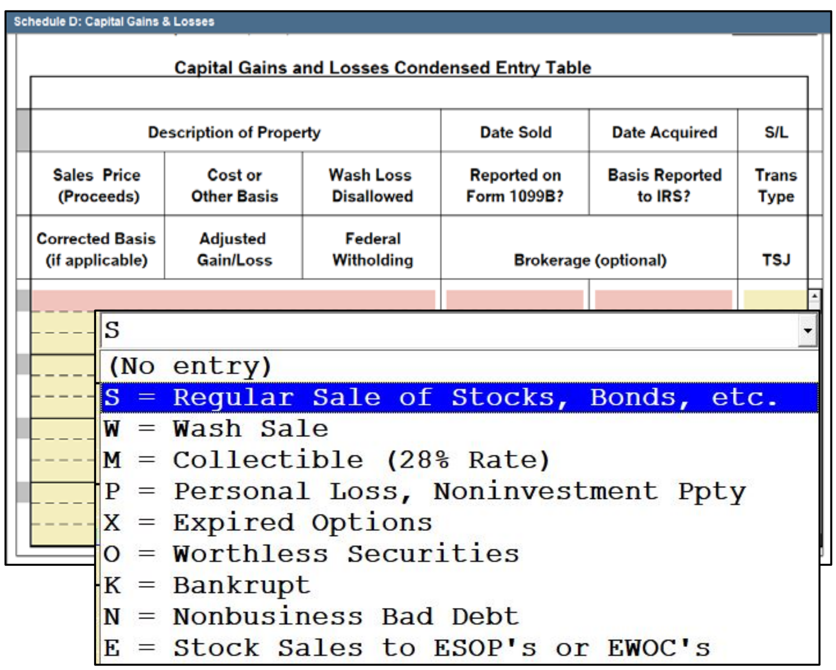
Note: *You do not need to enter the data for each sale involved in these transactions, which makes it a big time-saver.*


Schedule D: Capital Gains & Losses

Part II **Long-Term Capital Gains and Losses — Generally Assets Held More Than One Year**

See instructions for how to figure the amounts to enter on the lines below. to complete if you round off cents to This form may be easier to complete if you round off cents to whole dollars.	(d) Proceeds (sales price)	(e) Cost or other basis from	(g) Adjustments to gain or loss from Form(s) 8949, Part II, line 2, col (g)	(h) **Gain or (loss)** Subtract col (e) from col (d) and combine the result with col (g)
8a Totals for all long-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 8b				
8b Totals for all transactions reported on Form(s) 8949 with **box D** checked				
9 Totals for all transactions reported on Form(s) 8949 with **box E** checked				
10 Totals for all transactions reported on Form(s) 8949 with **box F** checked				

4. 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**".


Schedule D: Capital Gains & Losses

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 Witholding	Brokerage (optional)		TSJ

S

(No entry)
S = Regular Sale of Stocks, Bonds, etc.
W = Wash Sale
M = Collectible (28% Rate)
P = Personal Loss, Noninvestment Ppty
X = Expired Options
O = Worthless Securities
K = Bankrupt
N = Nonbusiness Bad Debt
E = Stock Sales to ESOP's or EWOC's

Note: 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 both regular stock sales (Code S), the first is a Long-Term loss, and the second is a Short-Term loss. The third example is for a wash sale (Code W).

Schedule D: Capital Gains & Losses

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 Witholding	Brokerage (optional)		TSJ
100 SHARES IBM CORP			04/15/2019	03/01/2015	L
14,700.	1,600.		Yes [X] No [ ]	Yes [ ] No [X]	S
	13,100.				
100 SHARES EQUIFAX			01/05/2019	12/15/2018	S
1,200.	13,250.		Yes [X] No [ ]	Yes [ ] No [X]	S
	-12,050.				
100 SHARES CNA FINANCIAL			09/04/2019	11/01/2013	L
2,750.	4,250.	1,500.	Yes [X] No [ ]	Yes [X] No [ ]	W
	0.				
			Yes [ ] No [ ]	Yes [ ] No [ ]	

Note: 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, see the Volunteer Resources Folder on your desktop, and check in with the Site Manager/Site Leader to make sure you are following the required procedures.

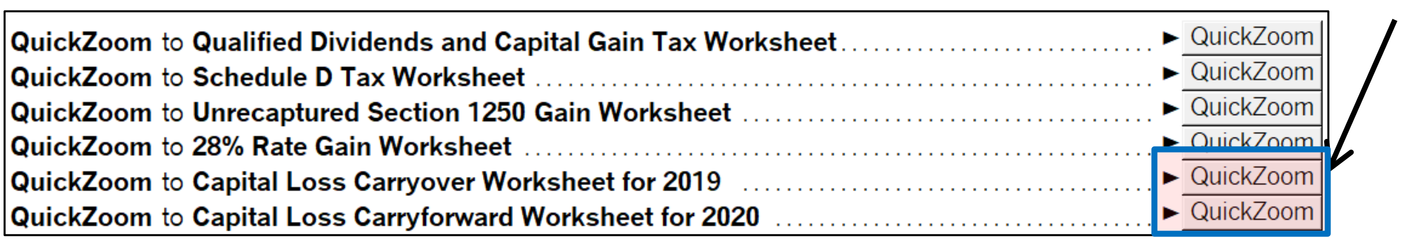
Once everything has been completed, you should check line 6 of the form 1040 to make sure the gain or loss has been properly carried over.

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:



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, Part I*** on **Line 6**, or ***Schedule D, Part II*** on **Line 14**.

Capital Loss Carryover Worksheet

Schedule D
Lines 6 and 14

Capital Loss Carryover Worksheet **2019**

Capital Loss Carryover from 2018 to 2019

► Keep for your records

Name(s) Shown on Return | Social Security Number

2018 Capital Loss Information Smart Worksheet

		Regular Tax	Alternative Minimum Tax
A	Net short-term capital gain or (loss). (2018 Schedule D, line 7)	350.	350.
B	Net long-term capital gain or (loss). (2018 Schedule D, line 15)	-4,250.	-4,250.
C	Allowable net capital (loss). (2018 Schedule D, line 21)	-3,000.	-3,000.
D	Taxable income before exemptions. (2018 Form 1040, line 41 or Form 1040NR, line 39)	28,000.	
E	Alternative minimum taxable income before exemptions. (2018 Form 6251, line 28)		

F Ownership: [X] Taxpayer [ ] Spouse [ ] Joint

			Regular Tax	Alternative Minimum Tax
1	Enter the amount from your 2018 Form 1040, line 41. If a loss, enter as a negative amount	**1**	28,000.	
2	Enter the loss from your 2018 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**	31,000.	3,000.
4	Enter the **smaller** of line 2 or line 3	**4**	3,000.	3,000.

If line 7 of your 2018 Schedule D is a loss, go to line 5:

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 they 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.

***Note:* There are many situations that make this form Out-of-Scope for VITA, so please proceed with caution if you encounter a client who has a Schedule K-1.**

Several forms are used to report Schedule K-1:

- Form 1041: Sent by fiduciaries to beneficiaries 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:

- **Box 5:** Interest Income (Form 1040, line 2b)
- **Box 6:** Ordinary and Qualified Dividend Income (Form 1040, lines 3a - qualified dividends and 3b - ordinary dividends)
- **Box 7:** Royalty Income (Schedule E, Form 1040, line 17)
- **Box 8:** Net short-term capital gains and losses (Schedule D, line 5)
- **Box 9a:** Net long-term capital gains and losses (Schedule D, line 12)
- Tax-exempt interest income (Form 1040, line 3a)

Schedule K-1 (Form 1041) 2019

Department of the Treasury
Internal Revenue Service

For calendar year 2019, or tax year

beginning / / 2019 ending / /

Beneficiary's Share of Income, Deductions, Credits, etc. ► See back of form and instructions.

Part I Information About the Estate or Trust

A Estate's or trust's employer identification number

B Estate's or trust's name

C Fiduciary's name, address, city, state, and ZIP code

D ☐ Check if Form 1041-T was filed and enter the date it was filed

E ☐ Check if this is the final Form 1041 for the estate or trust

Part II Information About the Beneficiary

F Beneficiary's identifying number

G Beneficiary's name, address, city, state, and ZIP code

☐ Final K-1 ☐ Amended K-1 OMB No. 1545-0092

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

1	Interest income	11	Final year deductions
		B	Short term Cap Loss
2a	Ordinary dividends	C	Long term Cap Loss
2b	Qualified dividends		All Other Codes
3	Net short-term capital gain		Out-Of-Scope
4a	Net long-term capital gain		
4b	28% rate gain Out-Of-Scope	12	Alternative minimum tax adjustment Out-Of-Scope
4c	Unrecaptured section 1250 gain Out-Of-Scope		
5	Other portfolio and nonbusiness income Out-Of-Scope		
6	Ordinary business income Out-Of-Scope		
7	Net rental real estate income Out-Of-Scope	13	Credits and credit recapture Out-Of-Scope
8	Other rental income Out-Of-Scope		
9	Directly apportioned deductions Out-Of-Scope		
		14	Other information
		A	Tax-exempt Interest
10	Estate tax deduction Out-Of-Scope	B	Foreign Tax
			All other Codes
			Out-Of-Scope

*See attached statement for additional information.

Note: A statement must be attached showing the beneficiary's share of income and directly apportioned deductions from each business, rental real estate, and other rental activity.

Any expenses on Schedule K-1 make the return Out-of-Scope.
Additional situations to look out for that make the return Out-of-Scope:

- **Box 1:** Ordinary Business Income
- **Box 2:** Net rental and estate income
- **Box 3**: Other net rental income
- **Box 4**: Guaranteed payments
- **Box 9b:** Collectibles
- **Box 9c:** Unrecaptured Section
- **Box 10:** Net Section
- **Box 11:** Other income

In ProSeries, open the appropriate K-1 Worksheet by going to **Forms**, typing in “Share” and selecting either **Partner, S-Corp, or Trust.**

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

Schedule K-1 (Form 1120S)

Shareholder's Share of Income, Credits, Deductions, etc. **2019**

► 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 . . . .

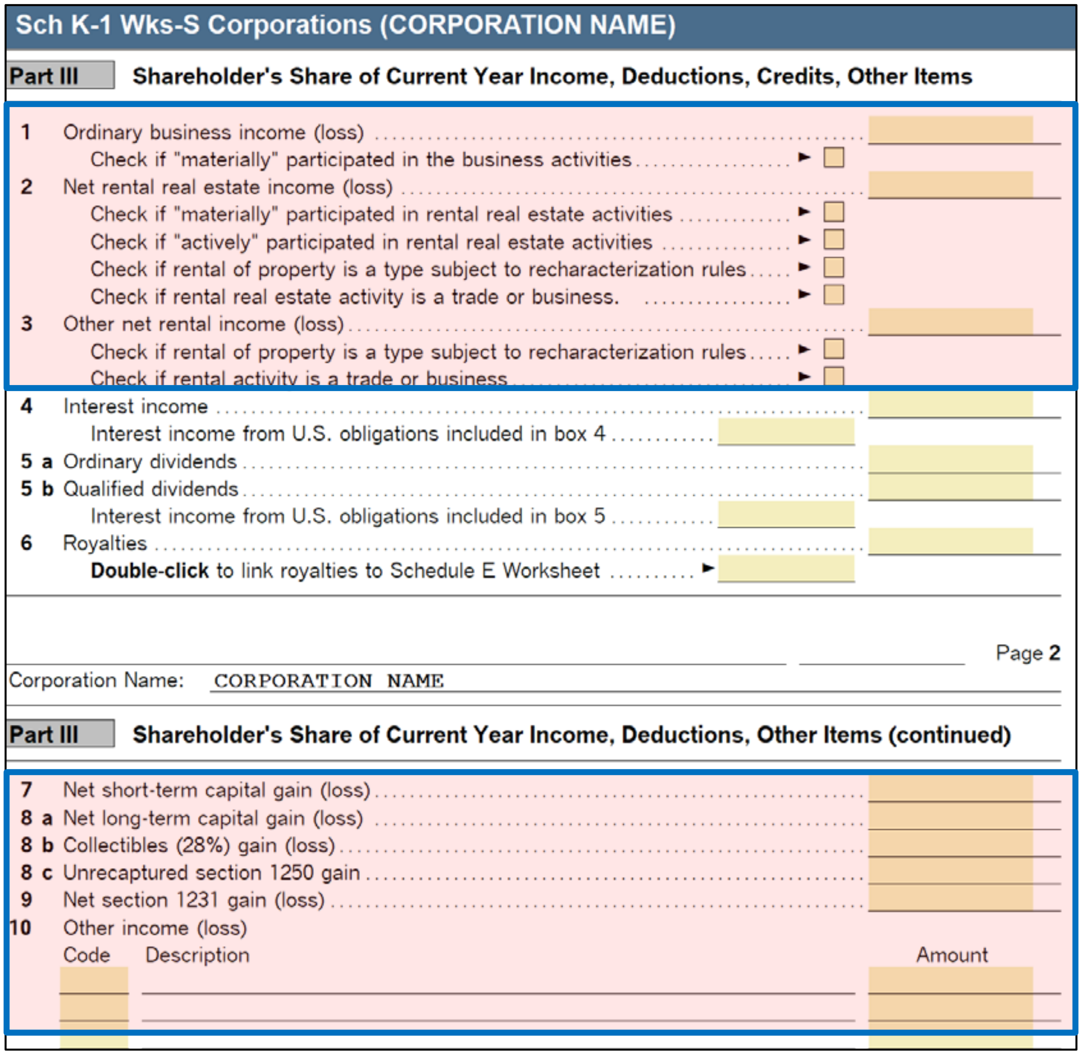
B Corporation's
Name . . . . CORPORATION NAME
Address . . . .
City . . . .
State . . . .
ZIP Code . . . .

Part II **Information About the Shareholder**

Shareholder is Taxpayer . . . . ► X Spouse . . . . . . ► ☐ Joint . . . . . ► ☐
At-Risk Status (check one):
All investment in corporation is at-risk . . . . ► X
Some investment in corporation **not** at-risk . . . . ► ☐
QuickZoom to Form 6198 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
QuickZoom to enter disposition of S corporation interest information . . . . ► QuickZoom
QuickZoom to enter health insurance premiums paid . . . . ► QuickZoom



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

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

1 Ordinary business income (loss)
Check if "materially" participated in the business activities ►
2 Net rental real estate income (loss)
Check if "materially" participated in rental real estate activities ►
Check if "actively" participated in rental real estate activities ►
Check if rental of property is a type subject to recharacterization rules ►
Check if rental real estate activity is a trade or business. ►
3 Other net rental income (loss)
Check if rental of property is a type subject to recharacterization rules ►
Check if rental activity is a trade or business ►
4 Interest income
Interest income from U.S. obligations included in box 4
5 a Ordinary dividends
5 b Qualified dividends
Interest income from U.S. obligations included in box 5
6 Royalties
Double-click to link royalties to Schedule E Worksheet ►

Page **2**

Corporation Name: CORPORATION NAME

Part III **Shareholder's Share of Current Year Income, Deductions, Other Items (continued)**

7 Net short-term capital gain (loss)
8 a Net long-term capital gain (loss)
8 b Collectibles (28%) gain (loss)
8 c Unrecaptured section 1250 gain
9 Net section 1231 gain (loss)
10 Other income (loss)
Code Description Amount

Lines 1 through 3 on the **K-1 Wks-S-Corp** are **Out-of-Scope** for Ladder Up

Lines 8 through 10 on the **K-1 Wks-S-Corp** are **Out-of-Scope** for Ladder Up

The Partnership Form (1065) will look very similar, except that Line 4 will be for Guaranteed Payments (which is Out-of-Scope), so the remaining line numbers are increased by one (i.e. Interest Income on the K-1 for 1065 is Line 5).

The line numbers are different for the K-1 associated with Form 1041, but the types of income that Ladder Up may prepare are the same: Interest Income, Dividend (Ordinary and Qualified) Income, Royalties, and Short-term and Long-term Capital gains or losses. Foreign income is reported in the Foreign transactions section and is also in-scope. However, all other types of income and all deductible expenses are Out-of-Scope.

Entries for Interest and/or Dividends will automatically flow from the K-1 Worksheet through to the 1040 on the appropriate lines.

Entries for Net short-term capital gain (loss) and/or Net long-term capital gain (loss) will automatically flow from the K-1 Worksheet through to Schedule D.

If you enter Royalties on the K-1 Worksheet, Schedule E must be linked and completed. An error will show up in the Forms Bar if this Schedule E is not completed. There are two boxes that you will need to address:

Complete For All Properties:

Did you make any payments that would require you to file Form(s) 1099? .... Yes ☐ No ☒

If **yes**, did you or will you file all required Form(s) 1099? .... Yes ☐ No ☐

If the taxpayer was required to File Form(s) 1099, the tax return is Out-of-Scope.

The other question on Schedule E that needs to be answered is:

Qualified Business Income Deduction Info

A Is this activity a qualified trade or business? ☐ **Yes** ☒ **No**

This rental qualifies as a business under the safe harbor requirements of Notice 2019-07 ☐

The answer to this question will involve asking the taxpayer some questions. If the royalties are a result of being in a trade or business (i.e. having written a book and royalties are paid in later years), then the answer may be yes. However, if the royalties are from something like oil or mineral interests, the activity is likely be considered an investment and would not be a qualified trade or business.

Note: Expenses associated with royalty income on Schedule E, whether reported on the K-1 or not, are **Out-of-Scope** (see page 9 of Pub 4012) for Ladder Up and clients should be referred to a paid preparer.

Royalties will appear in Schedule 1: Additional Income and Adjustments to Income (1040, Schedule 1, Line 5):

Schedule 1: Additional Income and Adjustments to Income

Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes	**1**	
2a	Alimony received .... Taxpayer ________ Spouse ________	**2a**	
b	Date of original divorce or separation agreement .... ►		
3	Business income or (loss). Attach Schedule C	**3**	
4	Other gains or (losses). Attach Form 4797	**4**	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	**5**	0.
6	Farm income or (loss). Attach Schedule F	**6**	
7	Unemployment compensation	**7**	

IRAs, Pensions, Annuities, & Retirement

Individual Retirement Arrangements (IRAs)
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, the client is <u>Out-of-Scope</u> and should be referred to 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)

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

Nonqualified distributions: If the conditions above are not met, the distribution is non-qualified and additional taxes may apply. In Box 7, Codes 5, 6, 8, 9, A, E, J, K, N, P, R, T, U, and W are ALL <u>Out-of-Scope</u>, and the taxpayer should see a professional tax preparer.

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 <u>Out-of-Scope.</u>**

Pension and Annuities

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-R.

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

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 the taxpayer worked
- Employer withheld part of the cost from the taxpayer's before-tax pay while the taxpayer worked

Partially taxable:

The Simplified Method can be used order to determine the taxable amount. 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. For more information on using **The Simplified Method, see *ProSeries Tax Manual,*** *page 98.*

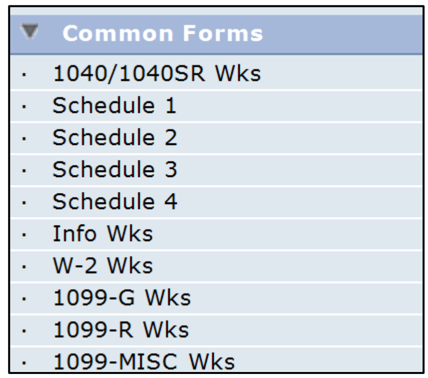
Form 1099-R: Distribution from Pensions, Annuities, Retirement

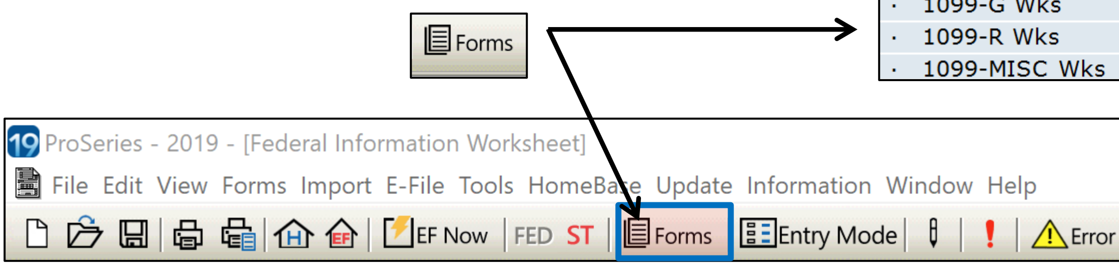
In ProSeries, 1099-R income information is entered using a 1099-R Worksheet. As with the W-2 Worksheet, a separate 1099-R Worksheet must be created for each 1099-R Form that the taxpayer and spouse have.

Check to see what distribution code is in Box 7 of the client's 1099-R form before proceeding.

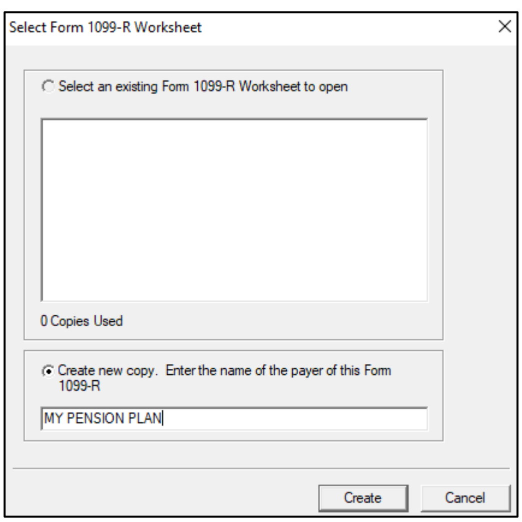
Distribution Codes 5, 6, 8, 9, A, E, J, K, N, P, R, T, U, and W are ALL Out-of-Scope.

To start or edit a 1099-R worksheet use the Forms Bar, or click the **Forms** button in the navigation bar at the top of the screen.





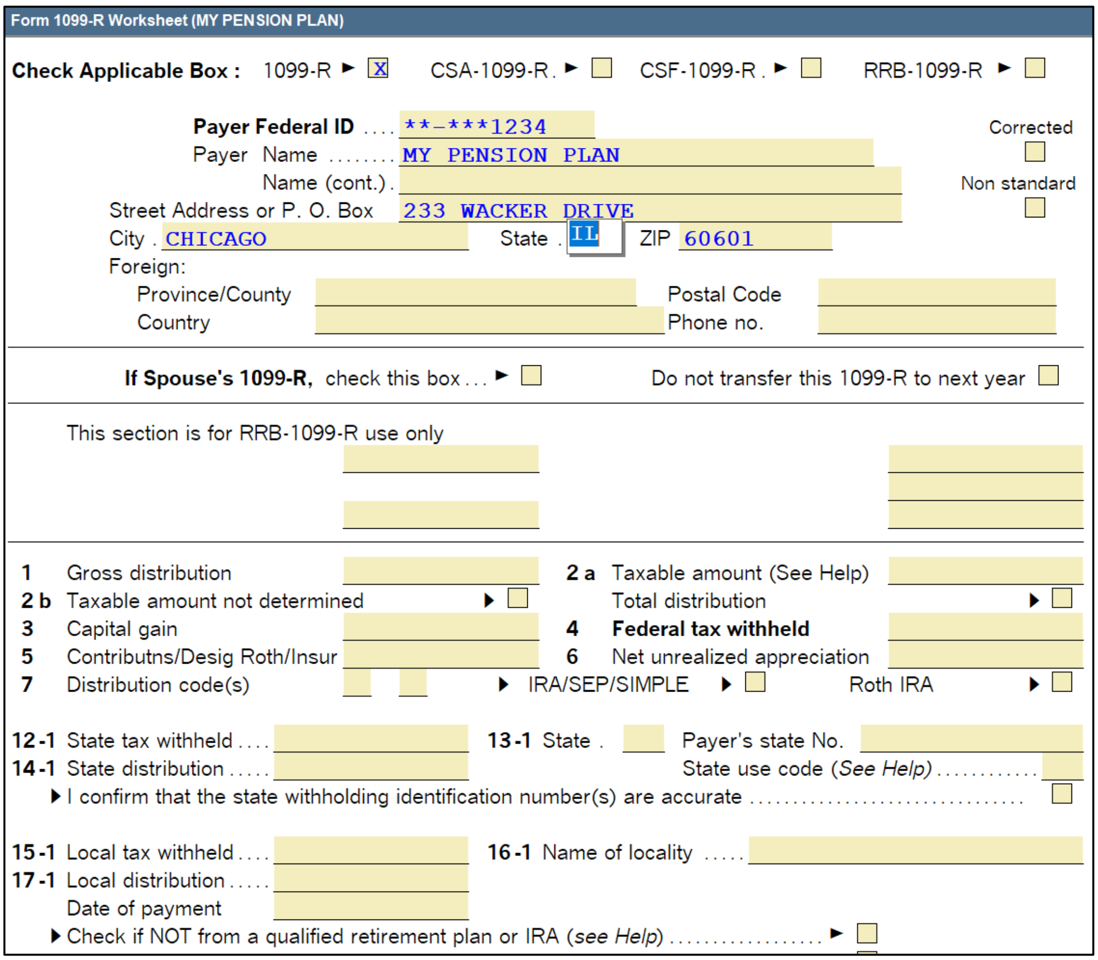
This will bring up the "Select Form 1099-R Worksheet" dialog box, as shown below:



Then begin filling out the 1099-R Worksheet:

1. Create a new copy, and enter the payer's name, Federal ID, address and zip code.
2. Check off the top box to indicate this is a 1099-R
3. Enter all information from each Box of the 1099-R into the worksheet.
    - **Box 1** – shows total amount (gross distribution)

- o **Box 2** – generally shows the taxable amount of the distribution. If Box 2a is empty, use the Simplified Method to determine the taxable amount.
- o **Box 4** – Federal Income Tax withheld.
- o **Box 7** – Identifies the distribution received and helps determine the tax treatment of the distribution:
  - Code 1: Early distribution subject to additional 10% tax unless rolled over. The additional tax is reported on Form 1040, Schedule 2, Line 6
  - Code 2: Early distribution, exception applies
  - Code 3: Disability
  - Code 7: Normal distribution (no additional tax applies)
  - Code Q: As a Roth distribution/Roth IRA, the entire amount is not taxable (make sure to also check the Roth IRA Box)


Form 1099-R Worksheet (MY PENSION PLAN)

Check Applicable Box : 1099-R ► [X] CSA-1099-R ► [ ] CSF-1099-R ► [ ] RRB-1099-R ► [ ]

Payer Federal ID **-***1234
Payer Name MY PENSION PLAN
Name (cont.)
Street Address or P. O. Box 233 WACKER DRIVE
City CHICAGO State IL ZIP 60601
Foreign:
Province/County Postal Code
Country Phone no.
Corrected
Non standard

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 b Taxable amount not determined ► [ ]
3 Capital gain
5 Contributns/Desig Roth/Insur
7 Distribution code(s) ► IRA/SEP/SIMPLE ► [ ] Roth IRA ► [ ]
2 a Taxable amount (See Help)
Total distribution ► [ ]
4 Federal tax withheld
6 Net unrealized appreciation

12-1 State tax withheld
14-1 State distribution
13-1 State Payer's state No.
State use code (See Help)
► I confirm that the state withholding identification number(s) are accurate [ ]

15-1 Local tax withheld
17-1 Local distribution
Date of payment
16-1 Name of locality
► Check if NOT from a qualified retirement plan or IRA (see Help) ► [ ]

Watch Out! In Box 7, Distribution Codes 5, 6, 8, 9, A, E, J, K, N, P, R, T, U, and W are ALL <u>Out-of-Scope</u>

If IRA/SEP/SIMPLE is marked with an X, make sure to check that box in ProSeries and ask the taxpayer:

- Was this from a traditional IRA?
- Were the contributions deducted from income in the year they were made?

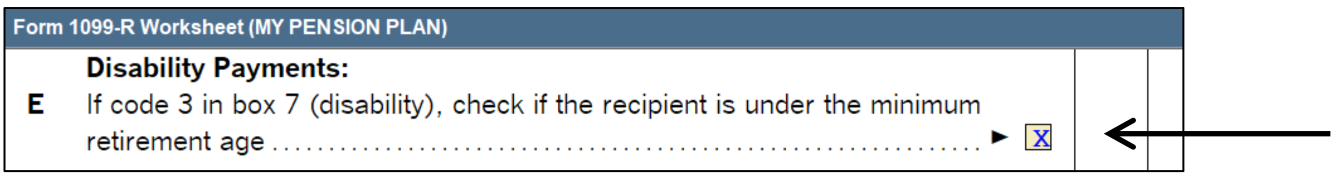
If the answer is “Yes” then the entire distribution is taxable.

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.

Qualified Disability Income when Box 7 is marked with Code 3

Qualified Disability income is reported on Form 1099-R with a Distribution Code 3 in Box 7. Scroll all the way down in the 1099-R Worksheet to page two, and **make sure to check the Box E is checked**. This income will then be reported as earned income wages on Line 1 of the 1040, until the minimum retirement age is met. *Taxpayers under age 65 may qualify for the Earned Income Credit (EITC), so be sure to check Box E:*



Form 1099-R Worksheet (MY PENSION PLAN)

E **Disability Payments:**
If code 3 in box 7 (disability), check if the recipient is under the minimum retirement age . . . . ► X

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, Line 4.

The Simplified Method

The Simplified Method Worksheet can be found at the bottom of the 1099-R Worksheet in ProSeries.

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 (MY PENSION PLAN)

1	Gross distribution	15,000.	2 a	Taxable amount (See Help)	
2 b	Taxable amount not determined	▶ X		Total distribution	▶ ☐
3	Capital gain		4	**Federal tax withheld**	500.
5	Contributns/Desig Roth/Insur		6	Net unrealized appreciation	
7	Distribution code(s)	7	▶ IRA/SEP/SIMPLE ▶ ☐	Roth IRA	▶ ☐

Scroll down to the Simplified Method, which starts on page 3, and enter all of the following information:

1. **Line 2 - Start date of annuity:** Enter the date of the first payment received
   ***Note**:* If entering combined ages and the start date is after 1997, make sure to also check the box under Line 2.

2. **Line 3 - 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.
3. **Line 6 - 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.
4. **Line 9 - Number of months payments were made in 2019:** 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).
5. **Line 11 – Amounts previously recovered:** Be sure to include an amount on Line 11 (amounts previously recovered) if the payments began before 2019. If a returning client's file was transferred forward from a previous year, this information will automatically be populated.

Form 1099-R Worksheet (RETIREMENT COMPANY)

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	18,000.
2	Starting date of annuity	2	05/01/2007
	▸ 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. ▸ ☐		
3	Plan cost at the annuity starting date	3	30,000.
4	Death benefit exclusion	4	
5	Add lines 3 and 4	5	30,000.
6	Age (or combined ages) at annuity starting date	6	68
7	Age factor (payment months)	7	210
8	Divide line 5 by line 7	8	142.86
9	Number of months payments were made in 2019	9	12
10	Multiply line 8 by line 9	10	1,714.
11	Amounts previously recovered after 1986	11	
12	Cost remaining at beginning of 2019. Subtract line 11 from line 5	12	30,000.
13	Nontaxable cost. Smaller of line 10 or line 12 but no more than line 1	13	1,714.
14	Taxable pension for year. Subtract line 13 from line 1	14	16,286.
15	Taxable amount from 1099-R, box 2a	15	18,000.
16	**Taxable amount of this distribution.** Smaller of line 14 and line 15	16	16,286.
17	Total cost recovered. Add lines 11 and 13	17	1,714.
18	Balance of cost to be recovered. Subtract line 17 from line 5	18	28,286.

