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

Updates to the volunteer training materials will be contained in Publication 4491-X, VITA/TCE Training Supplement. The most recent version can be downloaded at: https://www.irs.gov/pub/irs-pdf/p4491x.pdf

Volunteer Standards of Conduct

VITA/TCE Programs

The mission of the VITA/TCE return preparation programs is to assist eligible taxpayers in satisfying their tax responsibilities by providing free tax return preparation. To establish the greatest degree of public trust, volunteers are required to maintain the highest standards of ethical conduct and provide quality service.

Annually, all VITA/TCE volunteers (whether paid or unpaid workers) must pass the Volunteer Standards of Conduct (VSC) certification test and agree that they will adhere to the VSC by signing and dating Form 13615, Volunteer Standards of Conduct Agreement, prior to volunteering at a VITA/TCE site. In addition, return preparers, quality reviewers, site coordinators, and tax law instructors must certify in Intake/Interview & Quality Review. Volunteers who answer tax law questions, instruct tax law classes, prepare or correct tax returns, or conduct quality reviews of completed tax returns must also certify in tax law. Form 13615 is not valid until the sponsoring partner’s approving official (site coordinator, instructor, administrator, etc.), or IRS contact confirms the volunteer’s identity, with a government-issued photo identification (ID), and signs and dates the form.

As a volunteer in the VITA/TCE Programs, you must:

1. Follow the Quality Site Requirements (QSR).
2. Not accept payment, solicit donations, or accept refund payments for federal or state tax return preparation from customers.
3. Not solicit business from taxpayers you assist or use the information you gained about them for any direct or indirect personal benefit for you or any other specific individual.
4. Not knowingly prepare false returns.
5. Not engage in criminal, infamous, dishonest, notoriously disgraceful conduct, or any other conduct deemed to have a negative effect on the VITA/TCE Programs.
6. Treat all taxpayers in a professional, courteous, and respectful manner.

Failure to comply with these standards could result in, but is not limited to, the following:

- Your removal from all VITA/TCE Programs;
- Inclusion in the IRS Volunteer Registry to bar future VITA/TCE activity indefinitely;
- Deactivation of your sponsoring partner’s site VITA/TCE EFIN (electronic filing ID number);
- Removal of all IRS products, supplies, loaned equipment, and taxpayer information from your site;
- Termination of your sponsoring organization’s partnership with the IRS;
- Termination of grant funds from the IRS to your sponsoring partner; and
- Referral of your conduct for potential TIGTA and criminal investigations.
## Table of Contents

### Introduction

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### Changes to the Training and Site Publications

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<tr>
<td>2020 Publication 4012, VITA/TCE Volunteer Resource Guide</td>
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<tr>
<td>2020 Publication 4491, VITA/TCE Training Guide</td>
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<tr>
<td>2020 Form 6744, VITA/TCE Volunteer Assistor’s Test/Retest</td>
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<td>2020 Publication 4189, VITA/TCE Volunteer Test/Retest Answers</td>
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<tr>
<td>2020 Publication 4704-FS, Foreign Student and Scholar Test</td>
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<tr>
<td>2020 Publication 4011, VITA/TCE Foreign Student and Scholar Volunteer Resource Guide</td>
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### Link and Learn Taxes Courses

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Introduction

This supplement contains changes, revisions, and additions to the October 2020 versions