If information if 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
2. Multiply the number that appears on line 8 by the aggregate number of months that the taxpayer has been receiving payments (i.e. taxpayer received first payment January 2018 - that would include 12 months of payments in 2018 plus 12 months of payments in 2019 for a total of 24 months of payments)

Most often, the client does not have or cannot provide enough information to calculate the taxable amount using the Simplified Method. **In this case, make the full amount of the pension taxable.**

Enter the entire gross distribution in the 1099-R Worksheet, Line 2a as *Taxable Amount:*

Form 1099-R Worksheet (RETIREMENT COMPANY)

1	Gross distribution	18,000.	2 a	Taxable amount (See Help)	18,000.
2 b	Taxable amount not determined	▸ ☐		Total distribution	▸ ☐
3	Capital gain		4	**Federal tax withheld**	
5	Contributns/Desig Roth/Insur		6	Net unrealized appreciation	
7	Distribution code(s)	7	▸ IRA/SEP/SIMPLE ▸ ☐	Roth IRA	▸ ☐

Form 1099-G: Certain Government Payments

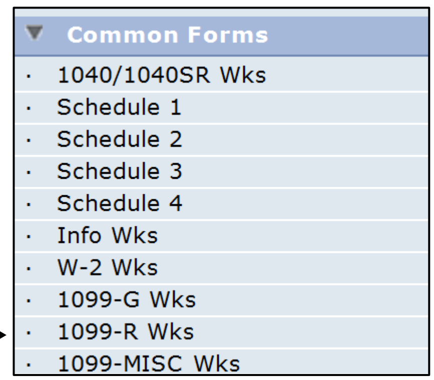
The two types of 1099-G payments that are in scope for the program are:

- Unemployment Compensation
- State or local income tax refunds.

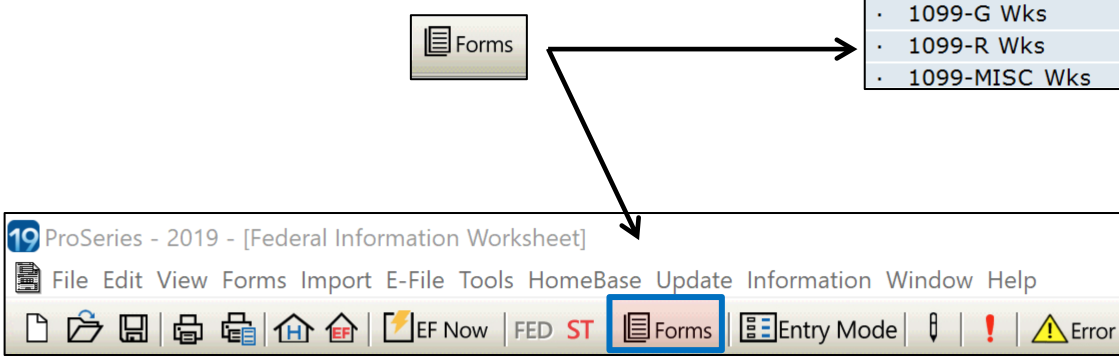
The majority of Ladder Up clients do not have taxable state or local income refunds to report (will only be taxable if they itemized deductions in year that generated the refund.

Form 1099-G: Unemployment Compensation

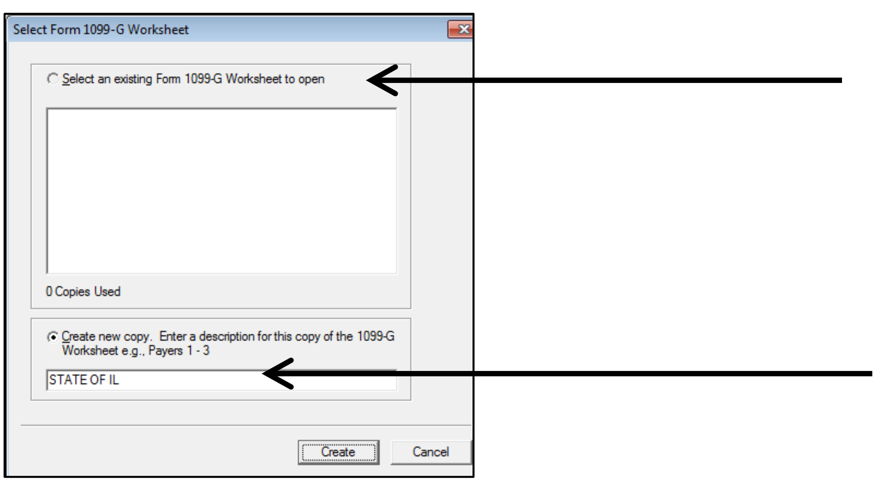
In ProSeries, 1099-G information for Unemployment Compensation is entered using the 1099-G Worksheet. Use the Forms Bar to start a new or edit an existing 1099-G Worksheet:



To start or edit a 1099-G worksheet use the Forms Bar, or click the **Forms** button in the navigation bar at the top of the screen.



This will 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 <u>payer name</u> from the 1099-G

Then begin filling out the 1099-G Worksheet:
***Note:** information from multiple Form 1099-Gs can be entered into this worksheet. If the client has more than one to enter, simply move on to the next Payer column rather than create a new 1099-G Worksheet.*

1. Enter the payer's TIN.
   - For IL State Refund, this is: ***37-6002057***
   - For IL Unemployment Comp: ***36-3042127***

2. Enter all information from each Box of the 1099-G into the worksheet.
   - **Box 10** – Enter "IL" for State, and "State of IL" for Payer's Name
   - **Box 1** – Enter the amount of Unemployment Compensation Received (and any amount repaid into Box 1a, if any)
   - **Box 4** – Enter the amount of Federal Income Tax withheld, if any (this may be empty on the taxpayer's 1099-G)
   - **Box 11** – Enter the amount of State Income Tax withheld, if any (this may be empty on the taxpayer's 1099-G)

Form 1099-G Worksheet (STATE OF IL)

Box	Description	Payer 1	Payer 2	Payer 3
	Ownership (defaults to taxpayer):			
	Check if Taxpayer	X	X	X
	Check if Spouse			
	Check if Joint			
	Payer's TIN	**-***2127		
	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	50.		
2	State or local income tax refunds, credits, or offsets			
3	Box 2 amount is for tax year			
	For 2017 and prior years, enter taxable amount on the State and Local Refund Worksheet ► QuickZoom			
4	Federal income tax withheld	965.		
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 ►			
	(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.		

3. Scroll to the bottom of the 1099-G Worksheet to enter the Payer's address information.

Form 1099-G: State and Local Income Tax Refunds

State refunds are NOT taxable if…
the client claimed the standard deduction on the tax return for 2018

OR

the taxpayer elected to deduct state and local general sales taxes instead of state and local income taxes

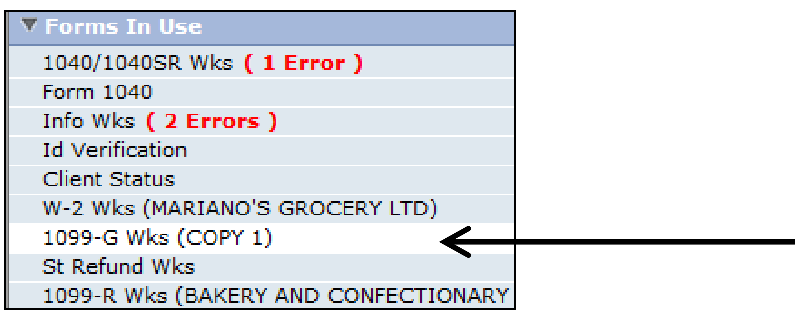
State refunds MAY be taxable if…
the client itemized deductions for 2018 and deducted state and local income taxes

If the state refund was for a year prior to 2018 but was received in 2019, the return is Out-of-Scope for the program.

What if the client doesn't have their 1099-G but received a state refund?
Speak with the client to determine whether the information is needed for the return. Ask to see the client's 2018 tax return, if they brought it. Inquire whether the client itemized last year, and whether the client has a home mortgage.

Most Ladder Up clients did not itemize in 2018. Typically Ladder Up clients will only itemize if they have a home mortgage. You can look up 1099-G refund information on the site tablets or site designated internet computer using this link and the taxpayer's SSN: https://mytax.illinois.gov/

For a returning client, when the Client's information is transferred forward to the current tax year, the Form 1099-G will automatically populate called "COPY 1" which contains the information regarding the client's previous year State Return. Navigate to the 1099-G Worksheet using the Forms Bar:



For a new client, if 1099-G is already open, you can use the next Payer column in an existing worksheet, if room remains. If you have not yet added anything into a 1099-G Worksheet, see page 100 for instructions on how to start a new 1099-G Worksheet.

1. Enter the payer's TIN.
   - For IL State Refund, this is: ***37-6002057***
   - For IL Unemployment Comp: ***36-3042127***

2. Enter all information from each Box of the 1099-G into the worksheet.
    - **Box 10** – Enter “IL” for State, and “State of IL” for Payer’s Name
    - **Box 1**, **Box 4**, and **Box 11** are typically *empty for State Refunds*
    - **Box 2** – Enter the amount of State/Local Income Tax Refund received (ProSeries will automatically populate this field if you Transfer the returning client file forward)
    - **Box 3** – Enter the tax year (ProSeries will automatically populate this field if you Transfer the returning client file forward)

Form 1099-G Worksheet (COPY 1)

Worksheet Description .... COPY 1

Box	Description	Payer 1	Payer 2
	Ownership (defaults to taxpayer):		
	Check if Taxpayer	X	X
	Check if Spouse		
	Check if Joint		
	Payer's TIN	**-***2057	
	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		
a	Amount repaid		
2	State or local income tax refunds, credits, or offsets	30.	
3	Box 2 amount is for tax year	2018	
	For 2017 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		

3. Scroll to the bottom of the 1099-G Worksheet to enter the Payer’s address information.

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) and are entered in ProSeries using the 1099-R Worksheet.

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

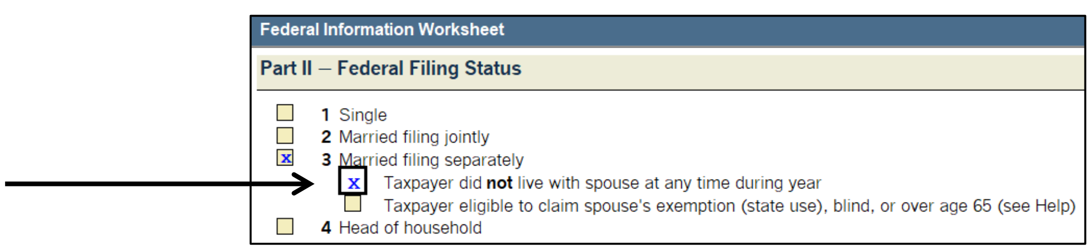
The base amounts are as follows:

- $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.

If the client is Married Filing Separately

Only enter the taxpayer's benefits from Form SSA-1099. Remember to mark if the taxpayer did not live with their spouse. This greatly affects the taxability of Social Security benefits!



If the client is Married Filing Jointly
Make sure to enter both the taxpayer's benefits from Form SSA-1099 and spouse's benefits from Form SSA-1099.

If the client's Dependents receive Form SSA-1099
Do NOT include any Social Security Payments received in the Dependent's name. Do NOT include a dependent's Form SSA-1099 on the taxpayer's return. If the Dependent is required to file, then they would include these benefits on their own tax return.

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.

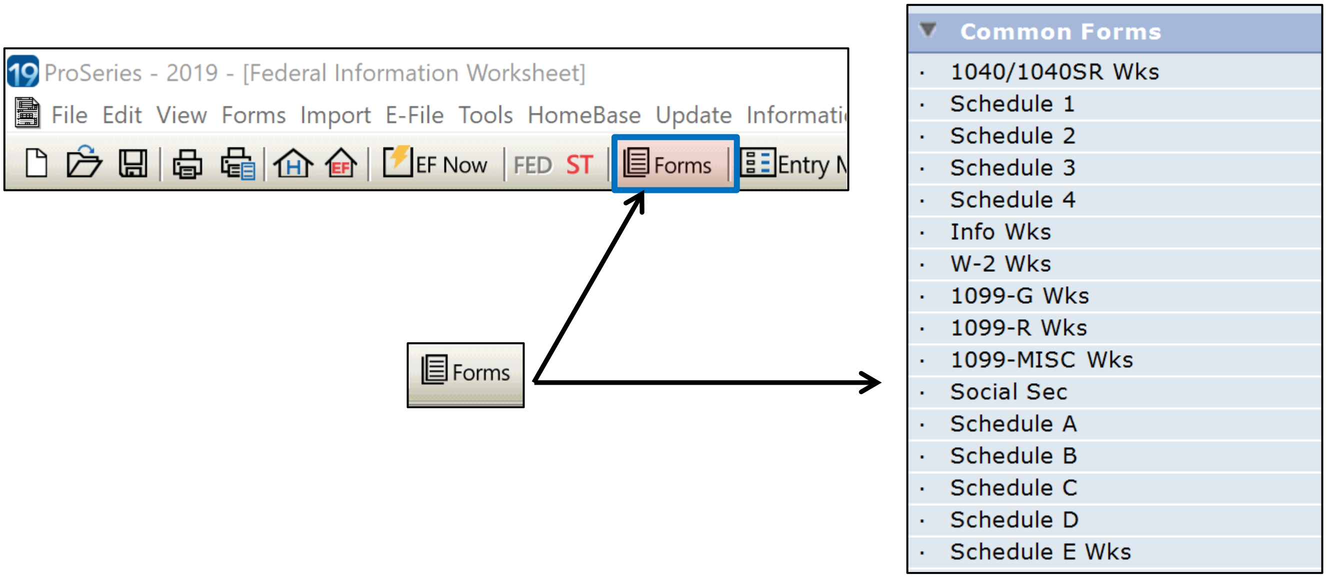
SSDI payments fall under the same taxable/nontaxable rules as other Social Security benefits reported on Form SSA-1099. A taxpayer with a filing status of Single will pay taxes on their SSDI benefits if the taxpayer's modified adjusted gross income is more than $25,000. Married taxpayers filing jointly will have to pay taxes if their combined modified adjusted gross income is greater than $32,000. See previous page 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 additional income documents, as they do not typically overlap.

Form SSA-1099 and Form RRB-1099

In ProSeries, SSA-1099 and RRB-1099 information is entered using Social Security Benefits Worksheet. To get to this worksheet, click on “Social Sec” in the Forms Bar or click the **Forms** button in the navigation bar at the top of the screen:



This will open the Social Security Benefits worksheet.

Note: *information from Form SSA-1099 should be entered into Lines A-E, and information from Form RRB-1099 (Blue Form) should be entered into Lines F-H.*

1. Check to make sure that the name in Box 1 of the SSA-1099 matches the name of the taxpayer or spouse, and enter their information into the appropriate column. Do NOT enter social security benefits payed to a dependent on the same tax return.
2. Enter all information from each Box of the SSA-1099 into the worksheet
   - **Line A** - Enter the amount of net benefits from Box 5 (typically this Box is a pink color on an original SSA-1099)
   - **Line B** – Enter the amount of federal tax withheld from Box 6
   - **Line C, D, E** – Enter the amount of Medicare premiums deducted, if any
3. Enter all information from each Box of the RRB-1099 into the worksheet
   - **Line F** – Enter the amount of net benefits from Box 5 (Net Social Security Equivalent Benefit)
   - **Line G** – Enter the amount of federal income tax withheld from Box 10
   - **Line H** – Enter the amount of Medicare premiums deducted from Box 11, if any
4. The remaining lines of the Social Security Benefits Worksheet will then be automatically populated.

Social Security Benefits Worksheet

Name(s) Shown on Return	Social Security Number
TANYA & BOB SMITH	***-**-1234

Social Security/Railroad Retirement benefits received in 2018 .... ►

		Taxpayer	Spouse
A	**Total** net benefits from Box 5 of **all SSA-1099** forms	18,000.	
B	**Total** federal tax withheld from box 6 of **all SSA-1099** forms	200.	
C	**Total** Medicare B premiums withheld from **all SSA-1099** forms	75.	
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		1,200.
G	**Total** federal tax withheld from box 10 of **all RRB-1099** forms		150.
H	**Total** Medicare premiums from Box 11 of **all RRB-1099** forms		50.

Enter both the taxpayer and spouse's Social Security (SSA-1099) information into Lines A-E

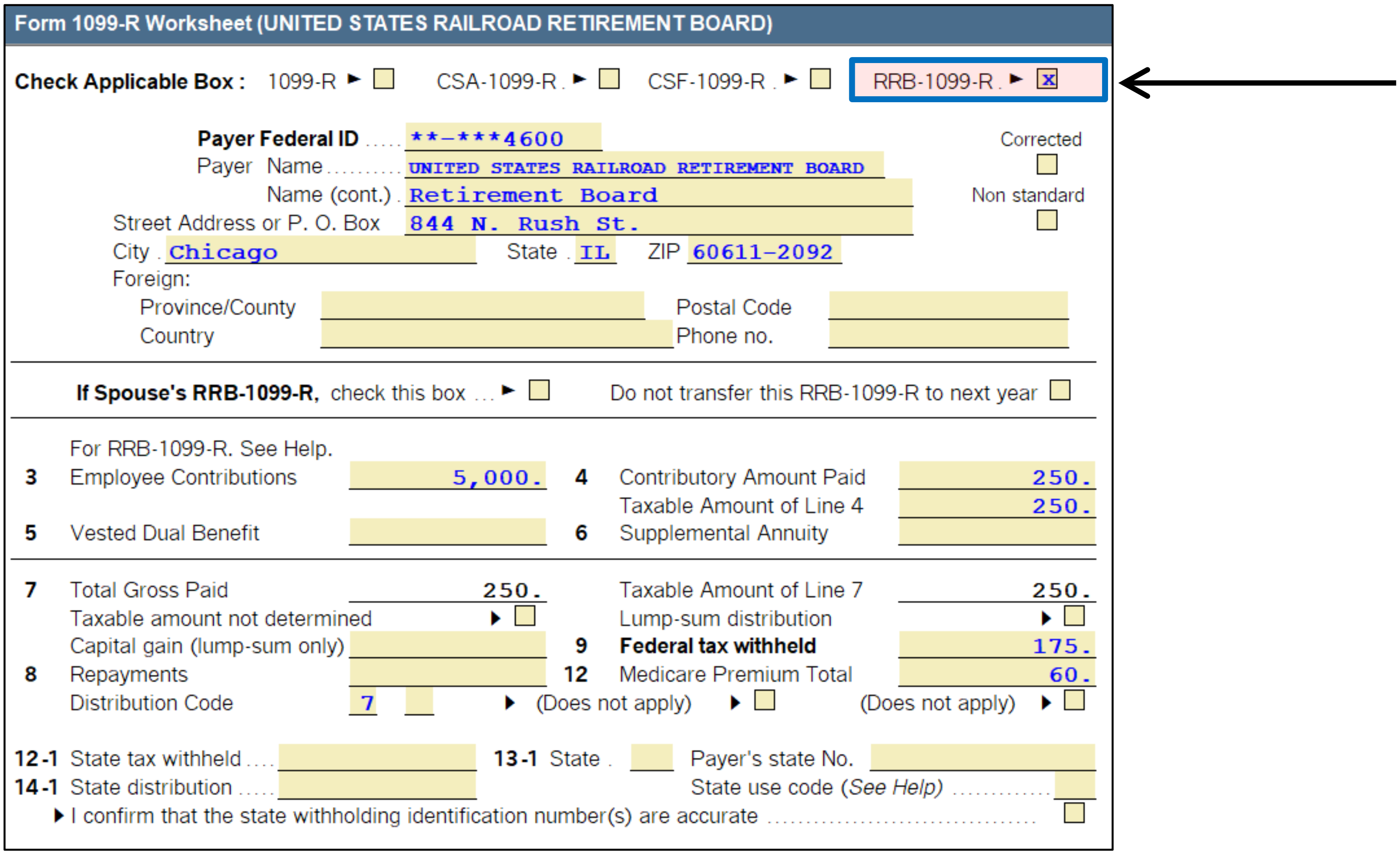
Enter both the taxpayer and spouse's Railroad Retirement Benefits (RRB-1099) information into Lines F-H

Form RRB-1099-R

In ProSeries, Tier 2 Benefits (Green Form) are entered on a 1099-R Worksheet. See page 95 for instructions on how to start a new 1099-R Worksheet.

1. Enter all information from each Box of the RRB-1099-R into the worksheet into the corresponding line.
   - **Box 3** – Employee Contributions. *Taxable amount will need to be calculated*
   - **Box 4** – Contributor amount paid (which will reduce the taxable amount)
   - **Box 5** – Vested and dual benefits and supplemental annuity benefits are non-contributory pensions and are fully taxable
   - **Box 7** – Total Gross Paid (this total is broken down into Boxes 4, 5, and 6)
   - **Box 9** – Federal income tax withheld
   - **Box 12** – Any Medicare premiums deducted
2. Ask the client if they receive regular monthly payments. If so, use Code 7 for Distribution Code.

If Box 3 shows a positive amount, use the Simplified Method, found on page 98, 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.



Form 1099-R Worksheet (UNITED STATES RAILROAD RETIREMENT BOARD)

Check Applicable Box : 1099-R ► ☐ CSA-1099-R . ► ☐ CSF-1099-R . ► ☐ RRB-1099-R . ► ☒

Payer Federal ID ..... **-***4600 Corrected ☐
Payer Name.......... UNITED STATES RAILROAD RETIREMENT BOARD
Name (cont.) . Retirement Board Non standard ☐
Street Address or P. O. Box 844 N. Rush St.
City . Chicago State . IL ZIP 60611-2092
Foreign:
Province/County Postal Code
Country Phone no.

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	5,000.	4	Contributory Amount Paid	250.
				Taxable Amount of Line 4	250.
5	Vested Dual Benefit		6	Supplemental Annuity	
7	Total Gross Paid	250.		Taxable Amount of Line 7	250.
	Taxable amount not determined	☐		Lump-sum distribution	☐
	Capital gain (lump-sum only)		9	**Federal tax withheld**	175.
8	Repayments		12	Medicare Premium Total	60.
	Distribution Code	7		(Does not apply) ☐	(Does not apply) ☐

12-1 State tax withheld .... **13-1** State . Payer's state No.
14-1 State distribution ..... State use code (*See Help*) ....
► I confirm that the state withholding identification number(s) are accurate .... ☐

Form 1099-C: Cancellation of Debt (Nonbusiness Credit Card Debt Only)

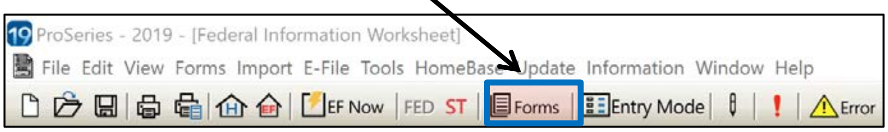
A taxpayer receives Form 1099-C because a Federal government agency or an applicable financial entity (a creditor) has discharged (canceled or forgiven) a debt he owed, or because an identifiable event has occurred that either is or is deemed to be a discharge of debt of $600 or more. Only debt cancellations on non-business credit card debt are in scope (see below for details), all other debt cancellation is Out-of-Scope.

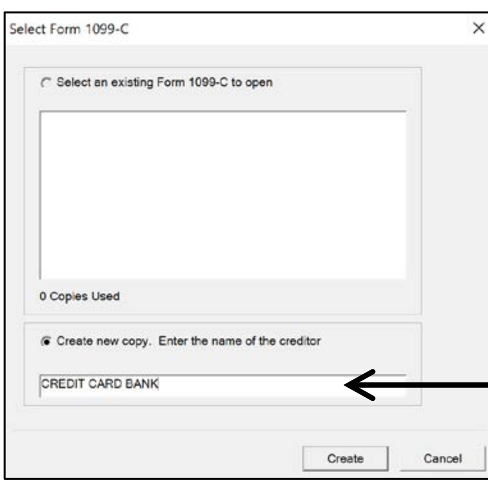
Check Box 4 on the client's Form 1099-C to ensure that the cancellation of debt is a Non-Business Credit Card. If this is anything else (mortgage debt cancellation, etc.) then the return is Out-of-Scope.

Check whether Box 3 on the client's Form 1099-C shows any interest, or if Box 6 on the client's Form 1099-C has Code A. If there is interest in Box 3, or Code A in Box 6, it indicates that the client was also in bankruptcy and the return is Out-of-Scope.

***Note:* Most Ladder Up clients who come in with this form will also have either been insolvent immediately before the cancellation of debt, or will be in bankruptcy. These returns are thus Out-of-Scope. Refer the taxpayer to the IRS, Taxpayer Advocate Services, or a professional tax preparer.** A copy of the VITA Screening Sheet for Nonbusiness Credit Card Debt Cancellation and Insolvency Determination Worksheet are available in the IRS Publication 4012 and **Client Intake and Case Review Guide.**

To start or edit a 1099-C worksheet in ProSeries, click the **Forms** button at the top of the page. (1099-C will not be listed under common forms)





To create a new 1099-C Worksheet, click the radio button and type in the Creditor's Name from the new 1099-C

Use the taxpayer's Form 1099-C to complete the worksheet:

1. Enter the Date of Identifiable Event from **Box 1**
2. Enter the Amount of Debt Discharged from **Box 2**
3. **If there is interest in Box 3, STOP! The return is Out-of-Scope.**
4. Enter the Debt Description from **Box 4**
5. If **Box 5** is checked, make sure to also check this in ProSeries
6. **If Box 6 has Code A, STOP! The return is Out-of-Scope.**
7. If there is a value listed in **Box 7**, check with the client to see if they also received a separate Form 1099-A (if the client received Form 1099-A, the return is Out-of-Scope)

Form 1099-C (CREDIT CARD BANK): Cancellation of Debt

Owned by (check one):
[X] Taxpayer [ ] Spouse [ ] Joint

CREDITOR'S Name CREDIT CARD BANK Street address 233 WACKER City (province, country, or foreign postal code) State ZIP code CHICAGO IL 60601 Telephone number	**1** Date of identifiable event 07/01/19 **2** Amount of debt discharged 5,500. **3** Interest if included in box 2
CREDITOR'S federal identification number **-***9393 DEBTOR'S identification number ***-**-0123	**4** Debt description CREDIT CARD DEBT
DEBTOR'S name Street address City (province, country, or foreign postal code) State ZIP code	**5** If checked, the debtor was personally liabile for repayment of the debt [X]
Account number (see instructions)	**6** Identifiable event code **7** Fair market value of property

The cancelled credit card debt will appear on **Form 1040, Schedule 1, Line 8**:

8	Other income. List type and amount ► Cancelled Debt Income	5,500.	**8**	5,500.

Less Common Forms of Income

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 2a. No tax form is typically received for these payments.

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 2a instead. ProSeries will add the amounts and transfer the sum to line 2a. Enter the date of original divorce or separation agreement into Form 1040, Schedule 1, Line 2b.

1040/1040SR Wks: Form 1040 or Form 1040-SR Worksheet

Schedule 1 - Additional Income and Adjustments

Part I **Additional Income**

1	Taxable refunds, credits, or offsets of state and local income taxes (see instr.) . .	1	
2 a	Alimony received . . . . Taxpayer 2,500. Spouse 4,500.	2a	7,000.
b	Date of original divorce or separation agreement . . . . ► 07/01/06		
3	Business income or (loss). Attach Schedule C or C-EZ	3	

The person paying alimony can subtract it as an adjustment to income; the person receiving alimony must treat it as income.

ProSeries Tax Manual: Alimony Paid*, page 121,* 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 ***ProSeries Tax Manual: Alimony Paid****, page 121,* 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.
- For divorce decrees finalized in 2019 or later, alimony will no longer be taxable to the recipient or deductible to the payer.

Education Savings Accounts (ESA)s

There are two types of Education Savings Accounts:

- Coverdell Educational Savings Accounts (ESAs) save for the cost of elementary, high school, or higher and postsecondary education.
- Section 529 Plans (also called Qualified Tuition Programs or QTPs), are accounts that help individuals save for the cost of higher and postsecondary education.

Generally, an individual can establish a Coverdell ESA for a child who is under age 18. Coverdell ESAs (section 530 plans) and Section 529 Plans (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 Section 529 Plans s 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 they used 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

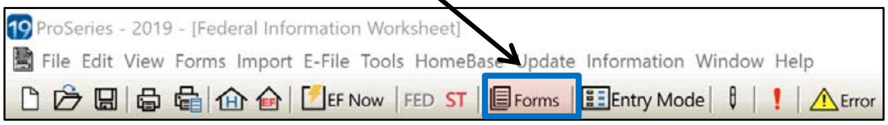
An American Opportunity Credit or Lifetime Learning Credit can be claimed in the same year that the beneficiary takes a tax-free distribution from a QTP or Coverdell ESAs, as long as the same expenses are not used for both benefits.

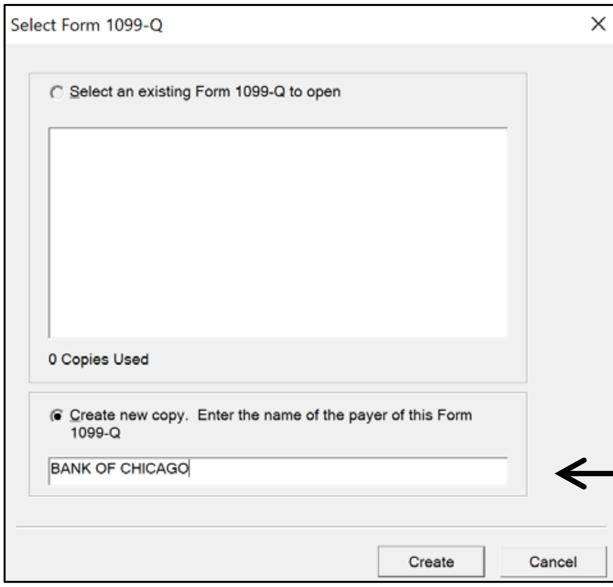
Out-of-Scope situations for ESA Distributions:

- 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

To start or edit a 1099-Q worksheet in ProSeries, click the **Forms** button at the top of the page. (1099-Q will not be listed under common forms)

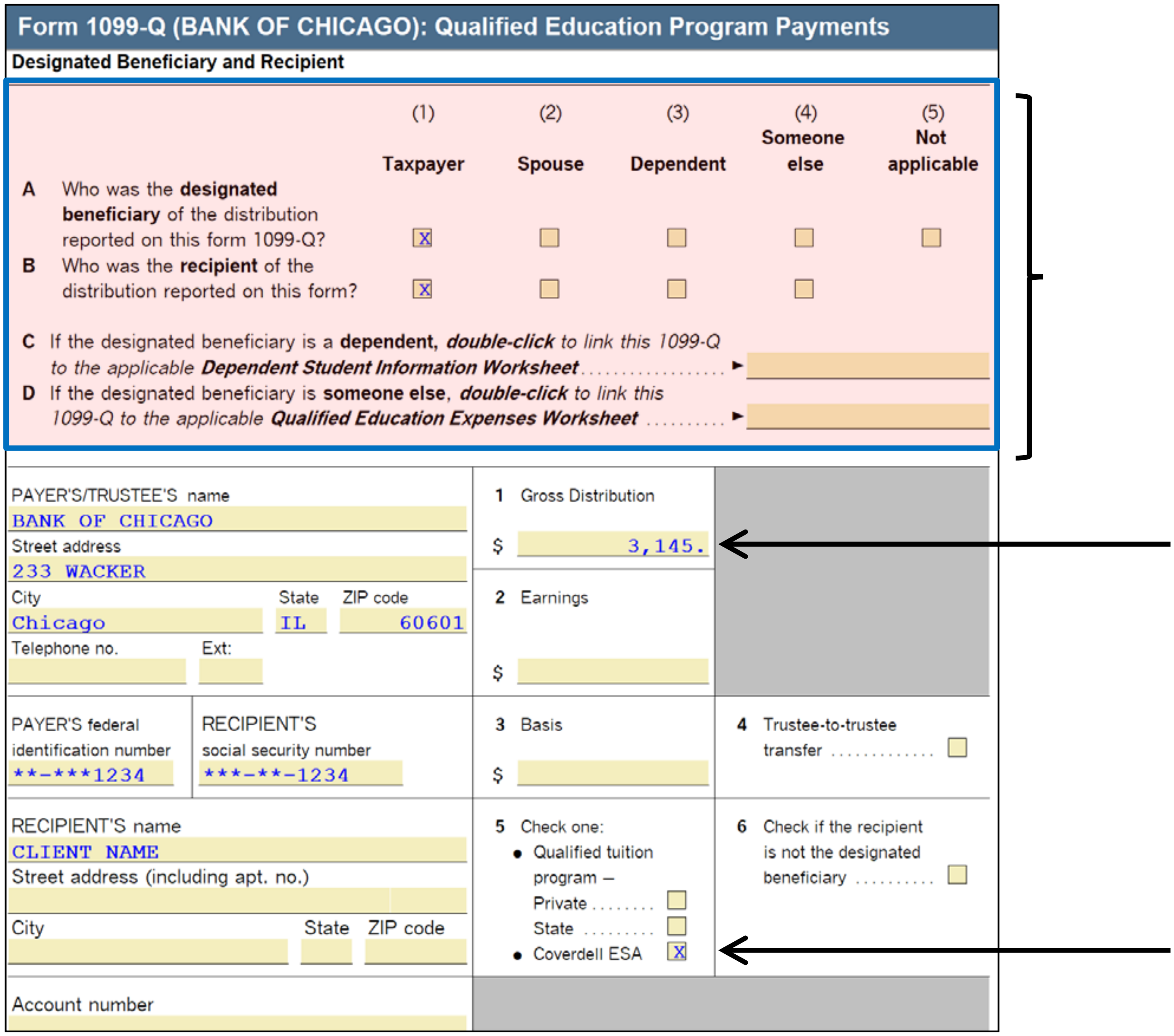




To create a new 1099-Q Worksheet, click the radio button and type in the Payerr's Name from the new 1099-Q

This will open the 1099-Q (Qualified Education Program Payments) worksheet.

1. In the top section, indicate the designated beneficiary of the distribution and the recipient of the distribution.
2. If the designated beneficiary is a dependent, or someone else, you will need to double-click to create an additional Worksheet for that person.
3. Use the client's Form 1099-Q to complete the rest of the form in ProSeries
   - Fill in the Payer/Trustee's Name, Federal Identification Number, and address
   - Enter gross distribution into **Box 1**
   - Check the appropriate box for Coverdell ESA in **Box 5**
   - If the recipient is not the designated beneficiary, check **Box 6**



Form 1099-Q (BANK OF CHICAGO): Qualified Education Program Payments

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?	X				
B	Who was the **recipient** of the distribution reported on this form?	X				

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
Street address: 233 WACKER
City: Chicago State: IL ZIP code: 60601
Telephone no. Ext:

1 Gross Distribution $ 3,145.

2 Earnings $

PAYER'S federal identification number: **-***1234

RECIPIENT'S social security number: ***-**-1234

3 Basis $

4 Trustee-to-trustee transfer . . . . ☐

RECIPIENT'S name: CLIENT NAME
Street address (including apt. no.)
City State ZIP code

5 Check one:
- Qualified tuition program –
  Private . . . . ☐
  State . . . . ☐
- Coverdell ESA ☒

6 Check if the recipient is not the designated beneficiary . . . . ☐

Account number

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, the client 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 8, To exclude the payment from income, the payments received should NOT be included on Form 1040, Schedule 1, Line 8. The reason “Notice 2014-7” should be included 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 8, 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 the client 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 the client 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 7b), a person's adjusted gross income (AGI) has been calculated and appears on Form 1040, Line 8b.**

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 (AGI), while the standard or itemized deduction reduces the adjusted gross income to calculate the client's amount of taxable income. See ***ProSeries Tax Manual: Deductions***, starting page 129, 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 IRS Form 13614-C and supplemental 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
- Contributed to a Health Savings Account (HSA)

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 10 through 20). To determine the taxpayer's adjustments to income, use the IRS Form 13614-C and supplemental intake sheet, and talk with the client.

Health Saving Accounts (HSA) require a special additional IRS Certification. Check with the Site Manager/Site Leader to see if there are HSA certified volunteers at your site. If not, the client can go to the Loop (Harold Washington Library) in March for assistance.

Form 1098-E: Student Loan Interest Paid

(Schedule 1, Line 20)

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.

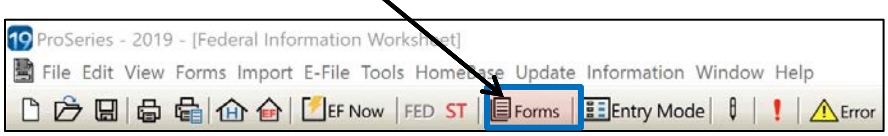
About the Student Loan Interest Deduction

Maximum Benefit	An adjustment to income worth up to $2,500
Loan Qualifications	Taxpayer must be legally liable for the loan, which: • must have been taken out by the taxpayer solely to pay qualified education expenses for an eligible student, and • cannot be from a related person or made under a qualified employer plan
Student Qualifications	An eligible student must: • 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 when the loan was taken out
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.

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.

To start or edit a Student Loan Interest Deduction Worksheet in ProSeries, click the **Forms** button at the top of the page. (1098-E will not be listed under common forms) and enter "Student" to create a new Student Loan Interest Deduction Worksheet.



Complete Part I of the Student Loan Interest Deduction Worksheet:

1. Enter the Lender's Name in Box (a)
2. Choose from the drop-down menu in Box (b) to enter Borrower

3. The Social Security number in Box (c) will automatically populate with information from the Federal Information Worksheet (FIW) once you select Taxpayer or Spouse.
4. Enter the student loan interest amount from Form 1098-E Box 1 into Box (e)

Student Loan Interest Deduction Wks

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	***-**-2019		575.
Total student loan interest				575.

Part II **Computation of Student Loan Interest Deduction**

5. Part II of the Student Loan Interest Deduction Worksheet will populate automatically based on the rest of the information that you have added.

Schedule SE: Self-Employment Tax

Self-employment (SE) tax is Social Security and Medicare taxes collected primarily from individuals who work for themselves, similar to the Social Security and Medicare taxes withheld from the pay of most wage earners. Payments of SE tax contribute to the taxpayer's coverage under the Social Security system. Social Security coverage provides the taxpayer with retirement, disability, survivor, and hospital insurance (Medicare) benefits.

Taxpayers need to complete Schedule SE for self-employment tax if net earnings exceed $400. SE taxes apply regardless of age and whether or not the taxpayer is already receiving Social Security or Medicare benefits. For calendar year 2019, 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.

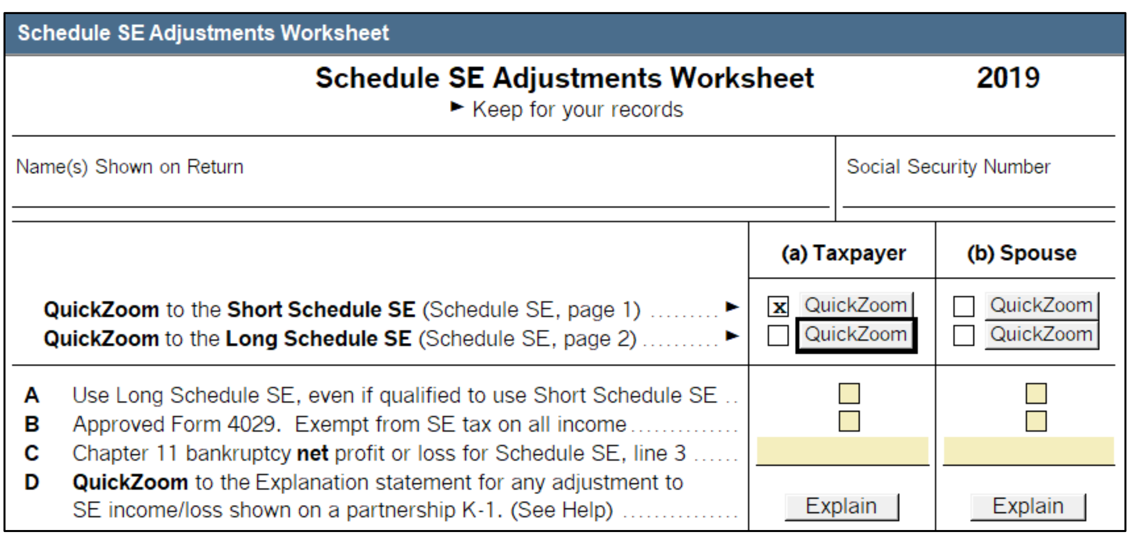
Automatic Calculation

For self-employed taxpayers, ProSeries will automatically trigger Schedule SE after you have completed Schedule C. The 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.

Deductible Part of Self Employment Tax

From Form 1040, Schedule 1, Line 14, 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.**

The program will automatically calculate if the return requires the Short or Long Schedule SE:


Schedule SE Adjustments Worksheet

Schedule SE Adjustments Worksheet **2019**

► Keep for your records

Name(s) Shown on Return	Social Security Number

		(a) Taxpayer	(b) Spouse
	QuickZoom to the **Short Schedule SE** (Schedule SE, page 1) ►	☒ QuickZoom	☐ QuickZoom
	QuickZoom to the **Long Schedule SE** (Schedule SE, page 2) ►	☐ QuickZoom	☐ QuickZoom
A	Use Long Schedule SE, even if qualified to use Short Schedule SE	☐	☐
B	Approved Form 4029. Exempt from SE tax on all income	☐	☐
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)	Explain	Explain

Sch SE, p1-T: Self-Employment Tax

Schedule **SE** (Form 1040)	**Self-Employment Tax**	**2019**

Name of person with **self-employment** Income (as shown on Form 1040 or Form 1040NR)	SSN with SE income

Before you begin: 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	**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 AH	**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**	2,000.
3	Combine lines 1a, 1b, and 2.	**3**	2,000.
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	**4**	1,847.
	Note: If line 4 is less than $400 due to Conservation Reserve Program payments on line 1b, see the instructions.		
5	**Self-employment tax.** If the amount on line 4 is: • $128,400 or less, multiply line 4 by 15.3% (.153). Enter the result here and on **Schedule 4 (Form 1040), line 57** or **Form 1040NR, line 55.** • More than $128,400, multiply line 4 by 2.9% (.029). Then, add $15,921.60 to the result. Enter the total here and on **Schedule 4 (Form 1040), line 57** or **Form 1040NR, line 55.**	**5**	283.
6	**Deduction for one-half of self-employment tax.** Multiply line 5 by 50% (.50). Enter the result here and on **Schedule 1 (Form 1040), line 27,** or **Form 1040NR, line 27**	**6**	142.

Alimony Paid

(1040 Worksheet, Part II: Adjustments to Income, Line 18)

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

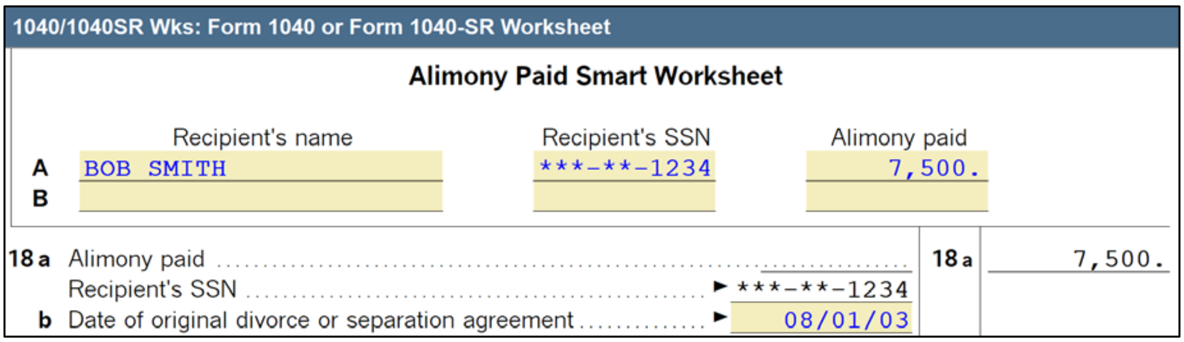
In addition, voluntary payments to a spouse or former spouse made outside of the terms of the divorce or separation instrument are not alimony. For more details regarding the rules summarized above, refer to Publication 504.

Entering Alimony Paid in ProSeries
Alimony paid is entered directly on the 1040 Worksheet, Part II: Adjustments to Income, Line 18. See ***ProSeries Tax Manual: Alimony Payments Received***, page 111, for information on reporting alimony payments received.

You will need to enter all of the following information into the Alimony Paid Worksheet:

- Recipient's Name
- Recipient's SSN
- Amount of Alimony paid
- Date of original divorce or separation agreement

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.



1040/1040SR Wks: Form 1040 or Form 1040-SR Worksheet

Alimony Paid Smart Worksheet

	Recipient's name	Recipient's SSN	Alimony paid
A	BOB SMITH	***-**-1234	7,500.
B			

18 a	Alimony paid		18 a	7,500.
	Recipient's SSN	► ***-**-1234		
b	Date of original divorce or separation agreement	► 08/01/03		

Educator Expenses

(Form 1040, Schedule 1, Line 10)

If the taxpayer or spouse was an eligible educator in 2019, 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.

In ProSeries, use the Educator Expenses Worksheet to make this adjustment to income. Open this worksheet from the 1040 Worksheet, Part II: Adjustments to Income, Line 10 (Educator Expenses) or by typing "Educator Exp" into the Forms Search Bar.

1040/1040SR Wks: Form 1040 or Form 1040-SR Worksheet

Part II	**Adjustments to Income**		
10	Educator expenses	**10**	

1. Enter expenses for both the Taxpayer and Spouse in Line 1.
2. Lines 2-9 will then auto populate from the information that you entered.
3. Generally, you can leave the Box in Line 10 unchecked.

Educator Expenses Worksheet

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	500.		
2	Non-taxable Coverdell ESA distributions			
3	Non-taxable qualified tuition program distributions			
4	Subtract lines 2 and 3 from line 1	500.		
5	Qualified educator expenses from line 4			500.
6	Excludable interest on series EE and I U.S. savings bonds issued after 1989 from Form 8815, line 14			
7	Subtract line 6 from line 5			500.
8	Educator expenses deduction. Report this amount on Form 1040 Schedule 1, line 23 (see Help)			250.
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			250.
10	Check the box if you do **NOT** want to transfer excess educator expenses to Schedule A, Miscellaneous Itemized Deductions Worksheet ►			☐

IRA Contributions

(Form 1040, Schedule 1, Line 19)

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 ProSeries Tax Manual: Credit for Qualified Retirement Savings Contributions****, page 158*, 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. **Only contributions to traditional IRAs are deductible.**
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 2019, a taxpayer must have been born on, or after, July 1, 1949.
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:

- $6,000 ($7,000 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:

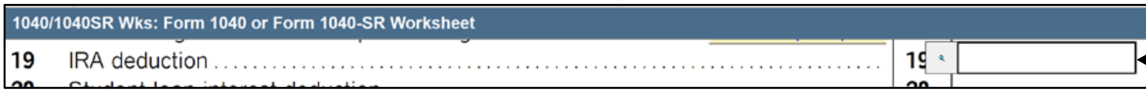
- $6,000 ($7,000 if age 50 or older by the end of the tax year), or
- The total compensation includible in the gross income of both spouses for the tax year reduced by all of the following:
    - Traditional IRA contributions for the spouse with the greater compensation for the tax year, and
    - Any 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 $6,000 (or $7,000 for 50 and older) to their own IRA.

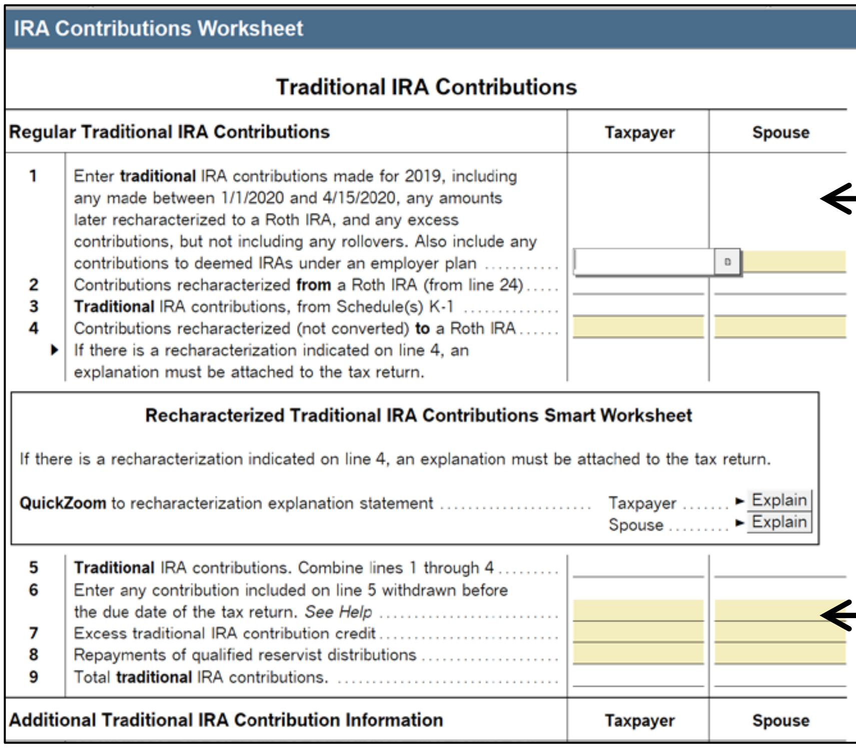
Entering IRA Deduction in ProSeries

From Form 1040, Schedule 1, Line 19 QuickZoom to the IRA Contributions Worksheet:

Or QuickZoom to the IRA Contributions Worksheet from the 1040 Worksheet, Part II: Adjustments to Income, Line 19.


1040/1040SR Wks: Form 1040 or Form 1040-SR Worksheet

19 IRA deduction 19


IRA Contributions Worksheet

Traditional IRA Contributions

Regular Traditional IRA Contributions	Taxpayer	Spouse
1 Enter **traditional** IRA contributions made for 2019, including any made between 1/1/2020 and 4/15/2020, 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 explanation must be attached to the tax return.		

Recharacterized Traditional IRA Contributions Smart Worksheet

If there is a recharacterization indicated on line 4, an explanation must be attached to the tax return.

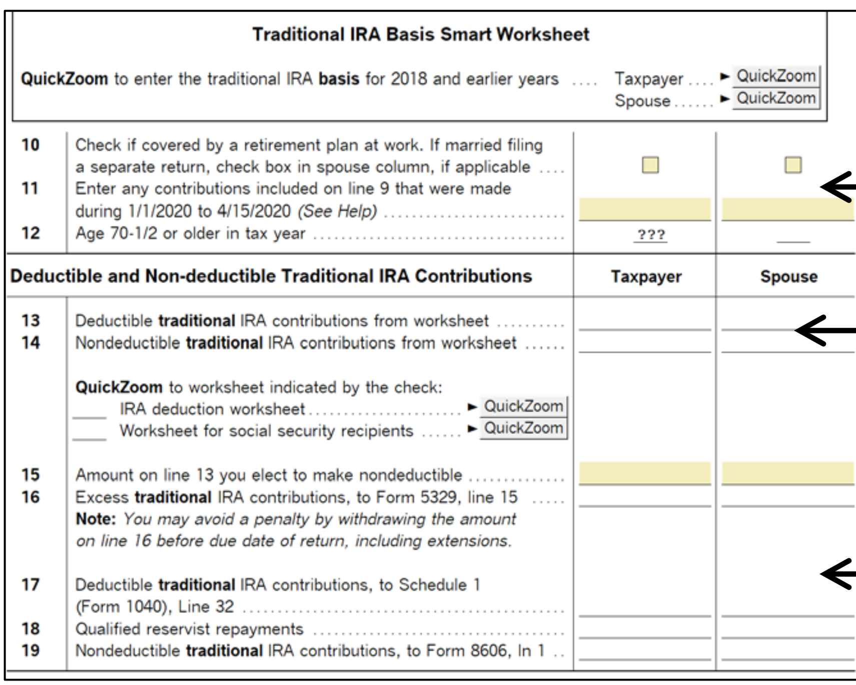
QuickZoom to recharacterization explanation statement . . . . Taxpayer . . . . ► Explain
Spouse . . . . ► Explain

	Taxpayer	Spouse
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. *See Help*		
7 Excess traditional IRA contribution credit		
8 Repayments of qualified reservist distributions		
9 Total **traditional** IRA contributions.		

Additional Traditional IRA Contribution Information | Taxpayer | Spouse

Use the appropriate columns in Line 1 to enter amounts for taxpayer and spouse contributions

On Line 6, enter any portion of the Line 5 amount which was withdrawn before the due date of the return


Traditional IRA Basis Smart Worksheet

QuickZoom to enter the traditional IRA **basis** for 2018 and earlier years . . . . Taxpayer . . . . ► QuickZoom
Spouse . . . . . . ► QuickZoom

	Taxpayer	Spouse
10 Check if covered by a retirement plan at work. If married filing a separate return, check box in spouse column, if applicable	☐	☐
11 Enter any contributions included on line 9 that were made during 1/1/2020 to 4/15/2020 *(See Help)*		
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: ___ IRA deduction worksheet . . . . ► QuickZoom ___ 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 Schedule 1 (Form 1040), Line 32		
18 Qualified reservist repayments		
19 Nondeductible **traditional** IRA contributions, to Form 8606, ln 1 . .		

Complete Lines 11-12 if applicable

Line 13 is automatically determined by the information entered into the Federal Information Worksheet (FIW)

The deductible portion is calculated by ProSeries and populated back to Schedule 1, Line 32 of Form 1040

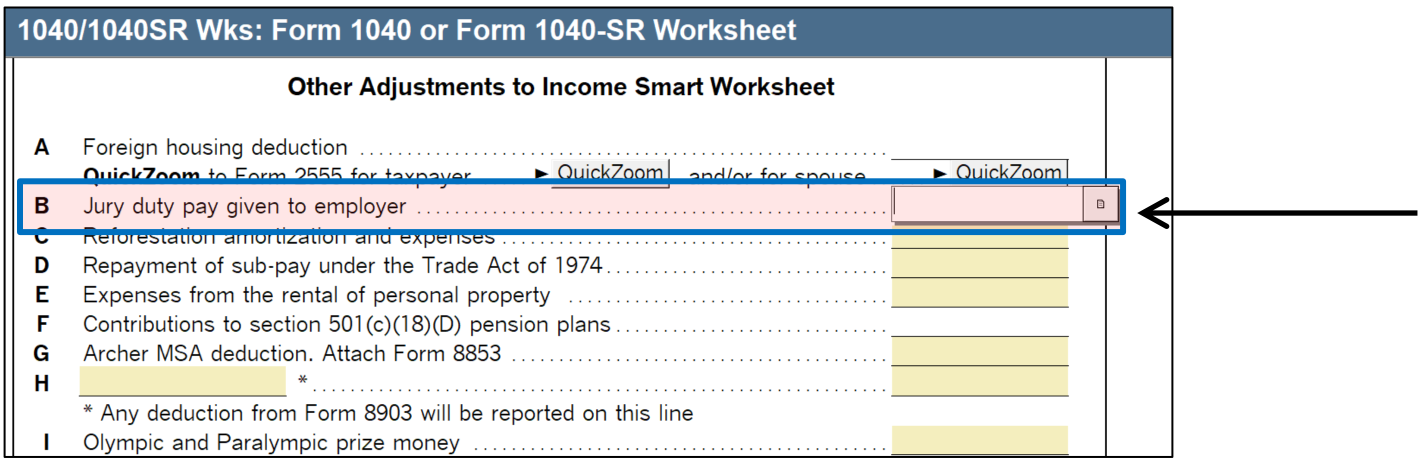
Jury Duty

(1040 Worksheet, Part II: Adjustments to Income, Other Adjustments Smart Worksheet Line B)

Jury duty pay given to employer is reported as taxable income in Other income on Form 1040, Schedule 1 Line 8.

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 22 in ProSeries.



Penalty on Early Withdrawal of Savings

This adjustment to income is Out-of-Scope.

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 of the form.

See ***ProSeries Tax Manual: Form 1099-INT,*** *page 57*, for more information about interest income.

Deductions

On line 9 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 most 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.
- 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.
- 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.

If the client is legally blind, check this box under personal information in 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*: 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	$12,200	$1,650
Married Filing Jointly	$24,400	$1,300
Married Filing Separately	$12,200	$1,300
Head of Household	$18,350	$1,650
Qualifying Widow(er)	$24,400	$1,300

Qualified Business Income Deduction

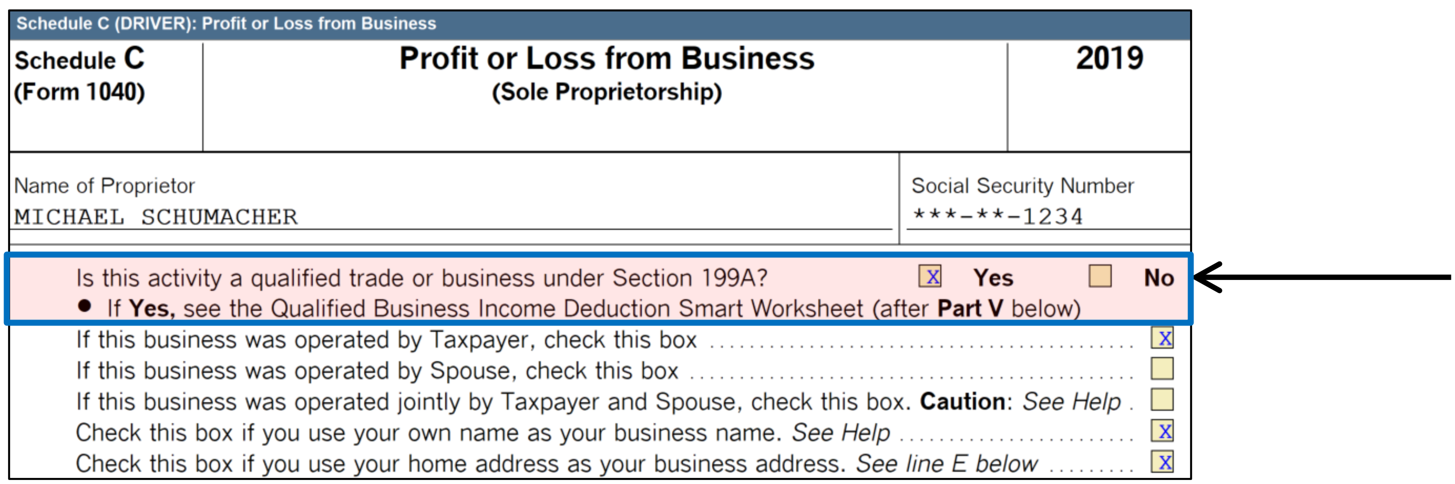
Starting in tax year 2018, the Qualified Business Income Deduction (QBID) may apply for self-employed individuals. For Ladder Up clients this deduction is typically equal to the lesser of 20% of self-employment income or 20% of taxable income before the deduction.

The Qualified Business Income Deduction (QBID) 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.**

For Ladder Up clients the deduction will be calculated on Form 8995 (new for 2019) and will be carried to Line 10 of Form 1040. Form 8995 is for clients with taxable income less than $160,700 ($160,725 for Married Filing Separately and $312, 400 for Married Filing Jointly). Form 8995 does not require identification of Specified Service Trade or Business income, so any question to this effect can be answered "no".

Completing the Qualified Business Income Deduction Smart Worksheet:

On the Schedule C, you will first be asked whether the business activity is a qualified trade or business under Section 199A. The answer is typically a "Yes." In most cases for Ladder Up clients, all of their Schedule C income is eligible for the QBID.


Schedule C (DRIVER): Profit or Loss from Business

Schedule C (Form 1040) | **Profit or Loss from Business** (Sole Proprietorship) | **2019**

Name of Proprietor: MICHAEL SCHUMACHER | Social Security Number: ***-**-1234

Is this activity a qualified trade or business under Section 199A? [X] **Yes** [ ] **No**

- If **Yes**, see the Qualified Business Income Deduction Smart Worksheet (after **Part V** below)

If this business was operated by Taxpayer, check this box ..... [X]

If this business was operated by Spouse, check this box ..... [ ]

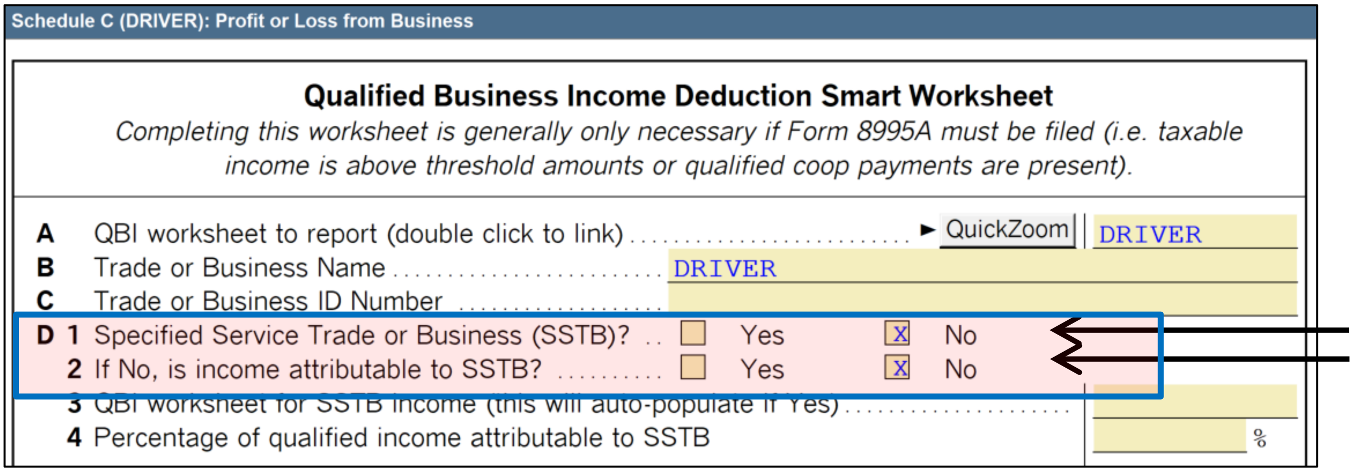
If this business was operated jointly by Taxpayer and Spouse, check this box. **Caution**: *See Help* . [ ]

Check this box if you use your own name as your business name. *See Help* ..... [X]

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

After answering "Yes" at the top of Schedule C, you will need to scroll down to below Schedule C, Line 48 to continue adding information to allow ProSeries to complete the QBID calculations.

1. Finish entering information into Schedule C, and make sure that you have answered "Yes" to the question *"Is this activity a qualified trade or business under Section 199A?"*
2. Scroll down below Schedule C, Line 48 to continue entering QBID information.
3. The QBID worksheet should be linked to the Schedule C.
4. In **Line D**, in most cases, you will also then check the box to indicate that:
   Line D1 – Specified Service Trade or Business (SSTB)? – **No**
   Line D2 – If No, is income attributable to SSTB? – **No**


Schedule C (DRIVER): Profit or Loss from Business

Qualified Business Income Deduction Smart Worksheet

Completing this worksheet is generally only necessary if Form 8995A must be filed (i.e. taxable income is above threshold amounts or qualified coop payments are present).

A	QBI worksheet to report (double click to link)	► QuickZoom	DRIVER
B	Trade or Business Name	DRIVER	
C	Trade or Business ID Number		
D 1	Specified Service Trade or Business (SSTB)?	☐ Yes ☒ No	
2	If No, is income attributable to SSTB?	☐ Yes ☒ No	
3	QBI worksheet for SSTB income (this will auto-populate if Yes)		
4	Percentage of qualified income attributable to SSTB		%

The Qualified Business Income Deduction is reported on Form 1040, line10. Form 8895 is not needed for Ladder Up clients, as their taxable income will fall below the cut-off of $160,700 (or $321,400 Married Filing Jointly).

Reminder: If the taxable income before the credit is zero, there will be no deduction.

Itemized Deductions: Schedule A

A client should itemize deductions if their allowable itemized deductions total more than their standard deduction. Itemized deductions are certain expenses that a taxpayer can use to lower their 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 10% 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 interest

Itemized Deductions that are <u>Out-of-Scope</u>:

- 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 in ProSeries using Schedule A:

- Mortgage Interest and Points Smart Worksheet
- Other Points Smart Worksheet
- Cash Contributions Smart Worksheet
- Noncash Contributions Smart Worksheet

Medical and Dental Expenses

Medical and dental expenses are deductible only if a taxpayer itemizes their deductions. Further, a taxpayer can deduct only the amount of unreimbursed qualified medical and dental expenses that **exceeds 10% percent of the taxpayer's 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:

(a) a child of the taxpayer not claimed as a dependent because of the rules for children of divorced or separated parents,
(b) any person the taxpayer could have claimed as a dependent on their return, and
(c) 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 (but not meals). Lodging expenses are limited to $50 per person per day, and
- Certain health, dental and long-term care insurance premiums.

For 2019, the standard mileage rate for medical purposes is 20 cents per mile driven. For a detailed discussion of qualified expenses, see the instructions for Schedule A and Publication 502.

Check with the client to ensure that these expenses were not paid with pre-tax dollars or reimbursed by an insurance company.

In ProSeries, Medical and Dental Expenses are added in Schedule A, Lines 1 – 4:

Schedule A: Itemized Deductions

Medical and Dental Expenses

	Medical and dental expenses					
	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	

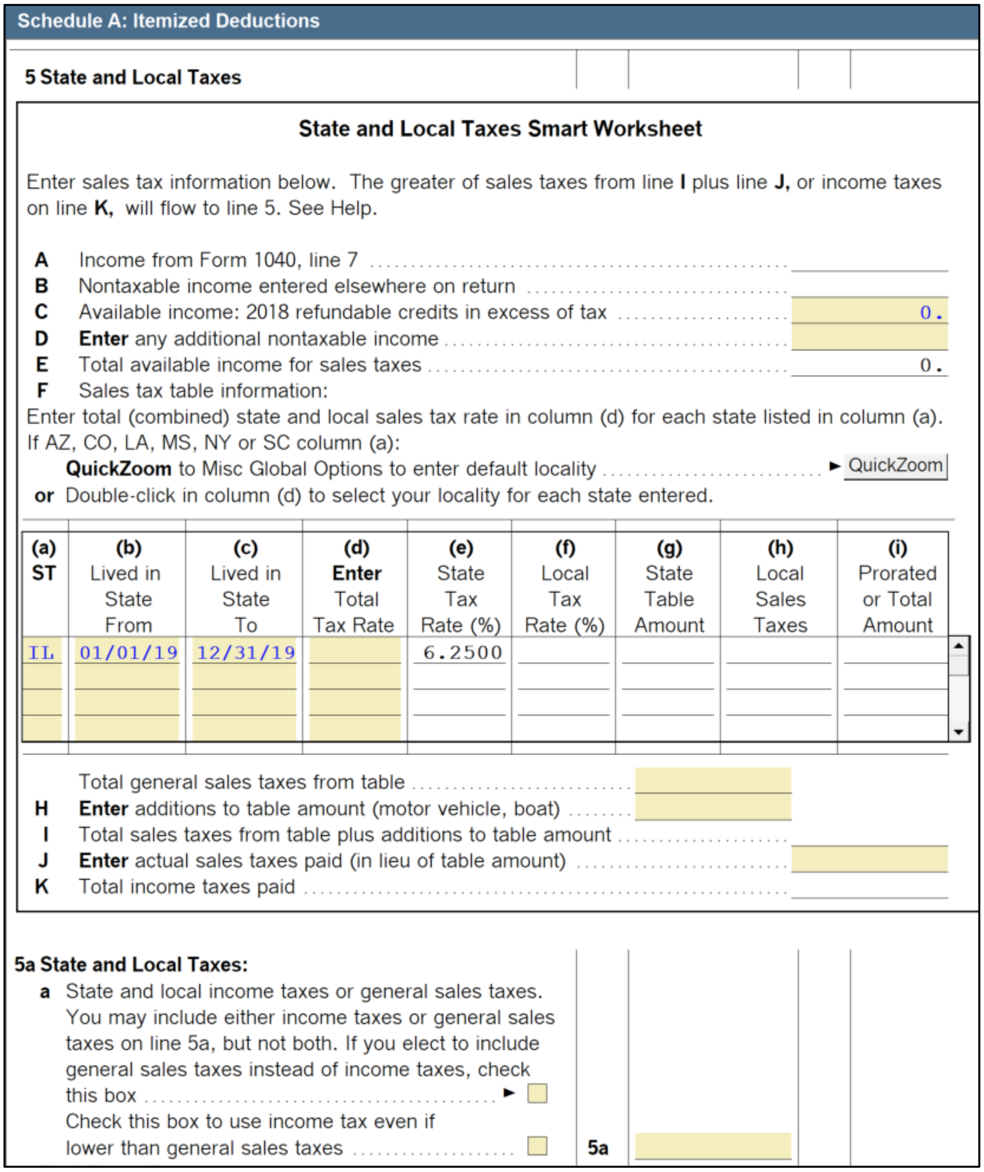
Taxes You Paid

(Schedule A)

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.

In ProSeries, State and Local Income Taxes are added in Schedule A, Line 5 or the Worksheet:


Schedule A: Itemized Deductions

5 State and Local Taxes

State and Local Taxes Smart Worksheet

Enter sales tax information below. The greater of sales taxes from line **I** plus line **J,** or income taxes on line **K,** will flow to line 5. See Help.

A	Income from Form 1040, line 7	
B	Nontaxable income entered elsewhere on return	
C	Available income: 2018 refundable credits in excess of tax	0.
D	**Enter** any additional nontaxable income	
E	Total available income for sales taxes	0.
F	Sales tax table information:	

Enter total (combined) state and local sales tax rate in column (d) for each state listed in column (a).
If AZ, CO, LA, MS, NY or SC column (a):
QuickZoom to Misc Global Options to enter default locality ► QuickZoom
or Double-click in column (d) to select your locality for each state entered.

(a) ST	(b) Lived in State From	(c) Lived in State To	(d) Enter Total Tax Rate	(e) State Tax Rate (%)	(f) Local Tax Rate (%)	(g) State Table Amount	(h) Local Sales Taxes	(i) Prorated or Total Amount
IL	01/01/19	12/31/19		6.2500				

	Total general sales taxes from table		
H	**Enter** additions to table amount (motor vehicle, boat)		
I	Total sales taxes from table plus additions to table amount		
J	**Enter** actual sales taxes paid (in lieu of table amount)		
K	Total income taxes paid		

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 ►
Check this box to use income tax even if lower than general sales taxes **5a**

Foreign Income Taxes

Generally, income taxes paid to a foreign country can be taken as either:

- An itemized deduction on line 6 of Schedule A, which flows to Form 1040, line 9 or
- A credit against U.S. income tax on Form 1040, Schedule 3, line 1

Ladder Up clients will generally derive greater benefit by opting to take the credit on Form 1040, Schedule 3, line 1. **See *ProSeries Tax Manual: Foreign Tax Credit,*** *page 161* for more information.
In ProSeries, State and Local Income Taxes are added in Schedule A, Line 5 or the Worksheet:

Schedule A: Itemized Deductions			
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 ► ☐			
Check this box to use income tax even if lower than general sales taxes ☐		**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 or $10,000 ($5,000 if married filing separately)		**5e**	
6 Other taxes. List type and amount:			

State, Local, and Foreign Real Estate Taxes

State and local 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. **Due to tax reform, Foreign Real Estate Taxes are no longer deductible.**

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
- Homeowner association fees
- Foreign real estate taxes

In ProSeries, State and Local Real Estate Taxes will either flow through the Mortgage Interest Statement, or can be entered directly into Schedule A, Line 5b.

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.

In ProSeries, State and Local Personal Property Taxes can be entered into Schedule A, Line 5c:

Schedule A: Itemized Deductions			
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**	

Nondeductible Interest

Interest that cannot be deducted includes:

- Interest on car loans where the car is used for nonbusiness purposes (business car loan interest is deducted on Schedule C)
- 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:

- Mortgages you took out on or before October 13, 1987 (called grandfathered debt).
- 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 2019 these mortgages plus any grandfathered debt totaled $1 million or less ($500,000 or less if married filing separately).
- Mortgages you took out after December 17, 2017 to buy, build, or improve your home (called home acquisition debt), but only if throughout 2019 these mortgages plus any grandfathered debt totaled $750,000 or less, ($350,000 or less if married filing separately).

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.

Note: **Sometimes taxpayers may have more than one mortgage or may have refinanced during the year and may have multiple Mortgage Interest Statements.**

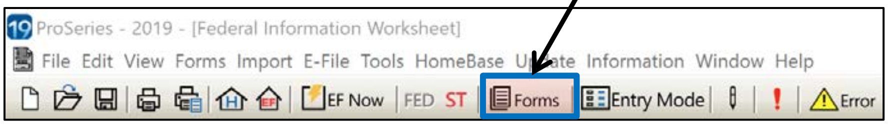
Home Mortgage Points
The term "points" is used to describe certain charges paid, or treated as paid, by a borrower to obtain a home mortgage. Points also may be called loan origination fees, maximum loan charges, premium charges, loan discount points, or prepaid interest. Points paid only for the use of money on a loan used to buy, build or improve the home that secures the mortgage are considered interest and generally can be deducted in the year paid. This amount is reported on Form 1098 (Box 6).

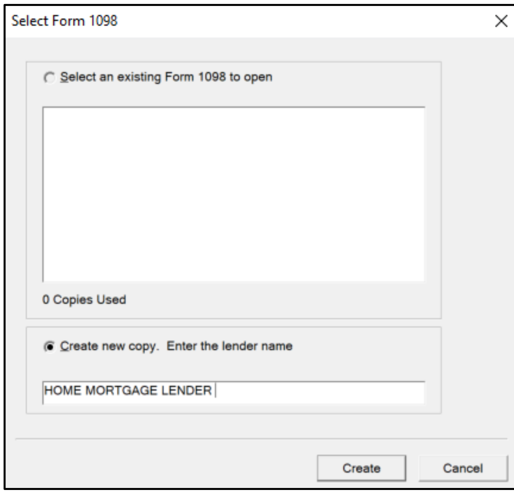
Points paid to refinance a mortgage are generally not deductible in full the year the taxpayer paid them, unless the points are paid in connection with the improvement of a main home and certain conditions are met. See Publication 936 for more details regarding the deductibility of points.

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, <u>are not interest and are not deductible.</u>

Form 1098: Mortgage Interest Form

To start or edit a Mortgage Interest Form in ProSeries, click the **Forms** button at the top of the page (it will not be listed under common forms) and type in **1098**.





Type 1098 into Forms.

To create a new Mortgage Interest Form click the radio button and type in the lender's name.

This will open the Mortgage Interest Form.

4. In the top section, indicate whether who owned the property(the taxpayer, spouse, or both).
5. Enter information into the boxes based on the 1098 Form
    - **Box 1** – Mortgage interest received from taxpayer
    - **Box 2** – Outstanding mortgage principal as of 1/1/2019
    - **Box 3** – Mortgage origination date
    - **Box 5** – Be sure to enter the mortgage insurance (sometimes called PMI or private mortgage insurance value) if one is included on the 1098.
    - **Box 7** or **Box 8** – Either check Box 7, or enter the address into Box 8
    - **Box 10** – Property Tax/Real Estate Taxes

Form 1098 (HOME MORTGAGE LENDER): Mortgage Interest Statement

Ownership

Owned by (check one):
[X] Taxpayer [ ] Spouse [ ] Joint

Statement Information

RECIPIENT'S/LENDER'S Name: HOME MORTGAGE LENDER	**1** Mortgage interest received from payer(s): 6,500.
Street address: 233 WACKER DRIVE	**2** Outstanding mortgage principal as of 1/1/2019: 105,200.00
City: Chicago State: IL ZIP code: 60602	**3** Mortgage origination date: 06/30/2004
Telephone number:	**4** Refund of overpaid interest:
RECIPIENT'S federal identification number: **-***4321 PAYER'S social security number: ***-**-1234	**5** Mortgage insurance premiums: 750.
PAYER'S/BORROWER'S name: TAXPAYER NAME	**6** Points paid on purchase of principal residence:
Street address:	**8** Address of the property securing this mortgage (if different than your mailing address shown)
City: State: ZIP code:	Street address:
7 The address above is the same as the address of the property securing the mortgage ..... [X] **(If not, enter the property address in box 8)**	City: State: ZIP code:

9 If the property securing the mortgage has no address, provide a description of the property below

Account number:	**10** Property tax: 1,400.

Once you are done entering information into the worksheet, the information will populate Schedule A.

If the client payed property tax out of escrow, and you entered an amount into Box 10 (Property Tax/Real Estate Tax), this information will also carry over to the Illinois State return Schedule ICR.

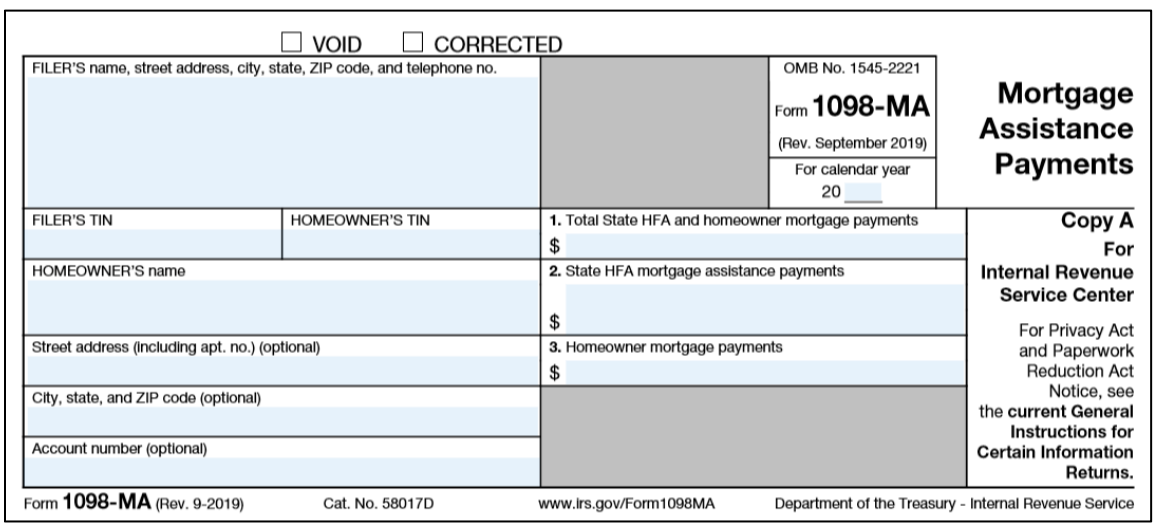
Form 1098-MA: Mortgage Assistance Payments

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.

- Box 1 Shows total payments made to the mortgage servicer through the program
- Box 2 Shows the amount of Box 1 contributed by the state
- Box 3 Shows the amount that the borrower sent to the state for forwarding to the mortgage servicer



☐ VOID ☐ CORRECTED

FILER'S name, street address, city, state, ZIP code, and telephone no.

OMB No. 1545-2221

Form **1098-MA**

(Rev. September 2019)

For calendar year 20 ____

Mortgage Assistance Payments

FILER'S TIN | HOMEOWNER'S TIN

1. Total State HFA and homeowner mortgage payments $

Copy A For Internal Revenue Service Center

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)

For Privacy Act and Paperwork Reduction Act Notice, see the **current General Instructions for Certain Information Returns.**

Form **1098-MA** (Rev. 9-2019) Cat. No. 58017D www.irs.gov/Form1098MA Department of the Treasury - Internal Revenue Service

All amounts reported include both principal and interest.

First-Time Homebuyer Credit Repayment

Form 5405

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.

This Credit is Out-of-Scope for:

- Taxpayers who claimed credit and their home is destroyed, condemned, or disposed of under threat of condemnation
- Taxpayers who claimed the first-time homebuyer credit may be required to repay the credit in the year of sale. The repayment is limited to the amount of gain on the sale and this situation makes the return Out-of-Scope.
- Reduced Maximum Exclusion is Out-of-Scope.

For taxpayers who received the 2008 credit and who still used the home as their primary residence at the beginning of 2019, the place to start is with the Smart Worksheet for **Form 5405**.

1. Quickzoom to the form from Schedule 2, line 7b of Form1040. 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 2019 repayment and will enter it on Schedule 2, line 7b. No Form 5405 is required in this case, only the Smart Worksheet.

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**	

1. Enter an approximate date of purchase if the taxpayer does not know the exact date of purchase.
2. Enter the amount of the credit received in 2008 and the total of any credit repayments made in previous years.
3. ProSeries will calculate the remaining balance and the repayment due for the current tax year
4. If the taxpayer or spouse died in 2019, this will automatically populate into Form 5405 after the client's date of death is entered into the Federal Information Worksheet.
5. If the home ceased to be the taxpayer's main residence in 2019, 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 2, Line 7b.

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 hold was disposed of in 2019, or
  - Ceased being used as your main home in 2019

General Information

Date home was purchased	04/15/08
Credit originally received by Taxpayer ► [X] 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 2019	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 2019

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 [ ]	

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 (14 cents per mile for 2019) may be taken.

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.

Taxpayers with more than $500 in total noncash contributions must file Form 8283, which is Out-of-Scope. The client should be referred to a professional tax preparer. In this situation it 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.

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

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.

- 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 11 with the total cash donations.
- The value of gifts other than by cash or check (e.g., used clothing, furniture, etc.) can be entered directly on Line 12. You can also use the Noncash Contributions Smart Worksheet just above Line 12 in ProSeries to enter several different Noncash donations and ProSeries will automatically populate Line 12 with the total Noncash donations.
- The total of all Gifts to Charity will automatically be calculated and populate Schedule A, Line 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

Enter cash contributions or use the worksheet above

Cash Contributions for Qualified Disaster Relief Smart Worksheet

Enter the cash or check contributions made that your client elects to treat as qualified contributions ....

11 Gifts by cash or check. For gift $250 or more see instr. **11**

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 ... Entry number	
Charity Name .... Address . City ..... State . Description .... Property type .... Date donated .... Date acquired ..... How acquired .... Cost or adj basis .. Fair market value How valued ... Entry number	

B Check for election under IRC Sec 170(b)(1)(C)(iii) .... ► Yes

Enter Non cash contributions or use the worksheet above

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**

Miscellaneous Itemized Deductions

The following are the only in-scope deductions in this category typically seen with Ladder Up clients:

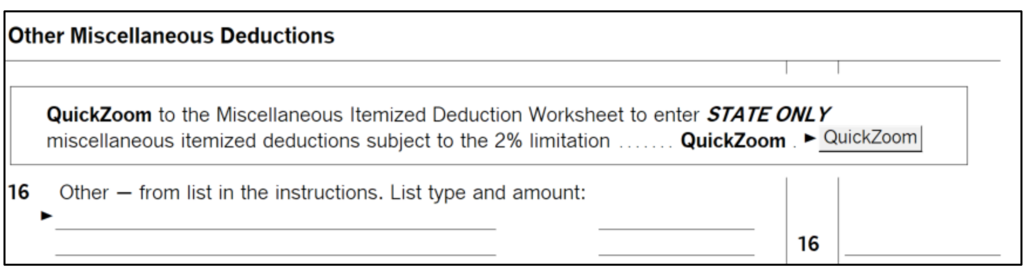
- Gambling losses to the extent of gambling winnings (taxpayers must have kept a record of their losses)
- Work-related expenses for individuals with a disability that enable them to work, such as attendant care services at their workplace
- A deduction for amortizable bond premiums

***Note:* Starting in tax year 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

Examples of miscellaneous expenses that are not deductible include (see Publications 17 and 529 for more information):

- Commuting expenses
- Political contributions
- The cost of entertaining friends
- Lost or misplaced cash or property
- Travel as a form of education


Other Miscellaneous Deductions

QuickZoom to the Miscellaneous Itemized Deduction Worksheet to enter ***STATE ONLY*** miscellaneous itemized deductions subject to the 2% limitation .... **QuickZoom** . ► QuickZoom

16 Other — from list in the instructions. List type and amount: ► **16**

Credits

When a tax liability (tax owed) exceeds tax withholding (tax paid) the taxpayer will still owe taxes at the time of filing. Tax credits are dollar-for-dollar reductions that decrease a taxpayer's tax liability. There are two types of tax credits – nonrefundable and refundable.

Nonrefundable Credits can only be used to decrease the amount of income tax owed. The nonrefundable tax credits are limited by the client's overall tax liability. In other words, nonrefundable credits can only reduce the amount of tax owed. The maximum benefit of nonrefundable credits is to reduce the income tax liability to zero, so that the client receives all of their withholding back.

The taxpayer must have taxable income in order to benefit from a nonrefundable credit. This generally means that the total income is more than the standard deduction. Unused refundable credits are not received by the client. Many Ladder Up clients do not have any taxable income, and thus there is no reason to claim a nonrefundable credit.

Common Nonrefundable Credits
- Child Tax Credit
- Credit for Other Dependents
- Credit for the Elderly or the Disabled
- Credit for Child and Dependent Care Expenses
- Retirement Savings Contribution Credit
- Education Credits (American Opportunity Credit, Lifetime Learning Credit)

Refundable Credits are credits that the taxpayer received even if they had no taxable income. Refundable credits are used to reduce the client's tax liability, and any excess amount is added to the client's refund. If a client is eligible for refundable credits sometimes their refund can thus exceed the client's total withholding.

Common Refundable Credits
- Earned Income Tax Credit
- Additional Child Tax Credit
- Premium Tax Credit (ACA Healthcare Credit)

Examples
Nonrefundable Credits:
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, so she will not owe anything. Jill will not receive a refund, because the Child Tax Credit is nonrefundable.

Refundable Credits:
Sara has a tax liability of $400, and she qualified for a Child Tax Credit of $500 (nonrefundable credit that wipes out her tax liability). Sara also qualified for $500 in Earned Income Tax Credit (a refundable credit), so she will receive a $500 refund.

Earned Income Tax Credit (EITC)

The Earned Income Tax Credit (also referred to as the EITC or 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 the taxpayer has:

- No qualifying children (taxpayers age 25-64 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.

Unearned income does not qualify the taxpayer for this credit, including:

- pensions and annuities
- welfare benefits
- unemployment compensation
- workers' compensation benefits
- social security benefits

Determining a Taxpayer's Eligibility

- A taxpayer (and spouse, if applicable), and all qualifying children **must have valid SSNs** by the due date of the return including extensions. ITIN holders are not eligible for the EITC. The client must be a U.S. citizen or resident alien for the full tax year.
- 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, the client must be at least age 25 but under age 65 as of December 31.
- If the taxpayer has one or more qualifying children, the client can be any age
- The taxpayer cannot be a qualifying child of another person
- The taxpayer cannot file Form 2555 or Form 2555-EZ (relating to foreign earned income).
- The taxpayer's investment income must be $3,600 or less

Determining a Dependent's Eligibility to be a Qualifying Child

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 either

- under the age of 19 and younger than the taxpayer
- under the age of 24 as well as a full-time student and younger than the taxpayer
- 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 U.S. for more than half the year*

Note: This means that a non-custodial parent cannot claim the EITC, even if that parent 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.

Note that there is no support test to be a qualifying child for EITC. As a result, a child who provides over half their own support and therefore does not meet the dependency requirements can still be a qualifying child for the EIC even though they are not a dependent.

Earned income and adjusted gross income (AGI) must be less than:

	Qualifying Children Claimed			
If filing	Zero	One	Two	Three or more
Single, HOH, QW	$15,570	$41,094	$46,703	$50,162
Married Filing Jointly	$21,370	$46,884	$52,493	$55,952

Maximum credit for tax year 2019:

- $6,557 with three or more qualifying children
- $5,828 with two qualifying children
- $3,526 with one qualifying child
- $529 with no qualifying children

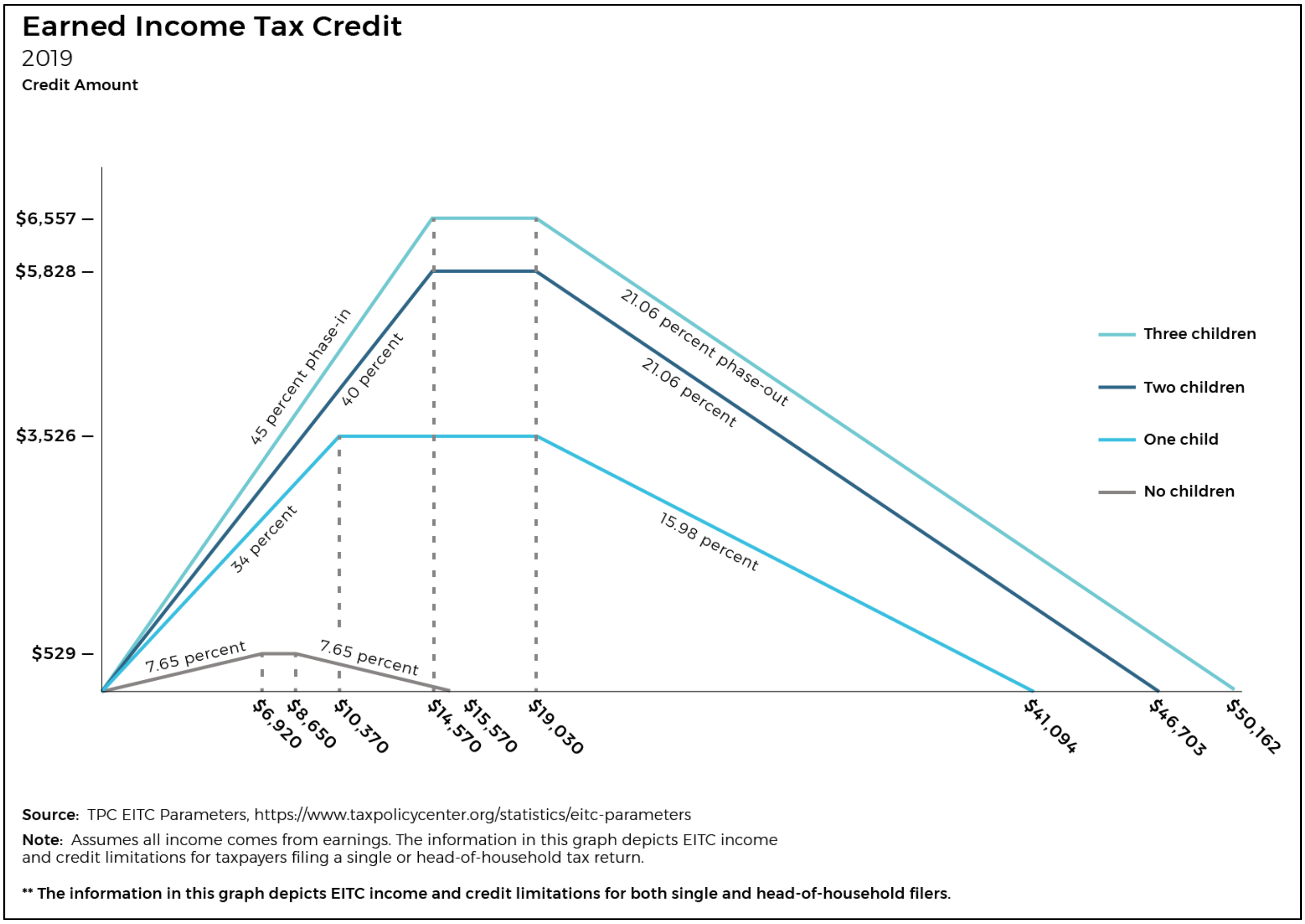
There are restrictions on EITC claims by taxpayers for whom a previous EITC claim was denied or reduced due to any reason other than a math or clerical error. For example, a taxpayer who was determined to have claimed the EITC due to reckless or intentional disregard of the EITC rules may have a ban 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 Earned Income Tax Credit in a previous year. If so, find out if they have filed a Form 8862 for a later year and had the credit for that later year approved. **If not, you must fill out Form 8862, Information to Claim Earned Income Credit After Disallowance, with the client's tax return**.

If so, and if they have **not** had a later denial of the credit, then no Form 8862 is required. Form 8862 is also not required if the only reason for the prior denial is that a claimed child was determined not to be a qualifying child and the taxpayer is now claiming only the EIC for taxpayers without qualifying children.

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.

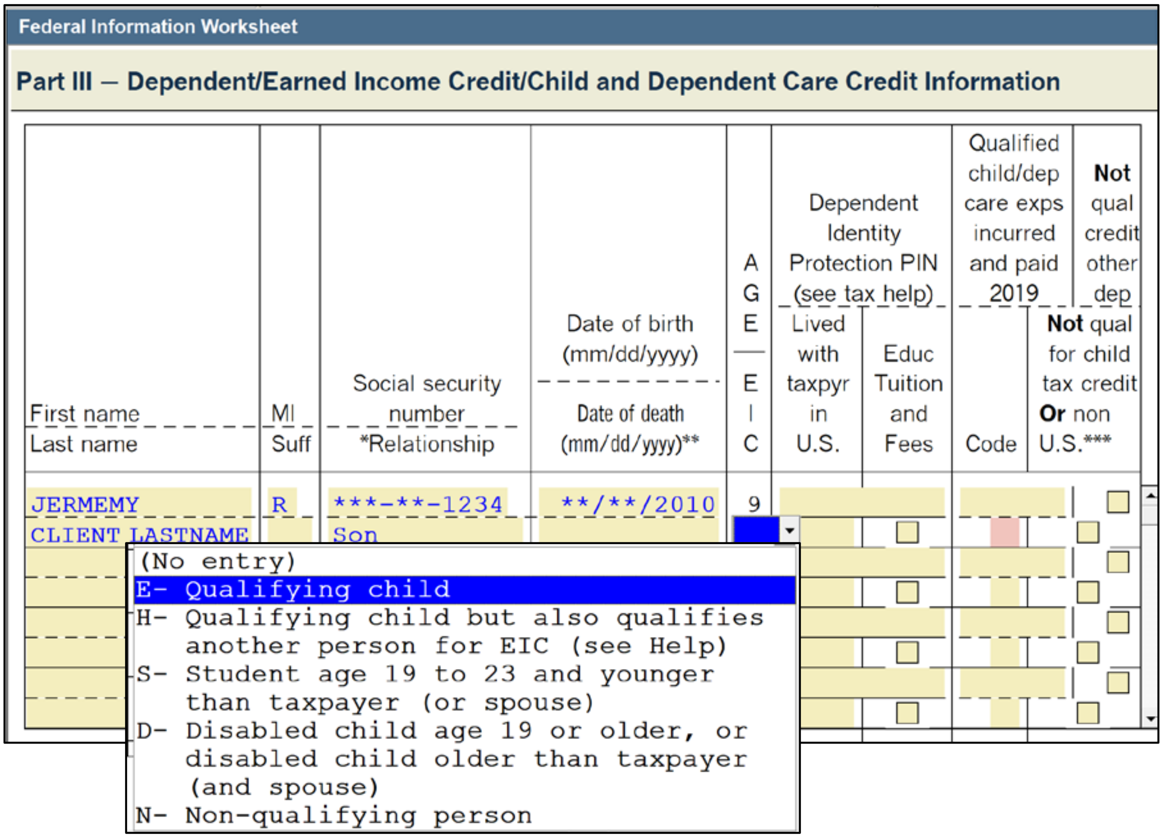
Chart of EITC Benefits



ProSeries will automatically calculate the EITC and apply it if the client is eligible. For every return you prepare or review, make sure that the following questions have been completed in the **Federal Information Worksheet:**

FIW Part III: Dependent/Earned Income Credit/Child and Dependent Care Credit Information

1. Be sure to mark the correct code in the EIC box for each person listed.
2. In addition, if the person is a qualifying child for the EIC but is not a dependent (typically because they met the other dependency tests but provided over half their own support, or because they were claimed as a dependent by a non-custodial parent) then be sure to mark code Q in the CODE box where you would normally put code L.



Federal Information Worksheet

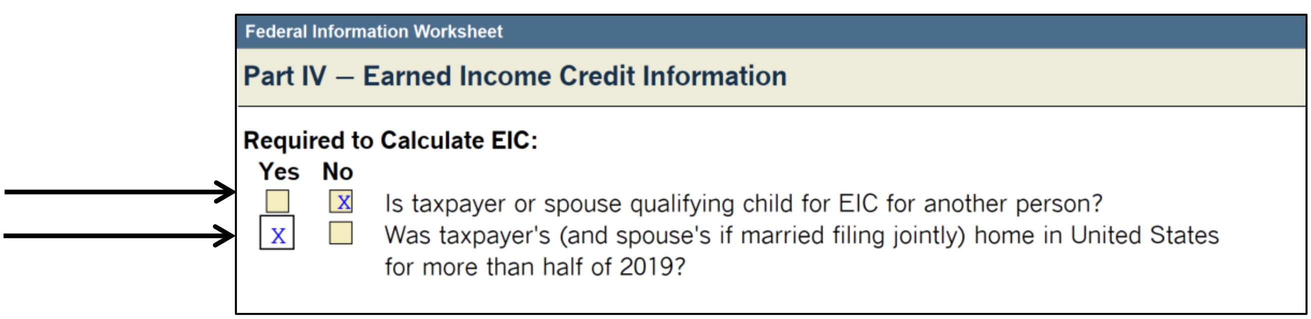
Part III — Dependent/Earned Income Credit/Child and Dependent Care Credit Information

First name / Last name	MI / Suff	Social security number / *Relationship	Date of birth (mm/dd/yyyy) / Date of death (mm/dd/yyyy)**	AGE / EIC	Dependent Identity Protection PIN (see tax help) / Lived with taxpyr in U.S.	Educ Tuition and Fees	Qualified child/dep care exps incurred and paid 2019 / Code	**Not** qual credit other dep / **Not** qual for child tax credit **Or** non U.S.***
JERMEMY / CLIENT LASTNAME	R	***-**-1234 / Son	**/**/2010	9				

(No entry)
E- Qualifying child
H- Qualifying child but also qualifies another person for EIC (see Help)
S- Student age 19 to 23 and younger than taxpayer (or spouse)
D- Disabled child age 19 or older, or disabled child older than taxpayer (and spouse)
N- Non-qualifying person

FIW Part IV: Earned Income Credit Information

1. Is taxpayer or spouse qualifying child for EIC for another person?
   - o The answer to this question is most often *"No"*
   - o However, in some cases the answer would be "Yes" and the client would not be eligible for the credit. For example, if the taxpayer is a qualifying child for someone else (i.e. a student who is still claimed by their parents)
2. Was taxpayer's (and spouse's if MFJ) home in United States for more than half of 2019?
   - o The answer to this question should almost ALWAYS be *"Yes"* because Ladder Up clients must be full-year Illinois residents.



Federal Information Worksheet

Part IV — Earned Income Credit Information

Required to Calculate EIC:

Yes	No	
	X	Is taxpayer or spouse qualifying child for EIC for another person?
X		Was taxpayer's (and spouse's if married filing jointly) home in United States for more than half of 2019?

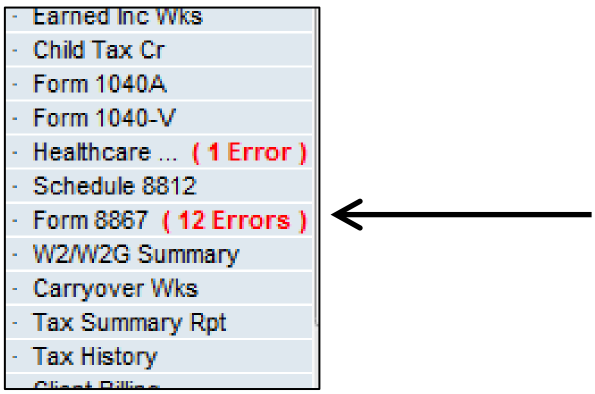
3. ProSeries will calculate whether the client is eligible for this credit automatically, once you finish entering all of their information. The Earned Income Tax Credit (EITC) is reported on Form 1040, Line 18a.

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 EITC, American Opportunity Tax Credit (AOTC), Child Tax Credit (CTC), Additional Child Tax Credit (ACTC), and for clients who are filing as Head of Household (HOH). **Please make sure to complete all required questions on the due diligence checklist, Form 8867, or else the return will be rejected when e-filed.**

Instructions for the Paid Preparer's Due Diligence Checklist (Form 8867)

When a return requires Form 8867 as described above it will automatically populate on the Forms Bar on the left:



1. Open Form 8867 and clear all relevant errors by answering the questions presented on the form. Most responses will be "yes" as Form 8867 is meant to serve as a record that the taxpayer went through an interview process, which is part of the required process at every Ladder Up tax site. (Answer "yes" to Questions # 1-3, #6-9 [answer NA to question 8 if no Schedule C], and #15)

Form 8867 (Copy 1): Preparer's Due Diligence Checklist

Please check the appropriate box for the credit(s) and/or HOH filing status claimed on the return and complete the related Parts I-V for the benefit(s) claimed (check all that apply).

☒ **EIC** ☐ **CTC/ACTC/ODC** ☐ **AOTC** ☐ **HOH**

1	Did you complete the return based on information for tax year 2019 provided by the taxpayer or reasonably obtained by you?	☒ **Yes** ☐ **No**
2	If credits are claimed on the return, did you complete the applicable EIC and/or CTC/ACTC/ODC worksheets found in the Form 1040, 1040SR, 1040NR, 1040PR, or 1040SS 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?	☒ **Yes** ☐ **No** ☐ **N/A**
3	Did you satisfy the knowledge requirement? To meet the knowledge requirement, you must do both of the following. • Interview the taxpayer, ask questions, and contemporaneously document the taxpayer's responses to determine that the taxpayer is eligible to claim the credit(s) and/or HOH filing status. • Review information to determine that the taxpayer is eligible to claim the credit(s) and/or HOH filing status and to compute the amount(s) of any credit(s)	☒ **Yes** ☐ **No**

2. <u>Exceptions include Question #4 and Question #5</u>, which should be answered "NO". (Ladder Up is part of the VITA program and therefore not required to retain records):

4	Did any information provided by the taxpayer or a third party for use in preparing the return, or information reasonably known to you, appear to be incorrect, incomplete, or inconsistent? (If 'Yes,' answer questions 4a and 4b. If 'No,' go to question 5.)	☐ **Yes** ☒ **No**
a	Did you make reasonable inquiries to determine the correct, complete and consistent information?	☐ **Yes** ☐ **No**
b	Did you contemporaneously 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.)	☐ **Yes** ☐ **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 any applicable worksheet(s), a record of how, when, and from whom the information used to prepare Form 8867 and any applicable worksheet(s) was obtained, and a copy of any document(s) provided by the taxpayer that you relied on to determine eligibility for the credit(s) and/or HOH filing status or to compute the amount(s) for the credit(s)?	☐ **Yes** ☒ **No**

6	Did you ask the taxpayer whether he/she could provide documentation to substantiate eligibility for the credit(s) and/or HOH filing status and the amount(s) of any credit(s) claimed on the return if his/her return is selected for audit?	[X] **Yes** [ ] **No**
7	Did you ask the taxpayer if any of these credits were disallowed or reduced in a previous year? (If credits were disallowed or reduced, go to question 7a; if not, go to question 8.)	[X] **Yes** [ ] **No** [ ] **N/A**
a	Did you complete the required recertification Form 8862?	[ ] **Yes** [ ] **No** [ ] **N/A**
8	If the taxpayer is reporting self-employment income, did you ask questions to prepare a complete and correct Schedule C (Form 1040 or 1040-SR)?	[ ] **Yes** [ ] **No** [ ] **N/A**

Form 8867 (Copy 1): Preparer's Due Diligence Checklist

Part II **Due Diligence Questions for Returns Claiming EIC** (If the return does not claim EIC, go to Part III.)

9 a	Have you determined that this taxpayer is, in fact, eligible to claim the EIC for the number of qualifying children claimed, or is eligible to claim the EIC without a qualifying child? (Skip 9b and 9c if the taxpayer is claiming the EIC and does not have a qualifying child.)	[X] **Yes** [ ] **No**
b	Did you ask the taxpayer if the child lived with the taxpayer for over half of the year, even if the taxpayer has supported the child the entire year?	[X] **Yes** [ ] **No**
c	Did you explain to the taxpayer the rules about claiming the EIC when a child is the qualifying child of more than one person (tiebreaker rules)?	[X] **Yes** [ ] **No** [ ] **N/A**

3. For the EITC, after answering Questions #6-9 as "yes", skip down to Question #15 to answer "yes":

15	Do you certify that all of the answers on this Form 8867 are, to the best of your knowledge, true, correct and complete?	[X] **Yes** [ ] **No**

If the client also qualifies for the Child Tax Credit (CTC), Additional Child Tax Credit ACTC), or the Credit for Other Dependents (ODC), you will also need to answer yes to these additional portions of Form 8867: Due Diligence Checklist:

Fill in the top portion of the checklist, and also answer Questions #10-12 as "yes"

Please check the appropriate box for the credit(s) and/or HOH filing status claimed on the return and complete the related Parts I-V for the benefit(s) claimed (check all that apply).
[X] **EIC** [X] **CTC/ACTC/ODC** [ ] **AOTC** [ ] **HOH**

Part III	**Due Diligence Questions for Returns Claiming CTC/ACTC/ODC** (If the return does not claim CTC, ACTC, or ODC, go to Part IV.)
10 Have you determined that each qualifying person for the CTC/ACTC/ODC is the taxpayer's dependent who is a citizen, national, or resident of the United States?	[X] **Yes** [ ] **No**
11 Did you explain to the taxpayer that he/she may not claim the CTC/ACTC if the taxpayer has not lived with the child for over half of the year, even if the taxpayer has supported the child, unless the child's custodial parent has released a claim to exemption for the child?	[X] **Yes** [ ] **No** [ ] **N/A**
12 Did you explain to the taxpayer the rules about claiming the CTC/ACTC/ODC for a child of divorced or separated parents (or parents who live apart), including any requirement to attach a Form 8332 or similar statement to the return?	[X] **Yes** [ ] **No** [ ] **N/A**

If the client also qualifies for the American Opportunity Tax Credit (AOTC), you will also need to answer yes to these additional portions of Form 8867: Due Diligence Checklist:

Fill in the top portion of the checklist, and also answer Question #13 as "yes"

Please check the appropriate box for the credit(s) and/or HOH filing status claimed on the return and complete the related Parts I-V for the benefit(s) claimed (check all that apply).
[X] **EIC** [ ] **CTC/ACTC/ODC** [X] **AOTC** [ ] **HOH**

Part IV	**Due Diligence Questions for Returns Claiming AOTC** (If the return does not claim AOTC, go to Part V.)
13 Did the taxpayer provide substantiation for the credit, such as a Form 1098-T and/or receipts for the qualified tuition and related expenses for the claimed AOTC?	[X] **Yes** [ ] **No**

If the client also has qualifying dependents as Head of Household (HOH), you will also need to answer yes to these additional portions of Form 8867: Due Diligence Checklist:

Fill in the top portion of the checklist, and also answer Question #14 as "yes"

Please check the appropriate box for the credit(s) and/or HOH filing status claimed on the return and complete the related Parts I-V for the benefit(s) claimed (check all that apply).

[X] **EIC** [ ] **CTC/ACTC/ODC** [ ] **AOTC** [X] **HOH**

Part V	**Due Diligence Questions for Claiming HOH** (If the return does not claim HOH filing status, go to Part VI.)
14 Have you determined that the taxpayer was unmarried or considered unmarried on the last day of the tax year and provided more than half of the cost of keeping up a home for the year for a qualifying person?	[X] **Yes** [ ] **No**

Credit for Qualified Retirement Savings Contributions

Form 8880

If a taxpayer makes eligible contributions to an employer-sponsored retirement plan or to an individual retirement arrangement (IRA), they 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

In order to qualify for the Retirement Savings Contributions Credit the taxpayer:

- Must have made a voluntary contribution or deferral to an IRA or other qualified plan during 2019
- Must be at least 18 years old
- Cannot be claimed as a dependent on someone else's tax return for 2019
- Cannot have been a full-time student during 2019

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:

Form 8880: Credit for Retirement Contributions

			(a) You	(b) Your Spouse
1	Traditional and Roth IRA contributions, and ABLE account contributions by the designated beneficiary for 2019. **Do not** include rollover contributions	1		

Line 2 Smart Worksheet

Elective deferrals	Taxpayer		Spouse	
After-tax voluntary employee contributions *(See help)*	Taxpayer		Spouse	

			(a) You	(b) Your Spouse
2	Elective deferrals to a 401(k) or other qualified employer plan, voluntary employee contributions, and 501(c)(18)(D) plan contributions for 2019 (see instructions)	2		
3	Add lines 1 and 2	3		

Roth IRA contributions are made on page 2 of the worksheet:

Form 8880: Credit for Retirement Contributions

Line 4 Smart Worksheet

2017	Roth IRA, traditional IRA, and qualified plan distributions	Taxpayer	
		Spouse	
2017	If filing a joint return **in 2019**, check the box if **in 2017**: Taxpayer or spouse did not file a joint return, or filed jointly with a different person than in 2019	►	☐
2018	Roth IRA, traditional IRA, and qualified plan distributions	Taxpayer	
		Spouse	
2018	If filing a joint return **in 2019**, check the box if **in 2018**: Taxpayer or spouse did not file a joint return, or filed jointly with a different person than in 2019	►	☐
2019	Roth IRA, traditional IRA, and qual plan distributions (See Help)	Taxpayer	
		Spouse	
2020	Roth, trad IRA, qual plan distribn (before 2019 return due date)	Taxpayer	
		Spouse	
2020	If filing a joint return **in 2019**, check the box if **in 2020**: Taxpayer or spouse will not file a joint return, or will file jointly with a different person than in 2019	►	☐

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. An entry on Box 14 may also indicate a contribution to a state retirement system.

Did the taxpayer receive a Form 5498?

If the taxpayer or spouse made a contribution to an IRA, they 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 ***ProSeries Tax Manual: IRA Contribution,*** *page 125.*

Credit for the Elderly or the Disabled

Schedule R

This **nonrefundable credit** is available to individuals who are either:

- age 65 or older
- under age 65 and retired on permanent and total disability and receiving taxable disability income payments

The client's filing status and income will also impact whether or not they are eligible for this credit, and the qualifying income limit is quite low. For example, for a single taxpayer, Adjusted Gross Income must be less than $17,500 and non-taxable Social Security and disability benefits must be less than $5,000. For a married couple where both are eligible for the credit, the corresponding limits are $25,000 of combined Adjusted Gross Income and $7,500 of combined non-taxable income. ProSeries will complete **Schedule R** and calculate whether the client is eligible for this credit.

Make sure to fill in the client's **Federal Information Worksheet Part I and X,** and enter all of the taxpayer (and spouse)'s social security benefits, regardless of taxability, to ensure the correct calculation of the credit.

The Credit for the Elderly or Disabled will then be reported on Form 1040, Schedule 3, Line 6.

Foreign Tax Credit

Taxpayers who receive Form 1099-INT or Form 1099-DIV may have amounts reported in Box 6 of the Form 1099-INT or Box 7 of the Form 1099-DIV, 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 9, or
- A nonrefundable credit against U.S. income tax on Form 1040, Schedule 3, Line 1

Ladder Up clients will generally derive greater benefit by opting to take the nonrefundable credit on Form 1040, Schedule 3, Line 1.

A taxpayer can elect to report foreign tax on Form 1040, Schedule 3, Line 1, <u>without filing Form 1116</u> 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).
- The client is not filing Form 4563 or excluding income from sources within Puerto Rico.
- The total of the client's 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

<u>If the taxpayer meets all of the above requirements</u>, enter directly on Form 1040, Schedule 3, Line 1, the smaller of:

(a) the total foreign taxes paid, or
(b) the amount on Form 1040, line 12a plus Form 1040, Schedule 2, Line 2

Be sure to enter all other income, expenses, adjustments, and credits before doing the above calculation.

If the taxpayer is required to complete Form 1116, the return is <u>Out-of-Scope</u>. Such taxpayers should be referred to a professional preparer.

Schedule 3: Additional Credits and Payments

Part I	Nonrefundable Credits		
1	Foreign tax credit. Attach Form 1116 if required	1	
2	Credit for child and dependent care expenses. Attach Form 2441	2	
3	Education credits from Form 8863, line 19	3	

If the taxpayer also has postsecondary education expenses, re-launch the optimizer <u>after</u> entering the foreign tax credit into ProSeries on Form 1040, Schedule 3, Line 1.

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 $4,200 or filed a joint return or that the taxpayer or spouse, if married jointly, could be claimed as a dependent on someone else's 2019 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 the qualifying child turned 13 during the tax year, the client's qualifying expenses include the amounts incurred for the child while under 13 when the care was provided.

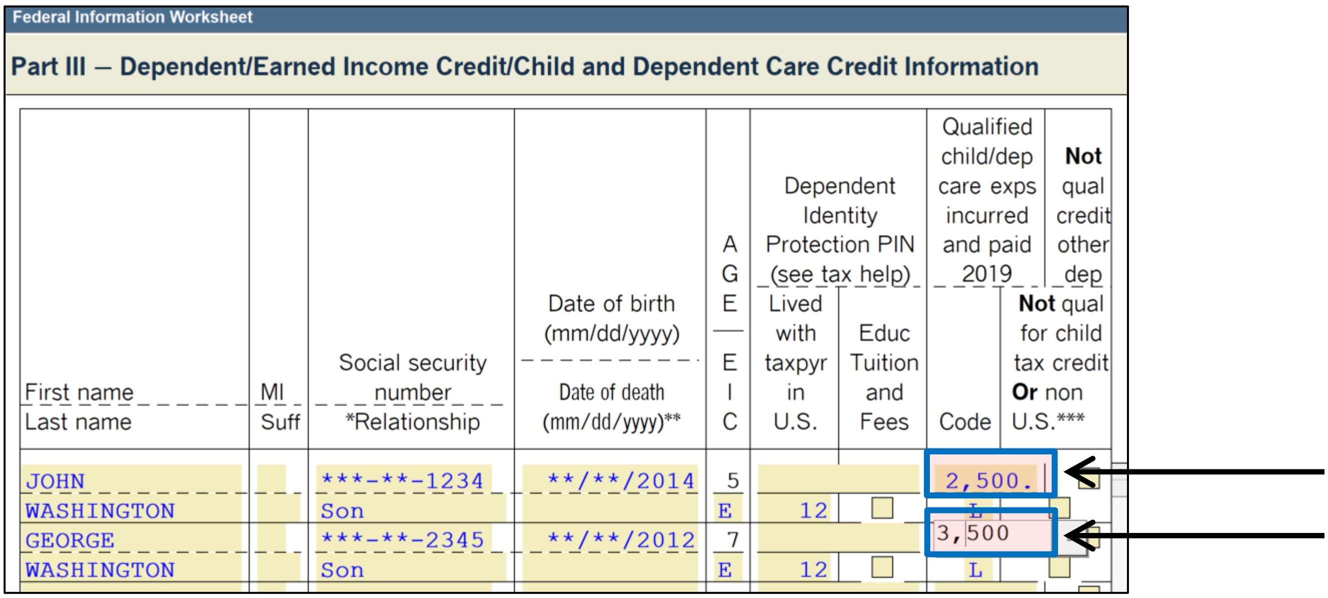
Entering Child and Dependent Care Expenses in ProSeries

Note: You will need to enter the expense dollar amounts in TWO PLACES IN PROSERIES:

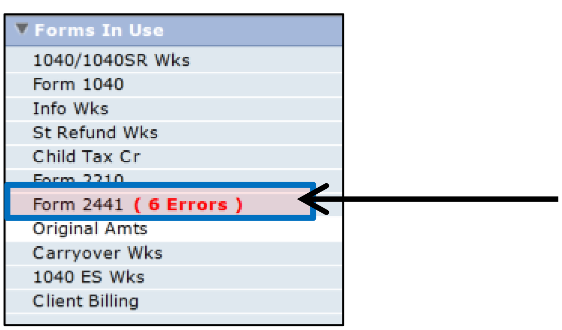
- First enter the total amounts of expenses for each child or dependent in the Federal Information Worsheet: Part III, AND
- Next, enter the expenses into Form 2441: Child & Dependent Care Expense Worksheet

Child and Dependent Care Expenses Worksheet

1. First you must return to the Federal Information Worksheet page, and enter the total amounts of expenses for each child or dependent in the ***Federal Information Worksheet: Part III***.



2. Adding the total amounts of expenses for each child or dependent into the FIW: Part III results in will generate **Form 2441** in the list of **Forms in Use** on the left side of the screen.
3. Click on **Form 2441** to open up into ***Form 2441: Child and Dependent Care Expense***

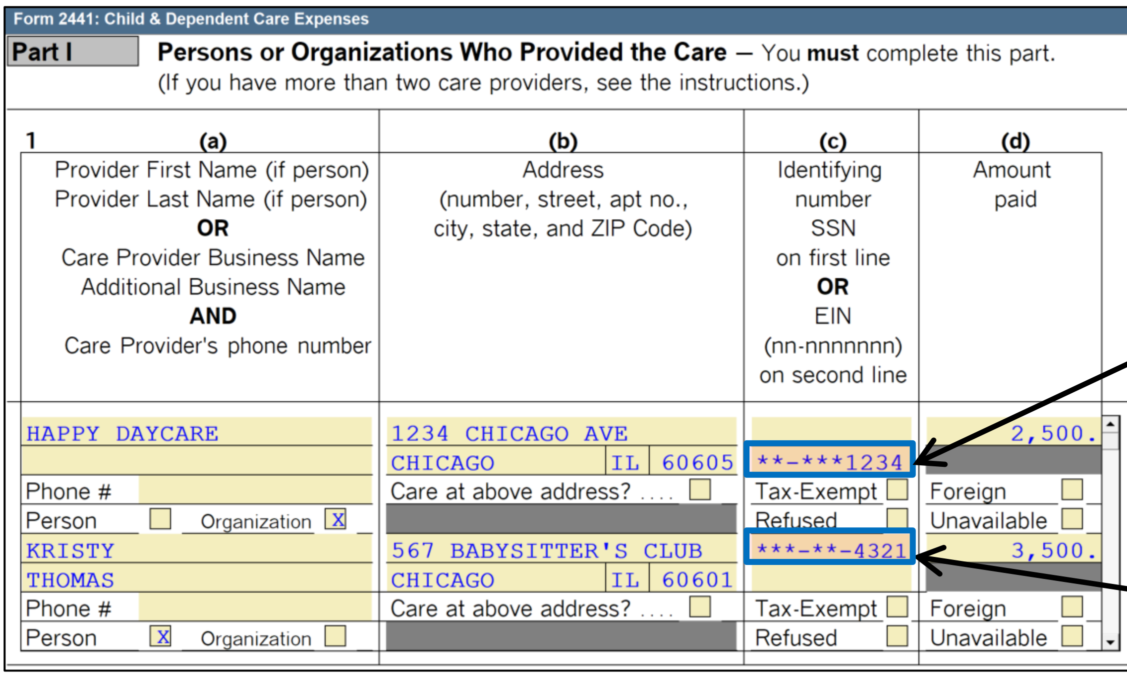


4. Depending on the type of childcare, fill in either:
    - **Individual Care Provider**
      The person's first and last name, address, SSN, and total amount paid

   OR

    - **Care Provider Business**
      The care provider business' name, address, EIN, and total amount paid

5. 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.
(If you have more than two care providers, see the instructions.)

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
HAPPY DAYCARE	1234 CHICAGO AVE		2,500.
	CHICAGO IL 60605	**-***1234	
Phone #	Care at above address? .... ☐	Tax-Exempt ☐	Foreign ☐
Person ☐ Organization ☒		Refused ☐	Unavailable ☐
KRISTY	567 BABYSITTER'S CLUB	***-**-4321	3,500.
THOMAS	CHICAGO IL 60601		
Phone #	Care at above address? .... ☐	Tax-Exempt ☐	Foreign ☐
Person ☒ Organization ☐		Refused ☐	Unavailable ☐

For a care provider business/org, enter the EIN on the second line.

For an individual care provider, enter the person's SSN on the first 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.

Exceptions that do not typically apply to Ladder Up 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.

Child Tax Credit (CTC)

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 for each qualifying child. The refundable Additional Child Tax Credit works in concert with this credit, and can be found on Line 18b of the Form 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, U. S. national, or resident of the United States
- Social Security: Must have a valid Social Security number
- 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

ProSeries will calculate whether the client is eligible for this credit automatically, once you finish entering dependents into the Federal Information Worksheet. The Child Tax Credit is reported on Form 1040, Line 18b.

Additional Child Tax Credit (ACTC)

While the Child Tax Credit is generally a nonrefundable credit, certain taxpayers may also be entitled to a refundable Additional Child Tax Credit.

The Additional Child Tax Credit is available to taxpayers with more than $2,500 of taxable earned income, if they have at least one qualifying child.

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 the ACTC is a refundable credit, it may give the taxpayer a refund even if the client 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. The ACTC is limited to up to $1,400 per qualifying child. ProSeries will calculate whether the client is eligible for this credit automatically, once you finish entering dependents into the Federal Information Worksheet and all of the client's income. The Additional Child Tax Credit is reported on Form 1040, Line 18b

Credit for Other Dependents (ODC)

The Credit for Other Dependents is a $500 non-refundable credit (introduced in tax year 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.

ProSeries will calculate whether the client is eligible for this credit automatically, once you finish entering dependents into the Federal Information Worksheet. The Credit for Other Dependents is reported on Form 1040, line 13a.

Postsecondary Education Expenses and Credits

POSTSECONDARY EDUCATION BENEFIT TABLE

		American Opportunity Credit	Lifetime Learning Credit	Student Loan Interest
Description of tax benefit	Maximum credit or benefit	Up to $2,500 credit per eligible student	Up to $2,000 credit per eligible student	Up to $2,500 adjustment to income per tax return
	Refundable or nonrefundable	Up to 40% can be refundable[1]	Not refundable.	Does not apply. Student Loan Interest Deduction
	Number of tax years credit is available	**Available ONLY for 4 tax years per eligible student** (including any year(s) Hope credit was claimed.	Available for an unlimited number of tax years	Available for an unlimited number of tax years
	Number of years of postsecondary education	Available ONLY if the student had not completed the first 4 years of postsecondary education before 2019	Available for all years of postsecondary education and for courses to acquire or improve job skills	Was enrolled at least half time in a program leading to a degree, certificate or other recognized credential
	Qualified Expenses	Tuition, required enrollment fees,books, and course materials needed for course of study	Tuition and fees required for enrollment or attendance	The loan must have been used to pay tuition, fees, books, course materials, room & board, transportation
Other	Required to attend at least half time?	Yes, for at least one semester or quarter	No	Yes
	Felony drug conviction?	No felony drug conviction	Does not apply	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		The taxpayer must be legally liable for the loan, which must have been taken out by the taxpayer
	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		A person claimed as someone else's dependent cannot claim the deduction for that tax year
		If you are filing Married Filing Separately, you cannot claim this tax benefit		

[1] Special rules apply for students who could have been claimed as a dependent but were not.

The two federal postsecondary education tax credits for the 2019 tax year are the **American Opportunity Credit** and the **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.

If a taxpayer paid qualified education expenses for more than one student in the same year, the taxpayer can choose to take certain credits on a per-student, per-year basis. This means that, for example, the taxpayer can claim the American Opportunity Credit for one student and the Lifetime Learning Credit for another student in the same year.

Who Can Claim these Education Credits?

- 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 these Education Credits?

- Married Filing Separately filing status
- Taxpayers listed as a dependent on another person's return
- Taxpayers whose modified AGI is higher than the allowable limits (however these taxpayers are already Out-of-Scope due to their total income, so this does not typically apply to Ladder Up clients)
- 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

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.

Qualifying and Non-Qualifying Expenses

Expenses that qualify:

- Paid for an academic period starting in 2019 or the first 3 months of 2020
- Have not been refunded (up to the date of the tax return) because the student withdrew from class or for other reasons
- Paid in cash, through scholarships or grants, or with the proceeds from a loan
- Paid for the student's tuition and required fees

In addition:

- 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

Non-Qualifying Expenses

- 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
- Clerical help
- 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
- Research

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

Credit	Eligibility Requirements	Amount of Credit	Eligible Expenses
American Opportunity Credit	Full-time undergraduates in their first four years of post-secondary education	This credit provides up to a $2,500 credit: - $1,000 refundable credit - $1,500 nonrefundable credit	Tuition, fees, books, course materials
Lifetime Learning Credit	Any other student pursuing a degree or certification, or a part-time student	This credit provides up to a $2,000 nonrefundable credit, so a taxpayer can only receive it up to the amount of their tax obligation (not including self-employment taxes)	Tuition & fees only

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.

Adjustments to Qualified Education Expenses: Tax-Free Educational Assistance

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)

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

	AND you are...		THEN your payment is...	
IF you use the payment for...	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

[1]To 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.

[2]Payments 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.

[3]If required of all students in the course.

Tax-Free Scholarships and Fellowships

A scholarship or fellowship is tax free only if:

- The taxpayer is a candidate for a degree[1] 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)*

[1]You 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 and certain other scholarships as taxable income on their return when the grant/scholarship is not required to be applied to education expenses only. Doing so may increase the amount of qualified expenses used to calculate education credits, possibly by enough so that the added education credits more than offset the extra state and federal taxes resulting from the change. This topic is complex and additional information is available on the Ladder Up Volunteer resource site and on your tax site computers.**

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 must include the taxable scholarship/grant income on his return.

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 **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, the taxpayer may not have to pay tax on this benefit. This is called a “tuition reduction.” The taxpayer 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 they received it. In other words, if the taxpayer works for an eligible educational institution and the institution arranges for the taxpayer to take courses at another eligible educational institution without paying any tuition the taxpayer 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 their income any tuition reduction received that is payment for their services

Form 1098-T

If the student received Form 1098-T from their educational institution showing the amounts that the student paid or was billed for tuition and related expenses, the amounts of scholarship and grants received, and whether the student was at least a half-time student or graduate student.

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:

- amounts that the student paid or was billed for tuition and related expenses (Box 1)
- the amounts of scholarship and grants received (Box 5)
- whether the student was at least a half-time student (Box 8) or graduate student (Box 9)

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, the client should ask the college if it is available online or if it can be sent to them. If it is available online, this can be looked up using one of the Tablets or Internet Laptops at the tax site, and typically should be completed by the Intake Screener or Case Reviewer before the client reaches the tax preparation area.

Verify with the taxpayer that the amount shown in Box 1 of 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 they paid during the tax year.

Taxable Scholarships and Grants

If the student's scholarship or grants (**Box 5 of 1098-T**) exceed the payments made to the school for tuition and related expenses (Box 1 of 1098-T), then the excess amount is included as income to the student, even if the student is a dependent on someone else's return. This amount must be reported on the student's return on Form 1040, Line 1.

Repayment/Recapture of Prior Year Education Credits

Sometimes the Form 1098-T contains 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. If making the adjustment to the prior year education expenses would have reduced the amount of education credits in that year and/or would have increased the amount of taxable scholarship income, then one of the following adjustments must be made on the current year tax return:

1. If the current year expense paid in **Box 1** of the 1098-T is greater than the adjustment in **Box 4**, then reduce the **Box 1** amount by the **Box 4** amount in calculating education expense for the current year.
2. Otherwise, a special tax adjustment is required on the current year tax return. That adjustment is out of scope for VITA programs so the client would need to be referred to a paid preparer.

Example. The client paid $7,000 tuition and fees and had $3,000 of scholarship income on their 2018 1098-T. The client filed a 2018 tax return on February 17, 2019, and claimed an American Opportunity Credit of $2,500. In 2019 the client received a tuition refund $4,000. The 2019 1098-T shows **Box 1** tuition and fees of $7,500, **Box 5** scholarships of $3,500. And a **Box 4** adjustment of $4,000. Since the **Box 1** tuition and fees exceeds the amount of the **Box 4** adjustment, the 2019 tuition and fees can be reduced by the $4,000 adjustment which will leave the client with no education credit for 2019.

If the amount in **Box 1** of the 2019 1098-T form is less than the $4,000 adjustment, then the client would be out of scope and should be referred to a paid preparer.

Per IRS guidance it is never appropriate to amend the prior year tax return to reflect the adjustment.

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.

"Kiddie Tax"

For children under age 18 and certain older children, unearned income over a certain amount is taxed using a different method. 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 $2,200, 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 $2,200 Form 8615 will automatically generate. Form 8615 is in scope for 2018 and 2019 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 $2,200.
2. The child is required to file a return for the year. Note that in determining whether the child is required to fila a return, taxable scholarship income is counted as earned income. Therefore, 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.
5. The child does not file a joint return for the tax year.

Form 8615

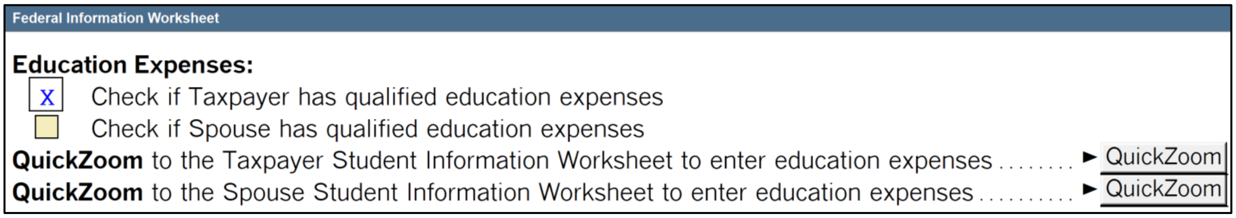
The first question asked will be: "Was the child either 18 years old or a full-time student age 19 to 23 with investment income more than $2,200 and their earned income did not exceed one-half of their support?"

- If you mark this as NO then there are no further questions prompted, and the Form 8615 will not be completed. You should always mark the answer as NO when the student has no filing requirement, since no Form 8615 is required in that case.
- Where the student has a filing requirement (typically because total income exceeds $12,200) then it is important to answer this question as though it asked about ***unearned income*** rather than investment income. For this purpose taxable scholarship income is considered unearned, so if taxable scholarship income (unearned income) is more than $2,200 and the student meets the age and support tests in the question, then answer YES.
- If you answered YES, at that point ProSeries will generate Form 8615. The form requires the name and Social Security number of the parent. Where the student does not have the Social Security Taxpayer/Spouse Education Expenses and Credits in ProSeries.

Taxpayer/Spouse Education Expenses and Credits in ProSeries

If the Student is the Taxpayer or Spouse:

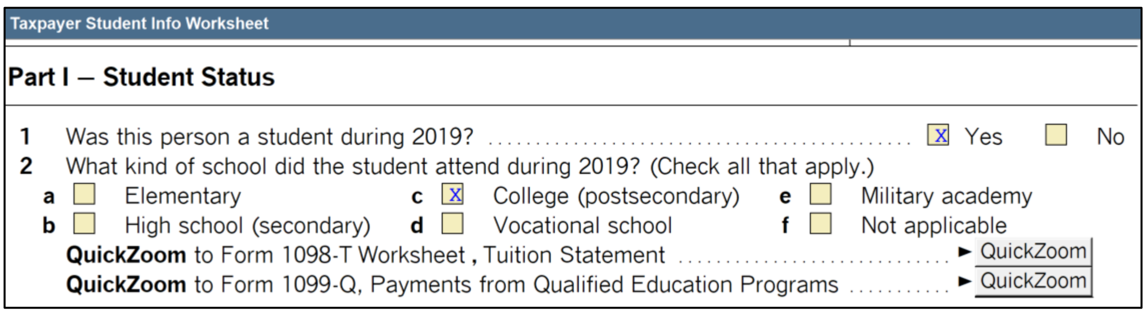
1. First you must return to the Federal Information Worksheet page, and make sure the appropriate box is checked in the ***Federal Information Worksheet: Part X***.
2. QuickZoom to the ***Taxpayer (or Spouse) Student Information Worksheet.***


Federal Information Worksheet

Education Expenses:

[X] 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

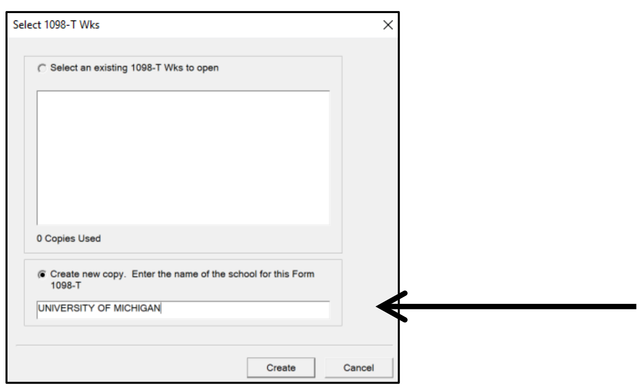
3. Complete ***Part I – Student Status*** of the Student Info Worksheet.
   Line 1 – Was this person a student during 2019? – *"Yes"*
   Line 2 – What kind of school did the student attend during 2019? – *"College (Postsecondary)"*


Taxpayer Student Info Worksheet

Part I — Student Status

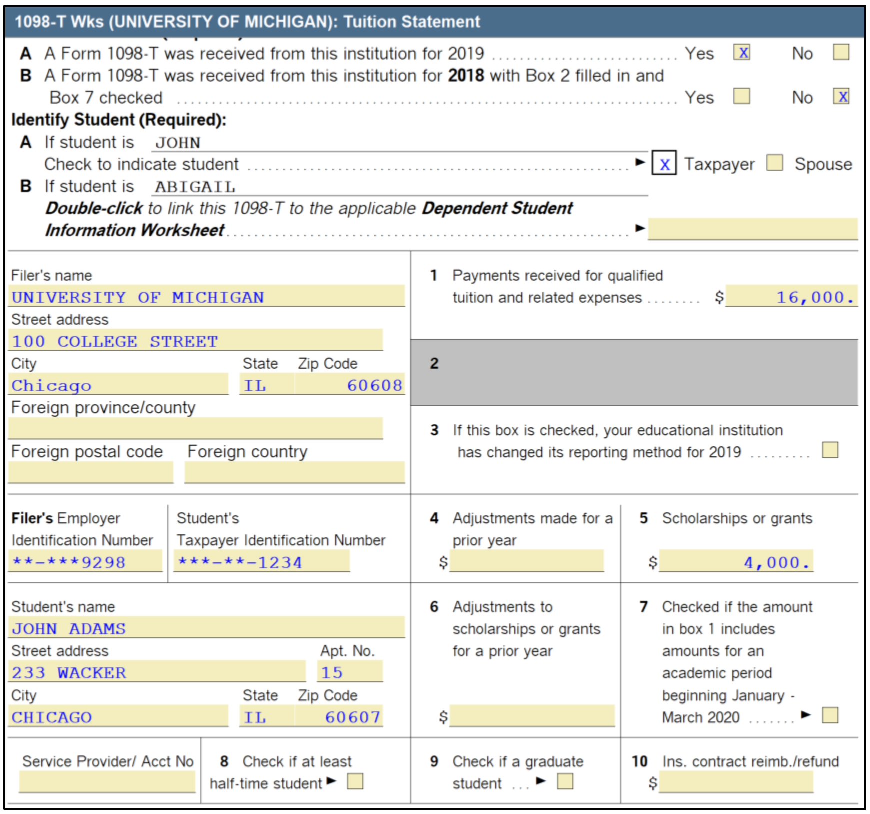
1 Was this person a student during 2019? .... [X] Yes [ ] No
2 What kind of school did the student attend during 2019? (Check all that apply.)
a [ ] Elementary **c** [X] College (postsecondary) **e** [ ] Military academy
b [ ] High school (secondary) **d** [ ] Vocational school **f** [ ] Not applicable
QuickZoom to Form 1098-T Worksheet , Tuition Statement .... ► QuickZoom
QuickZoom to Form 1099-Q, Payments from Qualified Education Programs .... ► QuickZoom

4. QuickZoom to ***Form 1098-T Worksheet: Tuition Statement.*** Enter the name of the school for the new form:



5. Enter all of the student's information from Form 1098-T into the Tuition Statement Worksheet
   - **Box 1** – Amounts paid directly to the school. (Only the amounts actually paid are taken into account when calculating education credits.)
   - **Box 3** – Check this box if it is marked on the form

- **Box 4** – BE CAREFUL! If there was an education credit attributable to the student in the prior year, and reducing the prior year education expense by the amount in Box 4 would have changed either the amount of the credit or taxable income in the prior year the required repayment or recapture puts the return <u>Out-of-Scope</u> in the current year.
- **Box 5** – The amounts of scholarship and grants received (if this total amount exceeds the amount in Box 1, the excess must be reported as income)
- **Box 6 –** BE CAREFUL! Changes in scholarship need to be considered the same way and at the same time as changes in payments received (Box 4) so read the notes for Box 4 above and treat the same way.
- **Box 7** – Check this box if it is marked on the form
- **Box 8** – Check this box if it is marked on the form (will populate the Student Worksheet and help to calculate if the student is eligible for the AOTC)
- **Box 9** – Check this box if it is marked on the form (will populate the Student Worksheet and eliminate any further consideration of the AOTC). The student is still eligible for the Lifetime Learning Credit if they meet the other requirements.


1098-T Wks (UNIVERSITY OF MICHIGAN): Tuition Statement

A A Form 1098-T was received from this institution for 2019 .... Yes [X] No [ ]
B A Form 1098-T was received from this institution for **2018** with Box 2 filled in and Box 7 checked .... Yes [ ] No [X]

Identify Student (Required):
A If student is JOHN
Check to indicate student .... [X] Taxpayer [ ] Spouse
B If student is ABIGAIL
Double-click** to link this 1098-T to the applicable **Dependent Student Information Worksheet

Filer's name: UNIVERSITY OF MICHIGAN
Street address: 100 COLLEGE STREET
City: Chicago State: IL Zip Code: 60608
Foreign province/county
Foreign postal code Foreign country

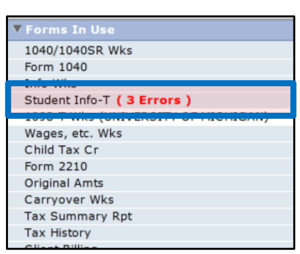
1 Payments received for qualified tuition and related expenses .... $ 16,000.
2
3 If this box is checked, your educational institution has changed its reporting method for 2019 .... [ ]

Filer's Employer Identification Number: **-***9298
Student's Taxpayer Identification Number: ***-**-1234
4 Adjustments made for a prior year $
5 Scholarships or grants $ 4,000.

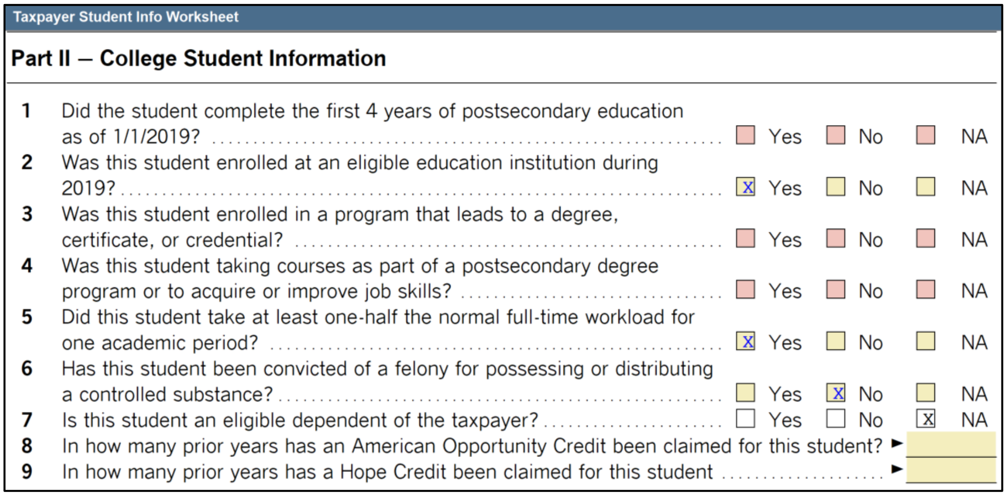
Student's name: JOHN ADAMS
Street address: 233 WACKER Apt. No.: 15
City: CHICAGO State: IL Zip Code: 60607
6 Adjustments to scholarships or grants for a prior year $
7 Checked if the amount in box 1 includes amounts for an academic period beginning January - March 2020 .... [ ]

Service Provider/ Acct No
8 Check if at least half-time student [ ]
9 Check if a graduate student ... [ ]
10 Ins. contract reimb./refund $

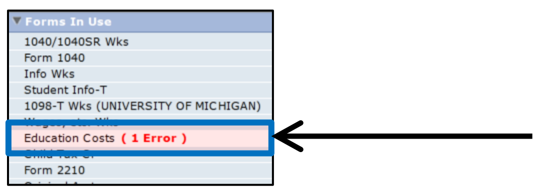
6. After you finish entering the information into the 1098-T Worksheet, double check that this tuition statement is linked to the correct student (in this case, the taxpayer or spouse) and navigate back to the ***Student Info-T*** (taxpayer), or Student Info-S, using the **Forms Bar**.



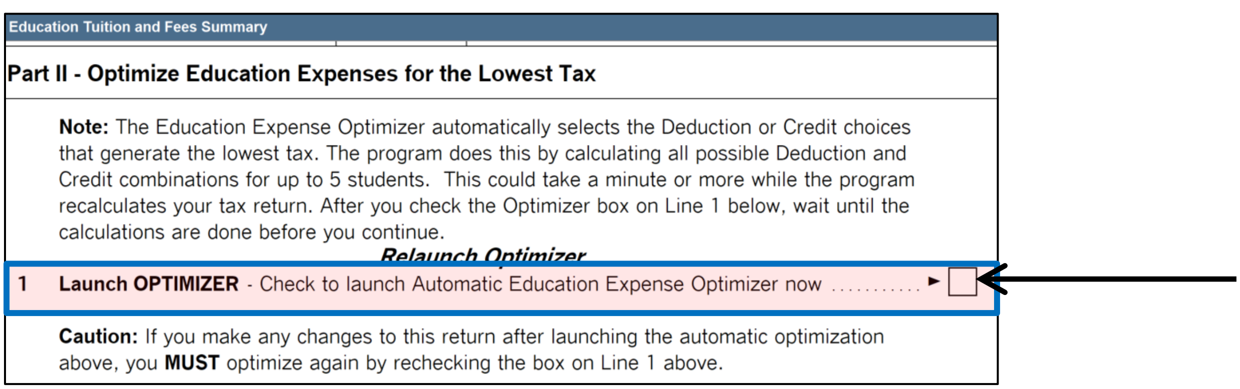
7. Scroll down to the ***Student Info Worksheet Part II – College Student Information*** and make sure to answer all the questions for Lines 1-9.



8. When you have finished entering all information related to the student's education tuition and expenses, click on **Education Costs** in the **Forms Bar** which will be showing 1 Error.



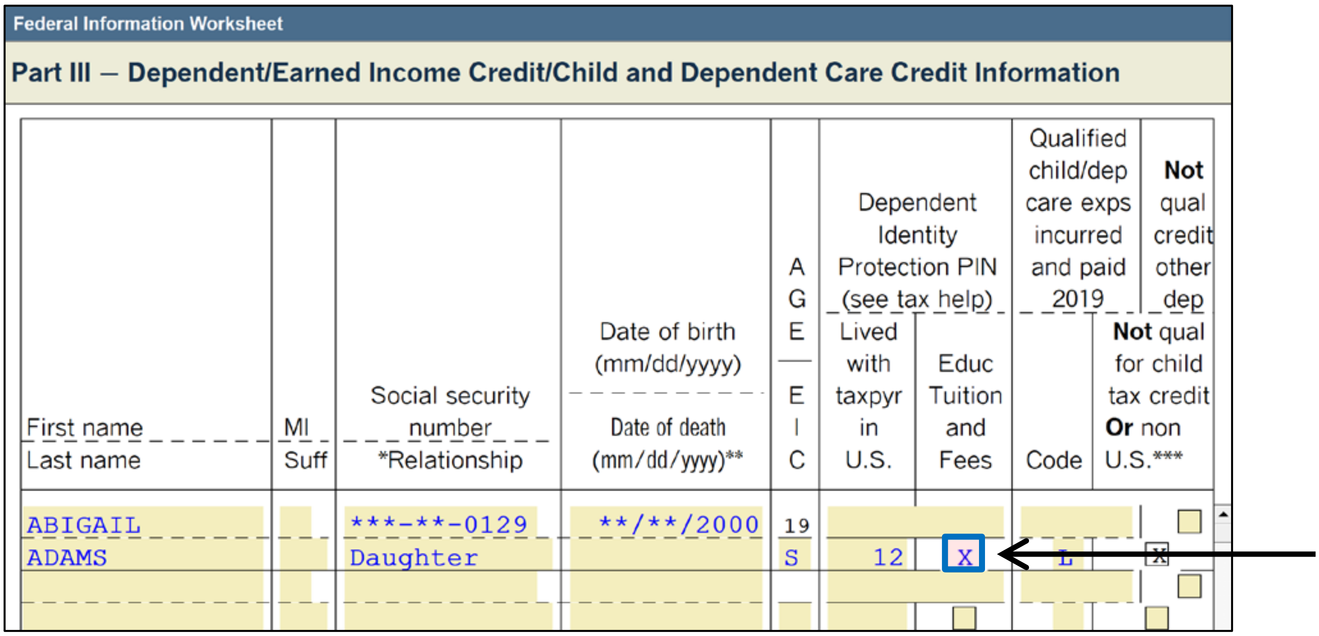
9. Click on the ***"Launch Optimizer"*** button in the ***Education Tuition and Fees Summary: Part II***. The Optimizer will select the option (deduction or credit) that is most advantageous for the taxpayer.



Dependent Education Expenses and Credits in ProSeries

If the student is a Dependent on the taxpayer's return:

1. First you must return to the Federal Information Worksheet page, and check the box under *Educ and Tuition Fees* for any dependent student in the ***Federal Information Worksheet: Part III***.

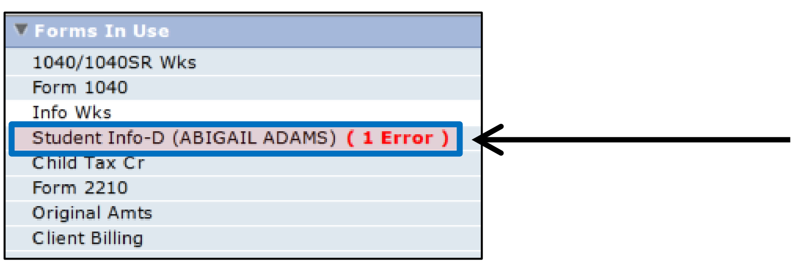


Federal Information Worksheet

Part III — Dependent/Earned Income Credit/Child and Dependent Care Credit Information

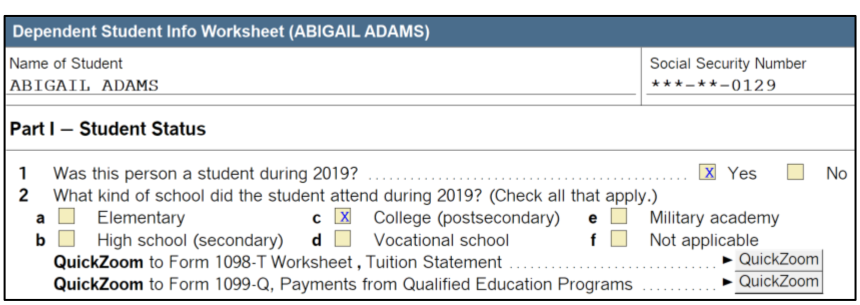
First name / Last name	MI / Suff	Social security number / *Relationship	Date of birth (mm/dd/yyyy) / Date of death (mm/dd/yyyy)**	AGE / EIC	Dependent Identity Protection PIN (see tax help) / Lived with taxpyr in U.S.	Educ Tuition and Fees	Qualified child/dep care exps incurred and paid 2019 / Code	Not qual credit other dep / Not qual for child tax credit Or non U.S.***
ABIGAIL / ADAMS		***-**-0129 / Daughter	**/**/2000	19 / S	12	X	L	X

2. Clicking on this box will generate a **Student Info-D** (dependent) Worksheet for each dependent student on the **Forms in Use** on the left side of the screen.



Forms In Use
1040/1040SR Wks
Form 1040
Info Wks
Student Info-D (ABIGAIL ADAMS) (1 Error)
Child Tax Cr
Form 2210
Original Amts
Client Billing

3. Click on **Student Info-D** to open up into the Student information Worksheet and complete ***Part I – Student Status*** of the Student Info Worksheet.
Line 1 – Was this person a student during 2019? – "Yes"
Line 2 – What kind of school did the student attend during 2019? – "College (Postsecondary)



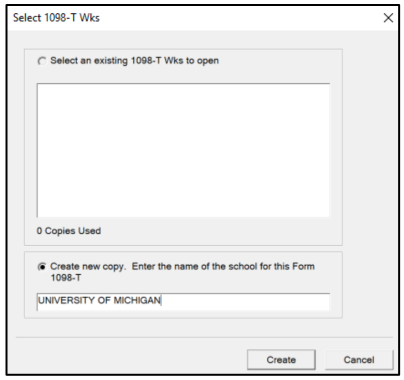
Dependent Student Info Worksheet (ABIGAIL ADAMS)

Name of Student: ABIGAIL ADAMS — Social Security Number: ***-**-0129

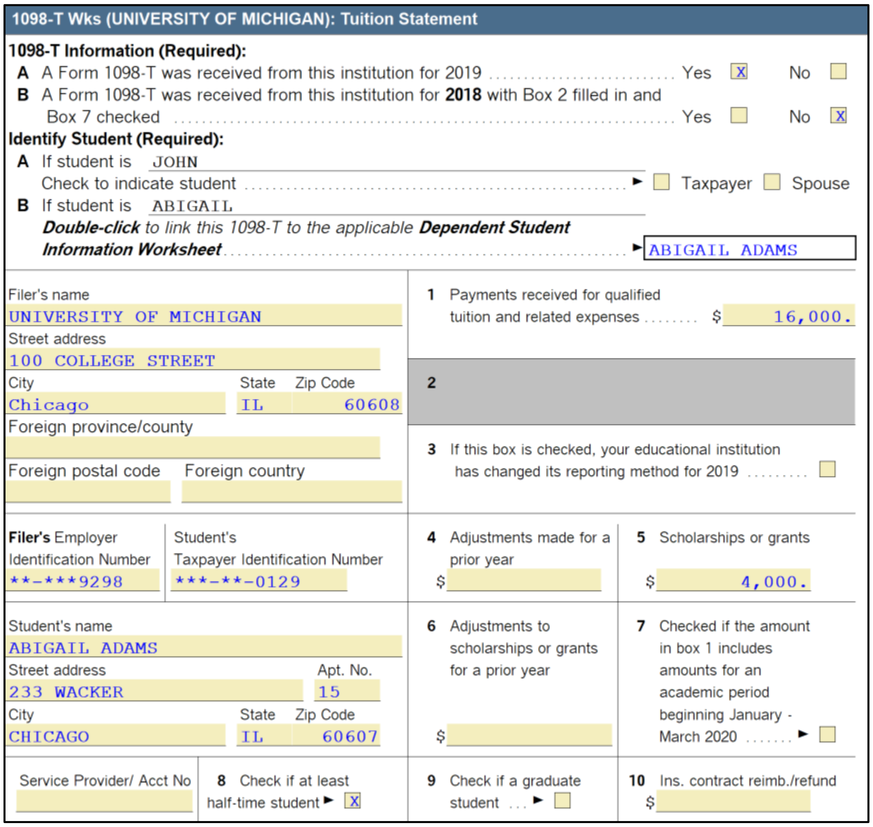
Part I — Student Status

1 Was this person a student during 2019? ..... [X] Yes [ ] No
2 What kind of school did the student attend during 2019? (Check all that apply.)
a [ ] Elementary c [X] 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

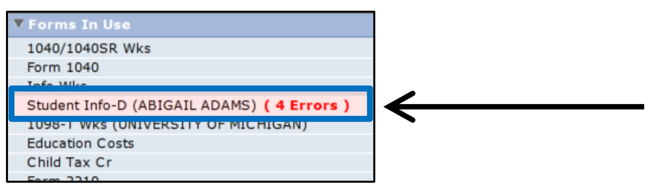
4. QuickZoom to ***Form 1098-T Worksheet: Tuition Statement.***



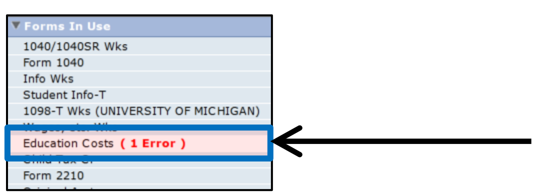
5. Enter all of the dependent's information from Form 1098-T into the Tuition Statement Worksheet
   - **Box 1** – Amounts paid directly to the school. (Only the amounts actually paid are taken into account when calculating education credits.)
   - **Box 3** – Check this box if it is marked on the form
   - **Box 4** – BE CAREFUL! If there was an education credit attributable to the student in the prior year, and reducing the prior year education expense by the amount in Box 4 would have changed either the amount of the credit or taxable income in the prior year (need to consider both the parent and the student returns), the required repayment or recapture puts the return Out-of-Scope in the current year.
   - **Box 5** – The amounts of scholarship and grants received (if this total amount exceeds the amount in Box 1, the excess must be reported as income)
   - **Box 6 –** BE CAREFUL! Changes in scholarship need to be considered the same way and at the same time as changes in payments received (Box 4) so read the notes for Box 4 above and treat the same way.
   - **Box 7** – Check this box if it is marked on the form
   - **Box 8** – Check this box if it is marked on the form (will populate the Student Worksheet and help to calculate if the student is eligible for the AOTC)
   - **Box 9** – Check this box if it is marked on the form (will populate the Student Worksheet and eliminate any further consideration of the AOTC). The student is still eligible for the Lifetime Learning Credit if they meet the other requirements.



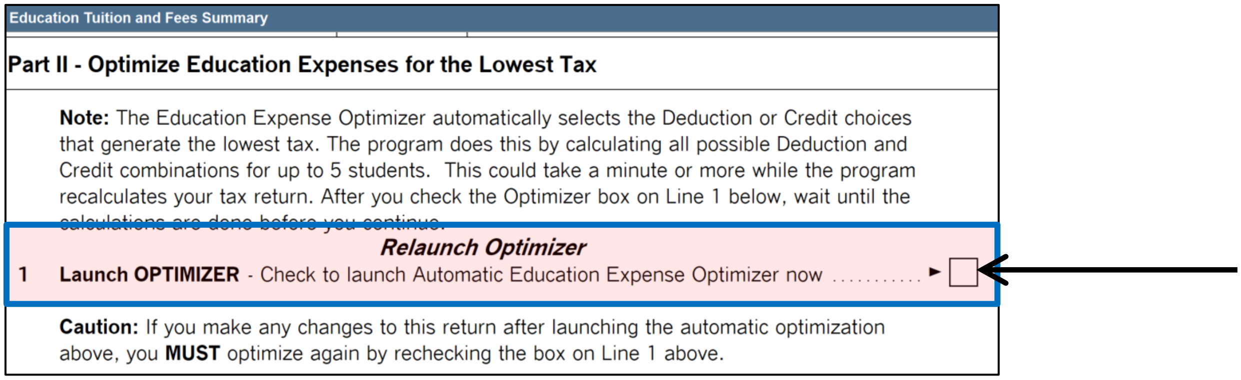
6. After you finish entering the information into the 1098-T Worksheet, double check that this tuition statement is linked to the correct student (in this case, the dependent) and navigate back to the ***Student Info-D*** (dependent), using the **Forms Bar**.



7. When you have finished entering all information related to the student's education tuition and expenses, click on **Education Costs** in the **Forms Bar** which will be showing 1 Error.



8. Click on the ***"Launch Optimizer"*** button in the ***Education Tuition and Fees Summary: Part II***. 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

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.

Relaunch Optimizer

1 **Launch OPTIMIZER** - Check to launch Automatic Education Expense Optimizer now . . . . ►

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.

1095-A and Premium Tax Credit

If the client received health insurance through the Marketplace, they need to bring Form 1095-A with them. This form must be included on their return.

If the client did not receive this, they should be advised to:

- Call 1-800-318-2596 (TTY: 1-855-889-4325)
- Login to their account at www.healthcare.gov

Open Form 1095-A, and complete all of the information as it appears on the client's Form 1095-A, Part I, Part II, and Part III:

Form 1095-A - Insurance Exchange (123456789098765)

Form **1095-A** **Health Insurance Marketplace Statement** **2019**
► 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: (See tax help if recipient is a dependent)
[X] Taxpayer [ ] Spouse [ ] Spouse is covered by plan

Part I Recipient Information

1 Marketplace identifier	2 Marketplace-assigned pol. no. 123456789098765	3 Policy issuer's name BLUE CROSS BLUE SHIELD IL
4 Recipient's name MICHELLE OBAMA	5 Recipient's SSN ***-**-1234	6 Recipient's DOB **/**/75
7 Recipient's spouse's name	8 Spouse's SSN	9 Spouse's DOB
10 Policy start date 01/01/19	11 Policy termination date 12/31/19	12 Street address (including apartment no.)
13 City or town	14 State or province	15 Country and ZIP or foreign postal code

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 First Last	B. Covered individual SSN	C. Covered individual date of birth	D. Coverage start date	E. Coverage termination date
16	MALIA OBAMA	***-**-3456	**/**/00	01/01/19	01/31/19
17	SASHA OBAMA				
18					

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	[ ]	473.00	323.00	175.00
22	FEBRUARY	[ ]	473.00	323.00	175.00
23	MARCH	[ ]	473.00	323.00	175.00
24	APRIL	[ ]	473.00	323.00	175.00
25	MAY	[ ]	473.00	323.00	175.00
26	JUNE	[ ]	473.00	323.00	175.00
27	JULY	[ ]	473.00	323.00	175.00
28	AUGUST	[ ]	473.00	323.00	175.00
29	SEPTEMBER	[ ]	473.00	323.00	175.00
30	OCTOBER	[ ]	473.00	323.00	175.00
31	NOVEMBER	[ ]	473.00	323.00	175.00
32	DECEMBER	[ ]	473.00	323.00	175.00
33	Annual Totals		5,676.	3,876.	2,100.

In Part III you must complete all of the months that the client had coverage through the Marketplace.

Where a series of months has the same data, you can fill out the first month, and then check the Copy Feature box in each of the following months in order and the information from the line above will be copied automatically.

Be Careful! Check that each of the covered individuals listed on the 1095-A form appears on the tax return as the taxpayer, the spouse, or a dependent. If not, then the return is out of scope for VITA due to the requirement to perform an allocation of the tax benefits.

Advanced Premium Tax Credit

The Premium Tax Credit (PTC) is claimed by taxpayers on the tax return. **If a client received Advanced Premium Tax Credits (ATPC) during the year, the taxpayer 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, 2018– Jan 31, 2020)
- Have income between 100 and 400 percent of the poverty line
- 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: Health Insurance Premium Tax Credit

If a client received Advanced Premium Tax Credits, <u>they must file a tax return.</u>

Form 8962 reconciles the correct amount of Premium Tax Credit (PTC) from the year with the Advanced Premium Tax Credit (APTC). If APTC payments were less than the PTC calculated on Form 8962, the difference will appear in the payments section of the Form 1040, Schedule 3, Line 9.

If APTC payments were greater than the PTC calculated on Form 8962, the client must repay all or part of the excess advanced premium tax credit, and the repayment amount will appear in Form 1040, Schedule 2, Line 2.

Reasons that the client may have to pay back part of their 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

In ProSeries, fill in ***Form 8962: Part I***, including information regarding the taxpayer's dependent's modified AGI.

Part II and Part III will automatically calculate.

- **PTC Claim and Reconciliation of Advance Payment:**
  If Line 24 (PTC) is greater than Line 25 (APTC), then the Net Premium Tax Credit will appear on Form 1040, Schedule 3, Line 9
- **Repayment of Excess Advance Payment of the Premium Tax Credit:**
  If Line 24 (PTC) is smaller than Line 25 (APTC), then the client will be responsible for repayment, which will appear on Form 1040, Schedule 2, Line 2.

Form 8962, Part IV and V are Out-of-Scope.
If all the individuals listed on the 1095-A are not also listed on the tax return, this indicates a Shared Policy Allocation must be completed, which is Out-of-Scope.

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.
- 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 2019 repayment, the taxpayer should contact the Marketplace immediately and adjust their 2020 APTC to avoid similar repayments for the 2020 tax year!

Other Helpful ACA Resources for previous tax years:

IRS ACA Page: https://www.irs.gov/Affordable-Care-Act
Beyond the Basics: http://www.healthreformbeyondthebasics.org/
ACA Exemptions Related to Income Tool Calculator: http://www.healthreformbeyondthebasics.org/aca-exemptions-income-tool/

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

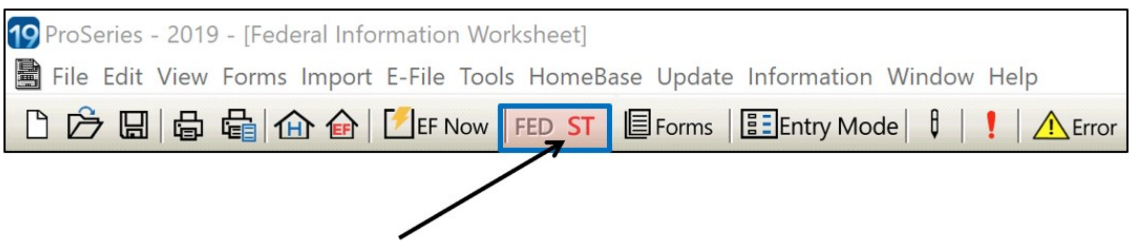
IL State Return

Ladder Up will only prepare state returns for clients who were full-year Illinois residents.
A few site locations have the capability to prepare non-resident returns for clients who had income from Indiana and/or Wisconsin.

Note: **If a client had income from states other than Illinois, Indiana, or Wisconsin, or if they were a part-year resident of Illinois or any other state, then Ladder Up will only prepare the client's Federal Return.**

The client should be advised of this situation as early as possible, so that they can make the decision to stay and have only their federal return completed, or they can choose to go to another tax preparer for both their federal and state return. Clients in this situation can also be given a flyer with information and links Ladder Up's free online filing programs via *Turbo Tax* or the United Way's *My Free Taxes:* **goladderup.org/FreeFile**

In ProSeries, to start an Illinois State return, click on the 'ST' (state) button in the navigation bar at the top of the screen:



A few things to note for the Illinois State Return:

1. Filing Status does not affect the Illinois return
2. Illinois still has personal exemptions for each taxpayer and dependent listed on the Federal Return. The amount is **$2,275** per person.
3. Illinois does NOT tax retirement income of any kind (Social Security, 1099-R, etc.)
4. After deducting exemptions, there is a flat tax rate of 4.95% for Tax Year 2019.
5. Because the Illinois exemption amount is smaller than the federal standard deduction and Ladder Up clients may have fewer refundable credits on their Illinois return, they may wind up owing on the State even if they receive a significant Federal Refund.
6. Illinois residents must provide their county of residence on the state tax return.

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. There are a few things you will need to check over to ensure that the state return is completed accurately.

Note: The **sum** of any credits from Schedule ICR will appear on IL-1040, Line 17 (including property tax credit and K-12 education expense credits).

IL Property Tax Credit

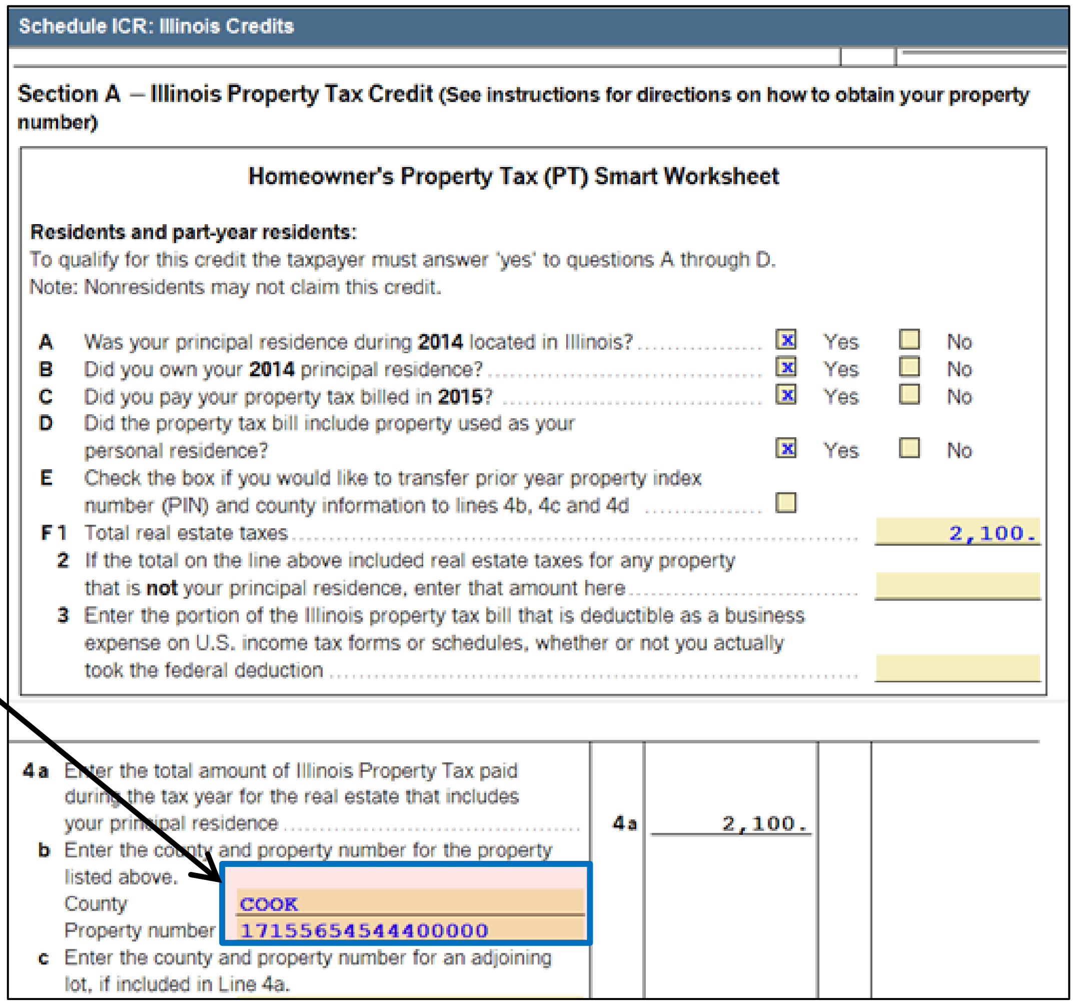
If the client has property tax entered on a Form 1098 (Mortgage Interest Statement) in Box 10, enter this into a 1098 Worksheet, or enter this directly into Schedule A, *even if the client is not itemizing their Federal Return!*

This will then automatically populate into the Schedule ICR on the Illinois State Return. **On the IL State Return, you will then need <u>to enter the County and PIN of the property</u>.**

The IL Property Tax Credit is non-refundable, but worth up to 5% of property taxes paid.

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.

The Intake Screener/Case Reviewer should pull this information for the client by using one of the Tablets or Internet Laptops at the tax site.


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?	[X] Yes	[ ] No
B	Did you own your **2014** principal residence?	[X] Yes	[ ] No
C	Did you pay your property tax billed in **2015**?	[X] Yes	[ ] No
D	Did the property tax bill include property used as your personal residence?	[X] Yes	[ ] 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	[ ]	
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 COOK
Property number 17155654544400000
c Enter the county and property number for an adjoining lot, if included in Line 4a.

Common IL City and County Information

City	County	City	County
Addison	DuPage County	Lisle	DuPage County
Andres	Will County	Manhattan	Will County
Arlington Heights	Cook County	Naperville	DuPage County
Aurora	Kane County	New Lenox	Will County
Bloomingdale	DuPage County	North Aurora	Kane County
Blue Island	Cook County	North Chicago	Lake County
Calumet Heights	Cook County	Oak Brook	DuPage County
Calumet Park	Cook County	Oak Lawn	Cook County
Chicago	Cook County	Orland Park	Cook County
Chicago Heights	Cook County	Oswego	Kendall County
Crest Hill	Will County	Plainfield	Will County
Darien	DuPage County	Preston Heights	Will County
Des Plaines	Cook County	Rockford	Winnebago County
Downer's Grove	DuPage County	Romeoville	Will County
Elburn	Kane County	Schaumburg	Cook County
Elgin	Kane County	South Elgin	Kane County
Elmhurst	DuPage County	Springfield	Sangamon County
Evanston	Cook County	St. Charles	Kane County
Fairmont	Will County	Sugar Grove	Kane County
Frankfort	Will County	Tinley Park	Cook County
Gages Lake	Lake County	Vernon Hills	Lake County
Geneva	Kane County	Villa Park	DuPage County
Glendale Heights	DuPage County	Waukegan	Lake County
Grayslake	Lake County	West Chicago	DuPage County
Harvey	Cook County	West Dundee	Kane County
Hinsdale	DuPage County	Wheaton	DuPage County
Homewood	Cook County	Williamsburg Green	Kane County
Joliet	Will County	Willowbrook	DuPage County
Kaneville	Kane County	Wilton Center	Will County
Libertyville	Lake County	Yorkville	Kendall County

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 their 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, and must be attached to the tax return if the client paper files. 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, the taxpayer 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 electronic filing, the taxpayer needs to be able to provide them in case the state asks to see proof of expenses

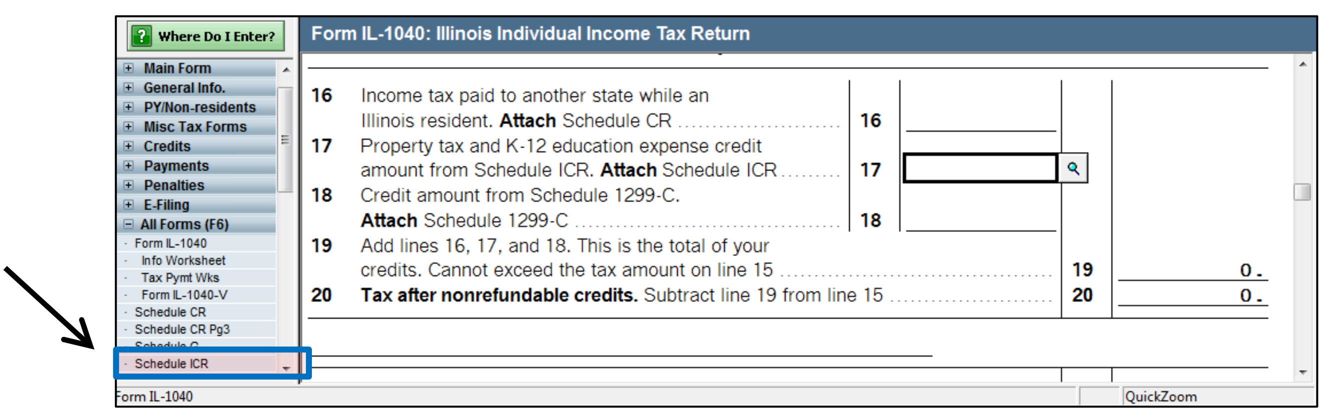
What expenses qualify for K-12 Education Expense Credit?

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 rental of books that were required 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 required as part of a lab course resulting in credit 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 does not result in credit 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

In ProSeries, Illinois K-12 Education Expenses information is entered on **Schedule IL-ICR.**

Do *not* enter these expenses in the federal student information worksheet, they will *not* flow from there to the Illinois return.

1. Navigate to Schedule ICR using the **Forms Bar.**



2. On ***Schedule ICR: Illinois Credits***, scroll down to **Line 10, Section B** continued.

Schedule ICR: Illinois Credits

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	STOOGE	***-**-1234	X
CURLY	STOOGE	***-**-7654	X
MOE	STOOGE	***-**-9876	

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 10 below.

10 Complete the following information for each of your qualifying students. If a student attended more than one qualifying school during the calender year, please list separately. If you need more space, attach a separate piece of paper following this format.

	A Student's Name First	Last	B Social Security Number	C Grade (K-12 only)	D School Name (IL K-12 schools only or enter 'home school', if applicable) / School Type Code	E School City (IL cities only) / F School Type (P,N,H)	G Total tuition, book/lab fees
a	LARRY	STOOGE	***-**-1234				
b	CURLY	STOOGE	***-**-7654				

Complete the information in columns C through G for Line 10.

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 11.

3. When completing the information in columns C through G for Line 10.
    - School Type: **P** – Public, **N** – Non Public, **H** – Home Schooled

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.

The total from Line 13 will transfer to Line 7a of Schedule ICR.

ProSeries will calculate any K-12 Education Expense Credit amount and populate it onto Line 8 of Schedule ICR.

Instructional Materials and Supplies Credit for K-12 Teachers

This credit is available to eligible educators for qualified expenses paid during the taxable year.

An **eligible educator must have worked at least 900 years during the school year for kindergarten through twelfth grade,** and must be fit one of the following descriptions:

- Teacher
- Instructor
- Counselor
- Principal
- Aide in a qualified school

A qualified school is a **public school or non-public school located in Illinois** (home schools are <u>not</u> qualified schools).

Qualified expenses include:

- books
- supplies
- equipment
- other materials used in the classroom

The credit for an eligible educator is the amount of expenses paid in 2019 up to $250 (up to $500 on a joint return where the spouse is also an eligible educator with qualified expenses).

In 2018, the credit was entered into Schedule 1299-I, and appeared on 1299-C, page 2.

At the time of this ProSeries Tax Manual writing, it is not known how the 2019 credit will be reported.

		A Primary Taxpayer	B Spouse
1 a Social Security number	1 a	***-**-3151	
b School name (Illinois only)	b	Chicago School	
c Total qualified expenses paid in 2018	c	500.	
d Enter the lesser of line 11c or $250.	d	250.	
Add line 1d, column A, and line 1d, column B. Total entered in Step 3 table column E with credit code "5740" in column B			250.

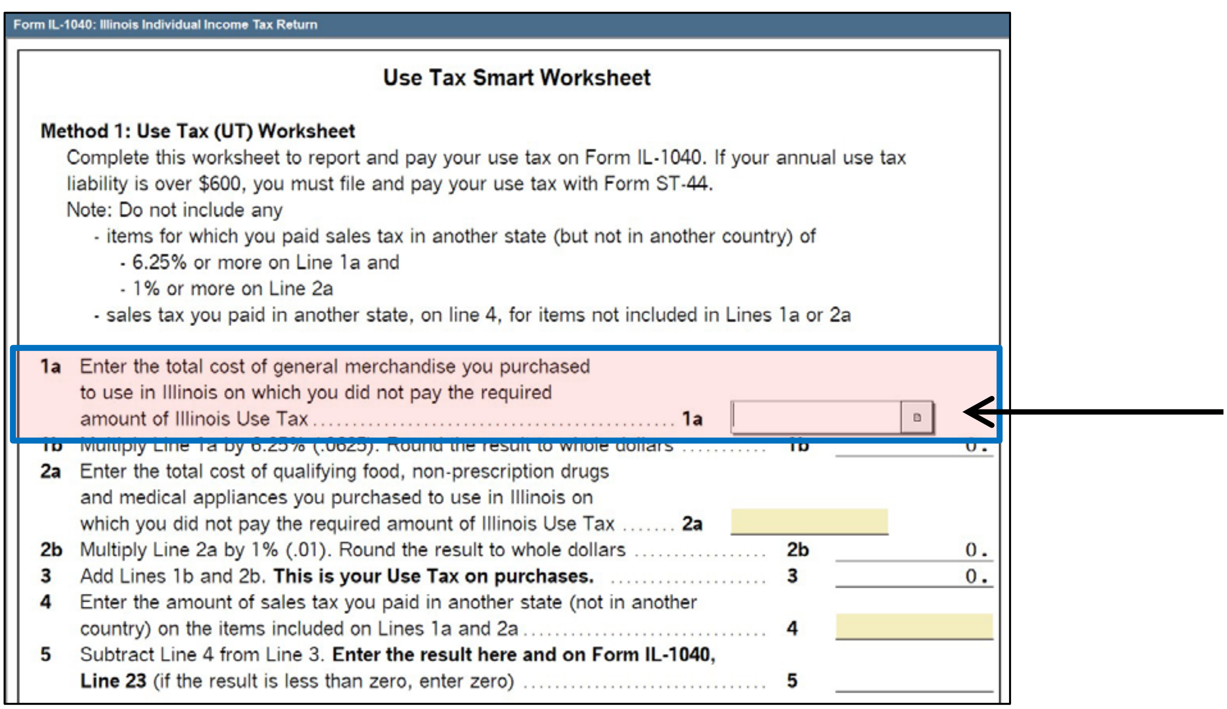
IL Use Tax

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, the taxpayer 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 they bought any items online, through a mail order catalog or a television promotion, or when traveling outside of Illinois that were then used in Illinois and on which the client did not pay the full Illinois sales tax of 6.25%. Note: This question is also on the Ladder Up Supplemental Intake Form. Make sure that the question is filled out on the intake form, and that this Line 1a is filled in on the IL State Return.

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



Form IL-1040: Illinois Individual Income Tax Return

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**

1b Multiply Line 1a by 6.25% (.0625). Round the result to whole dollars .... **1b** 0.

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**

2b Multiply Line 2a by 1% (.01). Round the result to whole dollars .... **2b** 0.

3 Add Lines 1b and 2b. **This is your Use Tax on purchases.** .... **3** 0.

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**

5 Subtract Line 4 from Line 3. **Enter the result here and on Form IL-1040, Line 23** (if the result is less than zero, enter zero) **5**

IL Earned Income Credit

Illinois also provides for a state Earned Income Credit equal to 18% of the Federal Earned Income Credit.

ProSeries will do this calculation automatically on Schedule IL-E/EIC.

If the client is Self-Employed and receives the Illinois EIC, the Quality Reviewer should remind the client that Illinois will often audit these returns and that they should be able to produce copies of:

- Professional business licenses or registrations
- Sales tax registrations
- Federal Tax Return, including Schedule C
- Form 8867: Due Diligence
- Receipts and documents used to calculate business income and expenses

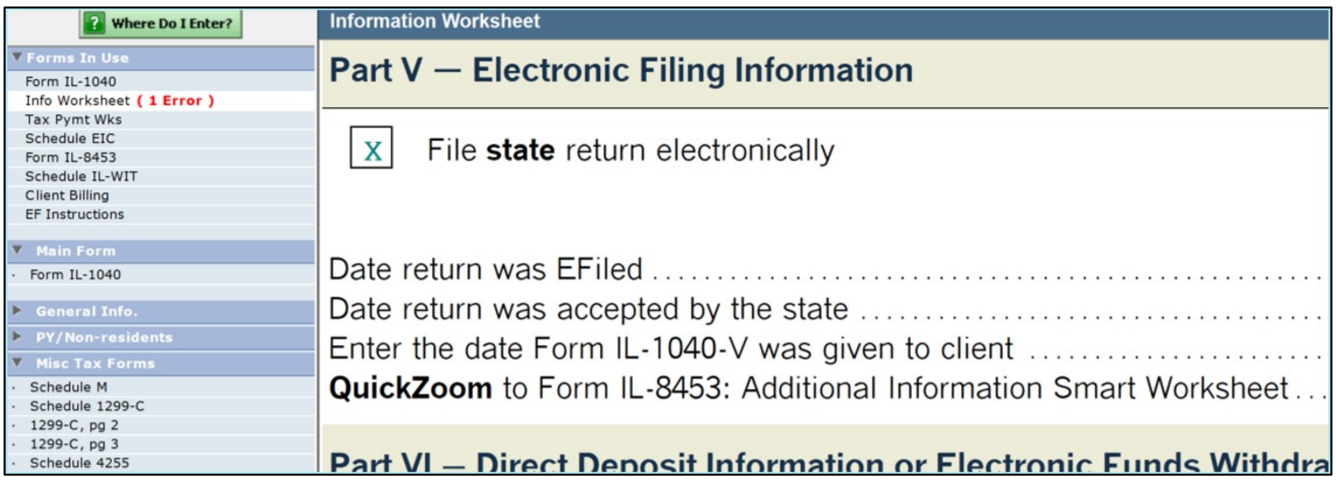
IL State Error

After completing the Illinois return, check for any remaining errors in the **Forms Bar** on both the Federal and State return and make sure to clear them all.

There is only one error which can be ignored. This will show up in the State Return if the client is E-filing.

<u>This is the only error that cannot and should not be cleared.</u>

The error is inherent to the software, and will be corrected after the client's file is sent to the Ladder Up Office for e-filing.



Please make sure to **<u>clear all *other* errors</u>** on both the Federal and State return before the return is finalized.

If you are unsure of how to clear a specific error in ProSeries, please use this ProSeries Tax Manual, or ask your Site Manager/Leader (or other experienced volunteers at the site) for assistance.

Client Tax Liability

Tax Preparers should refrain from telling the client his expected refund or amount due, as the values may change if the Quality Reviewer makes any adjustments to the return. All tax volunteers should still be aware of a taxpayer's options.

If a client owes, **Ladder Up is unable to calculate the underpayment penalty.** (**Form 2210 is Out-of-Scope for VITA**). The IRS will calculate the interest and penalty amount and will send a letter to the taxpayer concerning this calculation.

If Form 2210 populates, check the box to have the IRS calculate the penalty and make sure that the penalty has been removed from the 1040 by ProSeries. Be sure to tell the client that the IRS may send them a separate bill for the penalty.

What if a Client Owes Money?

If a client owes either federal or Illinois taxes and is able to pay in full, the client should be advised to do so by the filing deadline, which is April 15, 2020, for tax year 2019.

- Ladder Up advises clients to mail a check or money order with the appropriate payment voucher(s) printed with the 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 can only pay a portion of amount owed, the client should be advised to do so by the filing deadline, which is April 15, 2020, for tax year 2019 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 "2019 Form 1040" in the memo or "For" section
  - Write taxpayer 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
- Electronic Funds Withdrawal: Ladder Up does not offer this option to clients
- 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 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

For State amounts due:

- Check or money order payments:
  - Make the check or money order payable to "Illinois Department of Revenue"
  - Write "2019" in the lower left corner
  - Also write the taxpayer SSN/ITIN (plus that of the spouse if filing jointly) in the lower left corner
  - Submit the payments with a properly completed Form IL-1040V, Payment Voucher
  - No cash payments will be accepted
  - If filing a paper return, staple the check or money order and Form IL-1040-V to the front of the paper Form IL-1040. If filing electronically, send the check or money order and the Form IL-1040-V (unstapled) to the address on the Form IL-1040-V
- Credit Card Payments
  - American Express, Discover, MasterCard, or Visa cards are accepted
  - A convenience fee will be charged by the service providers
  - Visit https://www2.illinois.gov/rev/individuals/pay/Pages/creditcard.aspx
- My Tax Illinois Direct Pay (to pay from a checking or savings account with no fee): Visit https://mytax.illinois.gov, use the Quick Link to "Make an Individual Income Tax Payment" and follow the instructions.

If a Client Cannot Pay

For Federal amounts due:

- Inquire with the client whether they can pay in full within 120 days. If the client can pay the full amount they owe in 120 days, call 1-800-829-1040 to establish request to pay in full. This way, the client avoids paying the fee to set up an installment agreement.
- Instead of calling, the client 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 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).
- Refer the client to the Ladder Up Tax Clinic: 312-409-1555 or info@goladderup.org.

For Illinois amounts due:

- Complete Form CPP-1 (Payment Installment Plan Request) and mail it with the return
- Pay the remaining amount due as described above.

Injured Spouse – Form 8379

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.

Refer the client to the Ladder Up Tax Clinic for complex Injured Spouse or Innocent Spouse Relief issues. The Tax Clinic can help taxpayers with either. E-mail info@goladderup.org or leave a message for the Tax Clinic: 312-409-1555

Client Refund

When a client overpays during the tax year (in most cases this is because they had more withheld from their paycheck or they qualify for a credit that decreases their tax liability), they will be due a refund.

There are several options available to clients, and this is a good opportunity to review client options for saving some or all of their refund.

Clients can choose to do one of the following:

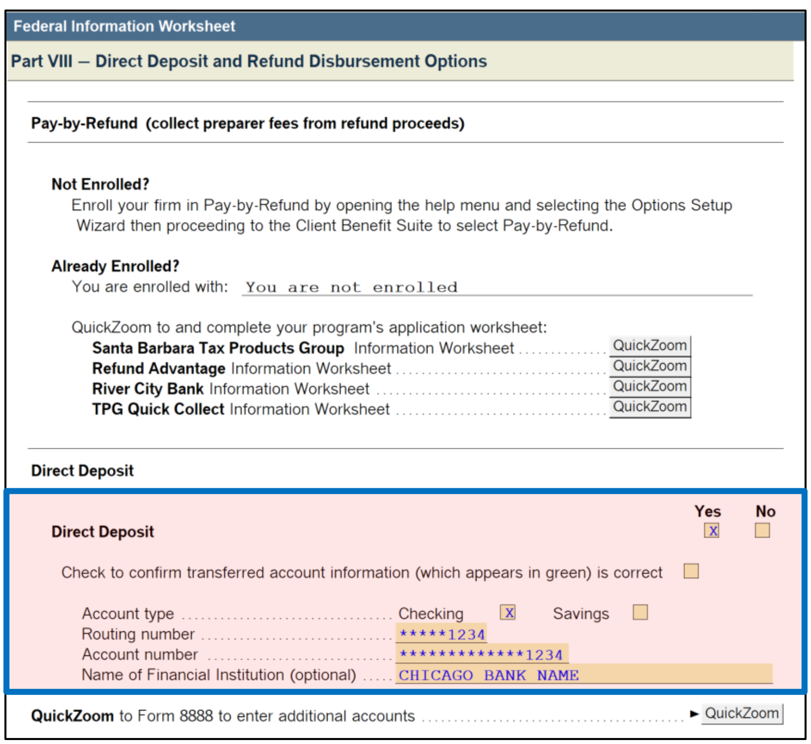
- Receive a **paper check** for a Federal and an Illinois refund. Clients can elect to receive a paper check even if they are e-filing, as these are separate processes.

  Note: *If the taxpayer does not provide direct deposit information for the Illinois refund, and the client is due a refund smaller than $5.00, the refund will be applied as a credit towards the client's taxes in the next tax year.*

- Receive direct deposit into one bank account in the client's own name for the Federal and/or Illinois refunds

Direct Deposit for a Federal Refund

If the client would like to use direct deposit for any Federal refund amounts, ensure the information for the bank was entered into the ***Federal Information Worksheet: Part VIII.*** The taxpayer can only direct deposit into an account with their name on it.


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
TPG Quick Collect Information Worksheet .... QuickZoom

Direct Deposit

Direct Deposit Yes [X] No [ ]

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

Account type .... Checking [X] Savings [ ]
Routing number *****1234
Account number *************1234
Name of Financial Institution (optional) ..... CHICAGO BANK NAME

QuickZoom to Form 8888 to enter additional accounts .... ► QuickZoom

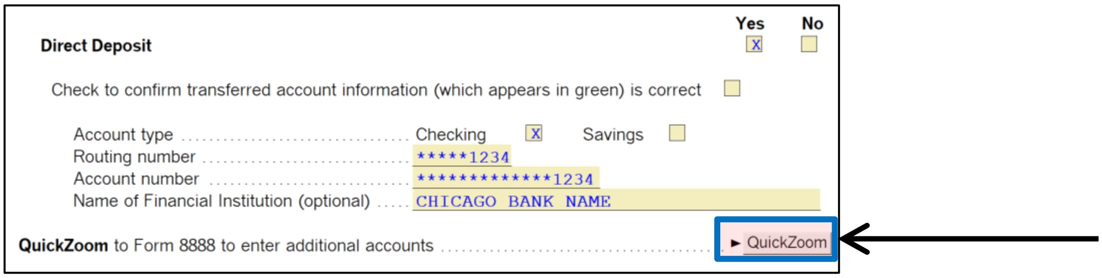
Make sure to check the "Yes" box under Direct Deposit.

Indicate whether the account is Checking or Saving.

Enter the Account Type, Routing Number, and Name of Financial Institution.

Form 8888 : Allocation of Federal Refund

If the client would like to split their refund between multiple bank accounts, or purchase a Savings Bond, then you will need to enter this information into Form 8888. In ProSeries, you can **QuickZoom to Form 8888 from the *Federal Information Worksheet: Part VIII***, or click Forms in the Navigation Bar and type in "8888" to open it.



Direct Deposit — Yes [X] No [ ]

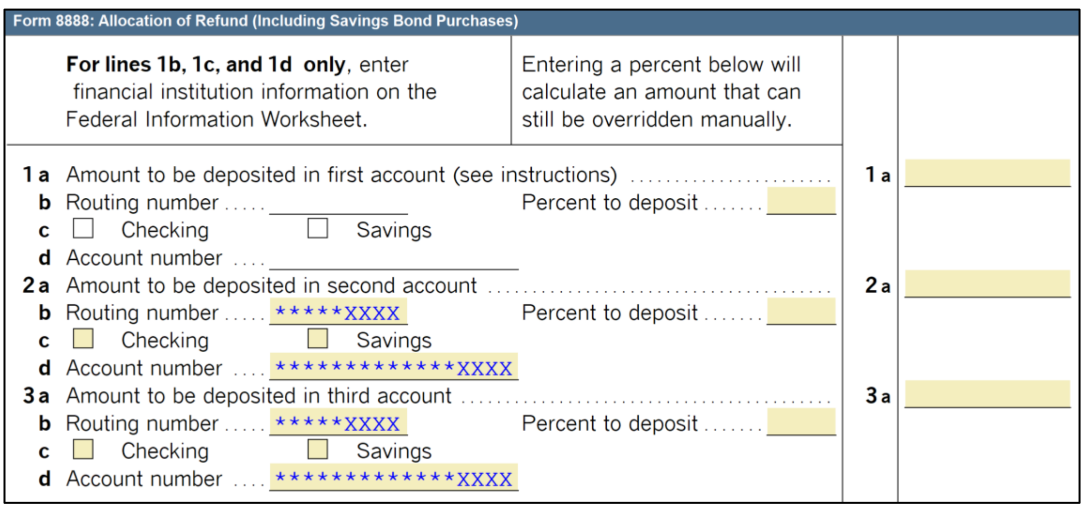
Check to confirm transferred account information (which appears in green) is correct [ ]

Account type .... Checking [X] Savings [ ]
Routing number *****1234
Account number *************1234
Name of Financial Institution (optional) ..... CHICAGO BANK NAME

QuickZoom to Form 8888 to enter additional accounts .... ► QuickZoom

Splitting a Refund into Multiple Bank Accounts

To split the client's refund into more than one account (that each has the taxpayer's name on it), enter the information for each account into ***Form 8888, Part I*** directly:



Form 8888: Allocation of Refund (Including Savings Bond Purchases)

For lines 1b, 1c, and 1d only, enter financial institution information on the Federal Information Worksheet.

Entering a percent below will calculate an amount that can still be overridden manually.

1 a Amount to be deposited in first account (see instructions) .... 1 a
b Routing number ..... Percent to deposit ....
c [ ] Checking [ ] Savings
d Account number ....
2 a Amount to be deposited in second account .... 2 a
b Routing number ..... *****XXXX Percent to deposit ....
c [ ] Checking [ ] Savings
d Account number .... *************XXXX
3 a Amount to be deposited in third account .... 3 a
b Routing number ..... *****XXXX Percent to deposit ....
c [ ] Checking [ ] Savings
d Account number .... *************XXXX

Clients can split their refund into up to three (3) different bank accounts.

When using Form 8888, the sum of all deposits should equal the total refund amount.

Purchasing U.S. Savings Bonds

Note: Client can only purchase savings bonds in multiples of $50 up to $5,000 total.

The current interest rate for US Series I Bonds purchased before May 1, 2020 is 2.22%.

To purchase Savings Bonds with the refund amount, enter the information for the bond owner (does not have to be the taxpayer or spouse) and amount into ***Form 8888, Part II*** directly:

Form 8888: Allocation of Refund (Including Savings Bond Purchases)

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.

CAUTION *If a name is entered on line 5c or 6c below, co-ownership will be assumed unless the beneficiary box is checked. See instructions for more details.*

4	Amount to be used for bond purchases for yourself (and your spouse, if filing jointly)	**4**	
5 a	Amount to be used to buy bonds for yourself, your spouse, **or** someone else . . .	**5 a**	
b	Enter the owner's name (First then Last) for the bond registration		
c	If you would like to add a co-owner or beneficiary, enter the name here (First then Last). If beneficiary, also check here. . . . . ► ☐		
6 a	Amount to be used to buy bonds for yourself, your spouse, **or** someone else . . .	**6 a**	
b	Enter the owner's name (First then Last) for the bond registration		
c	If you would like to add a co-owner or beneficiary, enter the name here (First then Last). If beneficiary, also check here. . . . . ► ☐		

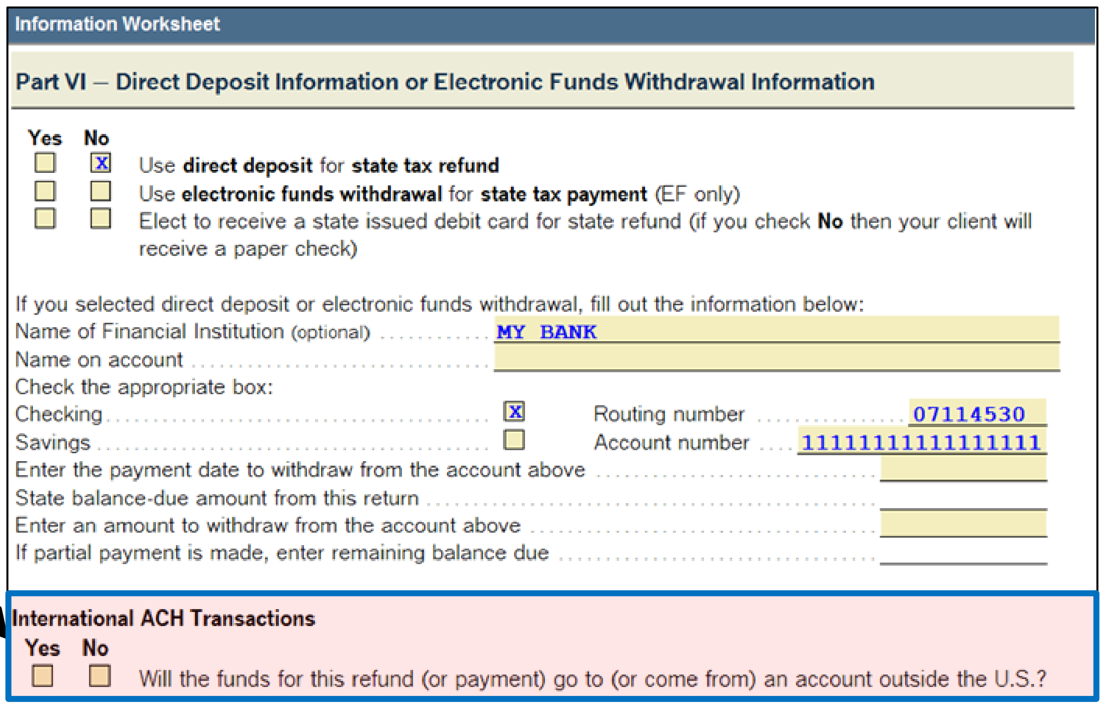
When using Form 8888, the sum of all deposits should equal the total refund amount.

Direct Deposit for an IL State Refund

If the client would like to use direct deposit for any State refund amounts, ensure the information was entered into the client's Federal Return. The information should then carry over from the Federal to the State, and will generate an error because ProSeries requires you to answer the question "Will the funds for this refund (or payment) go to (or come from) an account outside the U.S.?" The majority of the time the answer to this question will be "No" – but check with the client.

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 their 2020 return.

ProSeries requires that this question is answered.


Information Worksheet

Part VI – Direct Deposit Information or Electronic Funds Withdrawal Information

Yes	No	
☐	☒	Use **direct deposit** for **state tax refund**
☐	☐	Use **electronic funds withdrawal** for **state tax payment** (EF only)
☐	☐	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 .... ☒ Routing number 07114530

Savings .... ☐ Account number 11111111111111111

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	
☐	☐	Will the funds for this refund (or payment) go to (or come from) an account outside the U.S.?

CFR Card/US Bank Focus Pre-Paid Card

Community Financial Resources (CFR), in partnership with US Bank, offers a free prepaid debit card (Focus Card) to clients of partner organizations. Ladder Up volunteers can 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. Clients can work with the Money Coach, Intake Screener, Site Manager/Leader, or other available volunteer to open a card at the site while waiting to be seen by a preparer or reviewer.

Clients may wish to open up a CFR card for a number of reasons, including:

- Client does not have a bank account
- Client has a bank account, but forgot the information and would prefer not to receive a paper check (as direct deposit is a faster and safer way to receive their refund)

Immediately upon enrollment, clients will receive their account number and routing number.

If the client would like to use Direct Deposit for a refund, they can choose to have the refund put onto their new CFR 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.

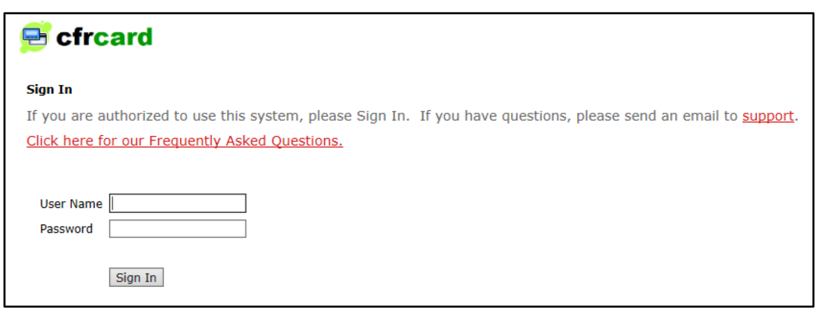
For account specifications and features, please see the CFR and US Bank Focus Card brochure. **At present, a client requires a Social Security Number to apply for a CFR Card**. (ITINs are not accepted). Clients must also use a mailing address, not a P.O. Box, to receive the card in the mail.

If a client's CFR Card is lost or stolen, they must contact US Bank Customer Service: (877) 474-0010

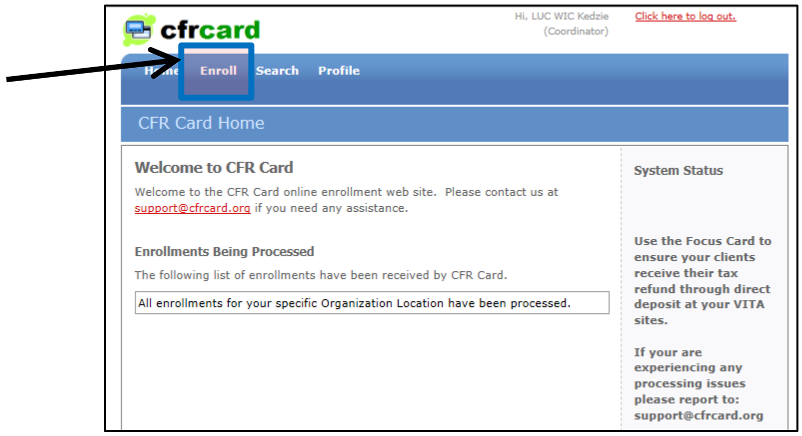
To open a CFR/US Bank Focus Prepaid Card:

1. Login to http://www.cfrcard.org/login using the username specific to your tax site. (Check with the Site Manager/Leader for this information if it's not pre-populated on the Tablet or Internet Laptop.)

   Please make sure to get the log in name and password form the Site Manager/Leader if you are unsure. If you enter the wrong information, the account will lock and need to be reset.

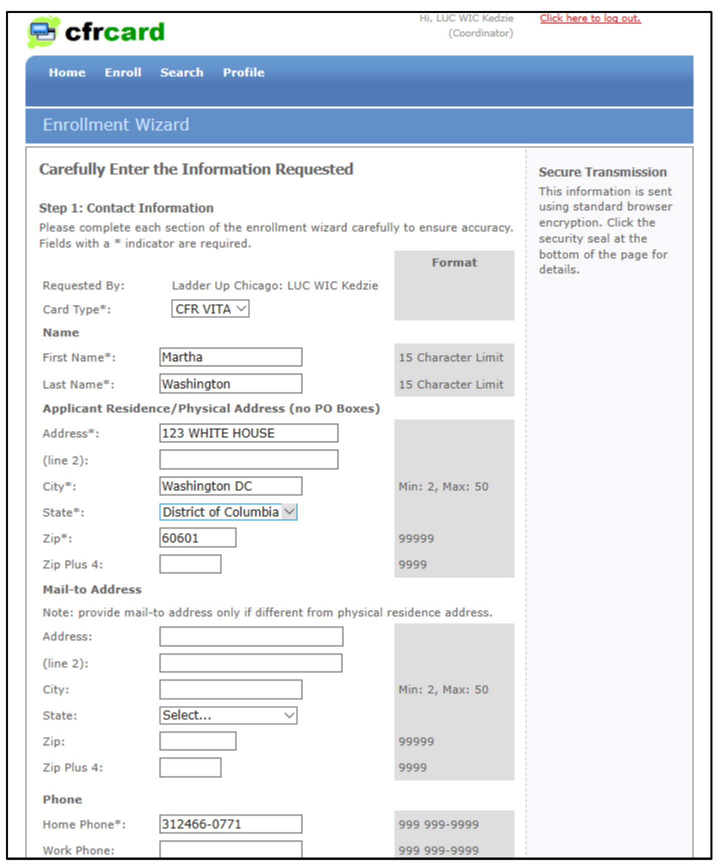


2. Select "**Enroll**" button at the top of the Navigation Bar to start a new application for a client.

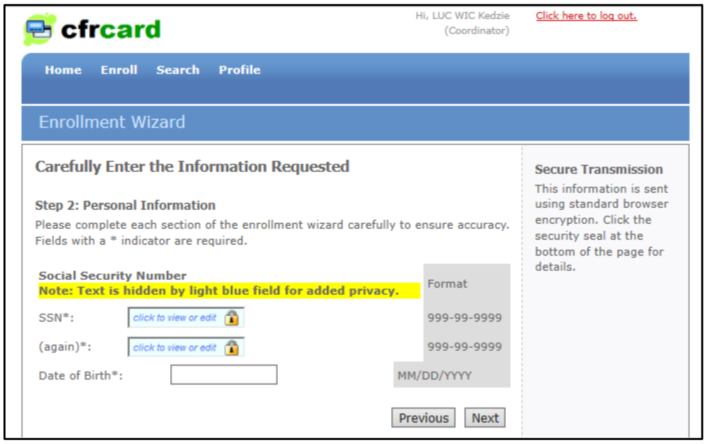


3. Under "Card Type," choose option: ***CFR VITA.***
4. The client must enter all of their own information into the tablet or internet computer at the tax site. (The volunteer and/or staff may *assist* the client in completing and reviewing all of the required fields, if necessary, before the client submits the application.)

Double check that the client's address is entered correct.
This address is where the CFR Card will be mailed. **It cannot be a P.O.Box.**



5. Have the client enter their Social Security number (ITIN not currently accepted) twice, and client's Date of Birth.



6. Review information before the client hits the button to submit their enrollment.

7. Use the account cards (business card sized) to write down the account and routing number to give to the client, so that they can use their new card if they are due a refund.

Clients can typically expect that it will take around 2 weeks for the card to arrive in the mail.

Note: **The Routing number for CFR Cards is always: 071004200**

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

CFR Card Routing Number: 071004200

Site Codes

If a client was prepared at a Ladder Up tax site using ProSeries during the previous year, please see the ***ProSeries Tax Manual: Transfer Client from a Previous Year, page 24****Error! Bookmark not defined.***,** to carry the client information forward into the current tax year return. The Site Code from the previous year will also carry forward. If the client is being prepared at the same site, no changes need to be made. If a client is prepared at a different tax site, the Site Code in the **Federal Information Worksheet: Part V** must also be updated.

ProSeries Transfer Client	Tax Site Location	Site Code	Client Appointments Available
	Auburn Gresham - CPL Thurgood Marshall	40	
	Aurora - Waubonsee College	41	Wed
Yes	Austin - CPL Austin	14	
	Brighton Park - Greater Chicago Food Depository	35	
	Bronzeville - CPL Chicago Bee	37	
Yes	Cicero - Unity Junior High School	24	
Yes	Dunning - Wright College	23	
	Elgin - Judson University	42	Wed
Yes	Englewood - Kennedy-King College	10	
	Evanston - Evanston Public Library	30	
Yes	Hermosa - WIC Diversey	1	
Yes	Humboldt Park - CPL Richard M Daley	4	
Yes	Little Village - WIC Kedzie	18	Sat
Yes	Logan Square - WIC Armitage	20	Sat
Yes	Loop - CPL Harold Washington	15	
Yes	Melrose Park - OLMC - Casa Esperanza	22	
	North Lawndale - UCAN	38	
	Pilsen - Benito Juarez	39	
Yes	Plainfield - Township Community Center	8	
Yes	Pullman - Olive-Harvey College	7	
	Southland - Bloom Township	31	
	Springfield - Family Services	32	
Yes	TAP Mobile	29	
	Uptown - Truman College	36	
	Waukegan - Catholic Charities	33	Tues/Thurs

Case Review Checklist

Note: Before sending a client home to retrieve missing forms or ID, quickly screen the client to identify any additional missing documents (and that the client is in scope), so the client only makes one return trip.

1. Review pages 1-3 of the IRS Form 13614-C and make sure it is completed.

**Note:* If the client has multiple years prepared, they must complete the 13614-C Form for EACH corresponding year they wish to file. (Previous year 13614-C forms are available on-site laptops in the Resource Folder)

- ❑ **13614-C, Page 1, Part I: Personal Information**
  - o Verify that the taxpayer (and spouse if MFJ) are present and have a valid form of photo ID and SS Card/ITIN for everyone on the return.
  - o **ITINs with the middle digits between 70-87 expired during previous years.** Check to make sure the clients have renewed their numbers before providing services.

- ❑ **13614-C, Page 1, Part II: Marital Status and Household Information**
  - o **Part II, 1: Marital Status.** Client Case Reviewer should interview the client and determine the most accurate and appropriate Filing Status for the client: Single, Head of Household, Married Filing Jointly, Qualified Widower, or Married Filing Separately.
  - o **Part II, 2:** Client Case Reviewer should interview the client and clarify whether any of the individuals who were listed in this section should be listed on the client's return as dependents. Complete the grey sections.

- ❑ **13614-C, Page 2, Part III: Income Documents**
  - o Review all income questions where the client marked "yes" and make sure we have the related tax documents. Also make sure that wherever there is an income document the related question is answered "yes". If you determine that there is no income in a given category, make sure that the answer is marked "no".
  - o **If a client marks "unsure," ask the client for more information and change this to a "yes" or "no" depending on their answers**
  - o If there is more than one of a certain income document (ex, Four W2s, Two 1099-Rs), please indicate the number of documents on the 13614-C.

- ❑ **13614-C, Page 2, Part IV: Expenses**
  - o Review all expenses marked "yes" to make sure we have details. If you discover that the client had expenses where they marked "no", then change the answer to "yes". Everything else should be marked "no".
  - o **If a client marks "unsure," ask the client for more information and change this to a "yes" or "no" depending on their answers.**

- ❑ **13614-C, Page 2, Part V: Life Events**
  - o Review all life events marked "yes"
  - o **If a client marks "unsure," ask the client for more information and change this to a "yes" or "no" depending on their answers**

- ❑ **13614-C, Page 3: Additional Information and IRS Questions #1 - #14**
  - o Make sure that client completes questions 1-14 to the best of their ability.
  - o Pay special attention to **Question #3** regarding refund. Inquire whether the client has questions about using Direct Deposit, purchasing U.S. Savings Bonds, or splitting their refund across multiple accounts.
- ❑ **13614-C, Page 3: Additional Comments Section**
  Please use this section to add any additional notes for the Tax Preparer and Quality Reviewer. If an Intake Screener or Case Reviewer looked up a property PIN please add that information here.

- ❑ **Skip Page 4 of the IRS Form 13614-C**. Ladder Up does not use TaxSlayer and instead uses a separate TAP Client Agreement form.

2. Make sure that the client (and spouse if applicable) has signed the Ladder Up TAP Client Agreement.

3. After reviewing all the client's forms and speaking with them about their tax situation(s), complete the top of the ProSeries TAP Client Data Sheet.

Note: On page 2 of the IRS Form 13614-C, (B) is for Basic and (A) is for Advanced. If any (A)'s are marked, please be sure to check the "Advanced Return" box on the top of the ProSeries TAP Client Data Sheet.

4. Make sure that the client has filled out the Supplemental Intake Sheet survey questions.

5. Once all forms have been filled in and the review is complete, write the client's name on the **TAP Client Tracking Sheet** and pull the corresponding White index card to give to the client. Put all the client's reviewed tax documents into a clear plastic folder (clear white for Basic, clear colored for Advanced). Ask the client to be seated in the waiting area until their number is called.

6. If Ladder Up cannot serve the client:

- **a.** Due to missing documentation, do a quick screening with the client to determine whether there are any other missing forms or documents (and that they are in scope) so that the client only needs to make one return trip. Provide a copy of the paperwork for the client to complete at home.
- **b.** Due to capacity, refer the client to the following resources to learn more about available hours and locations for free Tax Assistance. Provide a copy of the paperwork for the client to complete at home.
  - a. TAP Flyer
  - b. TAP Website
  - c. Clients can also make appointments at select locations on the website, or by leaving a message on our appointments hotline: 312-588-6900
  - **d. Clients also have the option of filing for free online using goladderup.org/freefile**
- **c.** Due to the return being Out-of-Scope: refer the client to the "Know Before You Go" handout on screening paid preparers
- **d.** Make a note on the **Site Closing Checklist** under the demand tracker section as to why each client was turned away during the session.

Site Manager/Leader should check to see which volunteers and staff have HSA certifications prior to opening the site, to determine whether clients with HSA can be served that session.

In general, Ladder Up will only complete the Illinois State return for clients who were full-year residents of Illinois. If clients lived in another state for the year or part of the year, Ladder Up can only complete the Federal return. Some full-year residents of Illinois may also have income from Indiana or Wisconsin during the tax year and can have their returns prepared at select tax site locations.

Tax Preparer Checklist

☐ **STEP 1.** Ask to see the client's photo ID and SS Cards/ITIN for everyone on the return and check all their paperwork

- Ensure that the return you are preparing is in scope for the program and within your certification level
- Look to see that the top of the ProSeries TAP Client Data Sheet was filled in (including site name and date)
- Look at the IRS Form 13614-C to ensure that all "Unsure" responses in Parts III, IV, or V are corrected to say "Yes" or "No" and that all grey boxes have been completed.
- Check to see that the Ladder Up Client Agreement has been signed and dated before you prepare the return.

☐ **STEP 2.** Make sure the computer is connected to the correct Ladder Up network (offline), and open ProSeries for the Tax Year the client wishes to prepare.

- Start a new client file by going to the top left-hand corner and clicking *File > New Client*.
- If the client had their return prepared by Ladder Up at a ProSeries site last year, you will **transfer** their file forward. (See *Mini Manual: Transferring Client Files*)
- Turn CAPS LOCK on.

☐ **STEP 3.** Complete the Federal Information Worksheet using Form 13614-C (IRS Intake Sheet).

- Part I – Personal Information (enter names exactly as they appear on Social Security cards or ITIN letters)
- Part II – Filing Status (See *Mini Manual: Filing Status*). **Note**: Find out if the client was ever married – if they do not have legal paperwork for a separation or divorce, they may still be considered married.
- Part III – Dependents (See *Mini Manual: Summary of Dependency Requirements* chart). **Note**: Find out if the client lives with anyone else to determine if they truly pay > 50% of household expenses and that no one else can be claimed as a dependent. Be sure to complete all grey boxes on IRS Form 13614-C for all dependents.
- Part IV – Earned Income Tax Credit (EITC) Information – complete the yes/no questions and check any that apply.
- **Part V – SKIP** (If a client file has been transferred from a different tax site, please make sure to change the preparer code from Firm/Preparer Info box. See *Mini Manual: Site Codes*)
- Part VI – Confirm e-file or paper file with the client (only current tax year and one-year-prior returns can be e-filed. Amendments can never be e-filed.)
    - Identity Protection PIN: If taxpayer or spouse has received an Identity Protection PIN, enter their current tax year PIN here
    - Date PIN Entered: If client is e-filing, you will then be prompted to enter today's date
- **Part VII – SKIP ALL**
- Part VIII – Direct Deposit (if applicable, otherwise leave blank).
    - Clients who do not have account information have the option of opening a CFR card
    - If a client wants to split their refund into multiple accounts or purchase US Savings Bonds, quick zoom to Form 8888 from this section.
- Part IX – **SKIP ALL** (Ladder Up does not offer Electronic Funds Withdrawal Options to clients)

- Part X – Additional Federal Return Information. Fill in appropriate boxes based on the client's IRS Form 13614-C
  - Skip down and start with "Education Expenses" (check if client or spouse has qualified education expenses)
  - End after filling in response Yes/No for "Credit for Elderly or Disabled")
- Part XI – **SKIP ALL** (Ladder Up only prepares state returns for full-year Illinois residents)
- Part XII – **SKIP ALL**

☐ **STEP 4.** Save the client's file in the designated site folder on the **Z:** drive, **inside the tax site folde**r and **outside of the date folder**, by going to the top left-hand corner and clicking *File > Save Client*.

- If you're unsure where to save the file, please ask your Site Manager or a more experienced volunteer.
- Continue to save frequently as you work on the file, so that you do not lose any work if the software or computer unexpectedly crashes.

☐ **STEP 5.** Enter all tax documents provided by the taxpayer. Double check IRS Form 13614-C to make sure all types of income are accounted for. We cannot prepare a return with missing documents.

- Use the yellow ***"Where Do I Enter?" Cheat Sheet*** to find where to enter each tax form into ProSeries.
- Generally, all boxes on tax documents that contain numbers must be entered into ProSeries.
- ProSeries will indicate required fields in red.
- ***Note***: If the client has income from another state, ask the Site Manager for further guidance.

☐ **STEP 6.** Enter any relevant deductions and credits.
ProSeries automatically calculates most credits and deductions. However, you will have to indicate a taxpayer's eligibility for certain credits and deductions.

- For a list of credits and deductions that are in scope and how to enter them, refer to the *ProSeries Tax Manual*
- Itemized Deductions on Schedule A: Schedule A is commonly used by taxpayers who own a home and pay real estate taxes. Taxpayers typically know if they itemize and will have proof of all relevant expenses. ProSeries will always take the most advantageous deduction for the taxpayer (standard deduction vs itemized deduction).

☐ **STEP 7.** Address all red errors that have populated on the Federal return.

- ***Note*: Make sure to select "No Taxpayer ID"** on the Identity Verification Worksheet for taxpayer and spouse. We check this information during other parts of the process. Please do NOT enter this information into the client's return.
- Refer to the *Mini Manual: Form 8867* for help filling out the Paid Preparer's Due Diligence Checklist.

☐ **STEP 8.** Switch over from the Federal to State (Illinois) return by clicking the "ST" button on the top toolbar. Correct any errors that appear.

- IL Property Tax Credit - You will have to enter the Property Identification Number (PIN) of the client's house on Schedule ICR. The PIN is found on the property tax bill or by visiting the County Assessor's website and entering the client's address.
- IL Use Tax – Refer to the Supplemental Intake Form or ask the client if they bought anything for use in Illinois on which they did not pay Illinois sales tax. Enter the total amount of untaxed purchases.
- K-12 Education Expense Credit – Enter qualified expenses on Schedule ICR.

☐ **STEP 9.** Complete the Tax Preparer section of the ProSeries Client Data Sheet, including the name of the file, your computer number, and your name. The ProSeries file name will default to the first four letters of the taxpayer's last name and the last four digits of their Social Security number/ITIN.

☐ **STEP 10.** Save the client's file a final time, by going to *File > Save Client* one last time. Check to see that it is saved in the designated site folder on the **Z:** drive, **inside the tax site folde**r and **outside of the date folder**.

☐ **STEP 11.** Close out of the client's file by going to the top left-hand corner and clicking *File > Close* Client. The file you just completed preparing cannot be quality reviewed if it is still open on your computer.

☐ **STEP 12.** Give the client a BLUE index card to reserve a place in line for the quality review process and have the client return to the waiting area. **DO NOT SHARE THE REFUND OR AMOUNT OWED WITH THE CLIENT**. The Quality Reviewer must first review all the information in the return before sharing this information.

Quality Reviewer Checklist

Quality Reviewer must perform all steps on this Checklist for every return reviewed.

1. Check that all client forms have been completed

- ☐ Ensure that the return you are checking is in scope for the program and **within your certification level**
- ☐ Look to see that the top of the *ProSeries TAP Client Data Sheet* was filled in (including site name and date)
- ☐ Look at the IRS Form 13614-C to ensure that all "Unsure" responses in Parts III, IV, or V are corrected to say "Yes" or "No" and that all grey boxes have been completed.
- ☐ Check to see that the *Ladder Up Client Agreement* has been signed and dated before you review the return.

2. Review the Federal Information Worksheet in ProSeries

- ☐ *Part I*: Use the client (and spouse) SS Cards/ITIN to confirm everyone on the return and verify that their names and contact information have been entered correctly. Check that phone number and e-mail have been entered, as this is how we will contact the client if there are issues with their return.
- ☐ *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 all the EITC questions have been entered correctly
- ☐ *Part V*: Make sure the Site Code corresponds to your tax site. (see *Mini Manual: Site Codes*)
  Note: When a client's file is transferred from the previous year, the site code remains the same. If the client came to a different TAP site than they did the previous year, then the site code must be updated.
- ☐ *Part VI*: Confirm e-file or paper file with the client (only current tax year and one-year-prior returns can be e-filed. Amendments can never be e-filed.)
  - Identity Protection PIN: If taxpayer or spouse have an Identity Protection PIN, enter it here
  - Date PIN Entered: If client is e-filing, enter today's date
- ☐ *Part VII: N*o values should be filled in.
- ☐ *Part VIII*: Verify any Direct Deposit information
  - If the client is splitting their refund or purchasing a savings bond, confirm account and/or savings bond information on Form 8888.
  - If the client opened a CFR card, and want to use it, enter that information here.
- ☐ *Part IX:* No values should be filled in. Ladder Up does not offer Electronic Funds Withdrawal Options. 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 – if the client is not a full-year Illinois resident, we can only prepare the Federal return.
- ☐ *Part XII*: No values should be filled in.

3. Review all client's tax 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. Address any red errors on the Federal and Illinois returns

- ☐ Verify the correct state is filled in (if at a site with multiple states installed on some computers) and remove or correct Indiana and Wisconsin if they were added in error.
- ☐ If necessary, re-launch the Education Expense Optimizer

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, check that the numbers on the bottom of the client's Form 1095-A match the bottom of their Form 8962 so that the Premium Tax credit is calculated properly

7. Print the client's Federal and Illinois returns.

- ☐ **If e-filing: Print one filing copy** for the client, and print an additional copy of the signature page(s)
  - Do this by right clicking "Print EF Signature Forms" in the print screen.
- ☐ **If paper filing: Print two filing copies for the client to take** – one for the client to keep and one to mail in.

8. Review the printed version of Form 1040 with the client, line-by-line. Have the client verify that personal information is correct (names and SSN/ITIN for all people on the return, mailing address, any account numbers). Be sure to also 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 (refer to the *Paying Your Tax Bill* handout).
- ☐ **If any errors or changes were made during the review process with the client, make sure to *shred the incorrect version* of the return and print a new filing copy and new signature pages before proceeding.**

9. Assemble the client's return.

For e-file clients:

- ☐ *Make sure that the client (and spouse, if applicable) signs in the correct spot.*
- ☐ Both Ladder Up and the client keep a signed copy of each e-file form (Federal Return: Form 8879 and State Return: Form IL-8453).
- ☐ Fill out the tax records envelope and thank the client for using Ladder Up's services

For paper file clients, assemble the mailing copy 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
- ☐ Fill out the tax records envelope and thank the client for using Ladder Up's services

10. Final Steps: Complete the Client Packet

- ☐ Complete the Quality Reviewer section of the ProSeries Client Data Sheet
  - Fill in the name of the file, your computer number, and your name.
  - Check E-File or Paper File, and enter the refund or amount owed for every return prepared
  - Circle the client's final Filing Status and write in the number of dependents claimed on the return.
  - If the client saved part or all of their refund in a savings account or US Bond, enter the amount saved and check off whether Form 8888 was used, or if a US Savings Bond was purchased.

- ☐ Staple the client packet in the order shown at the top of the TAP Client Data Sheet and place the packet where the Site Leader has indicated they are being collected.

11. Fill out a feedback sheet that will be given to the volunteer Tax Preparer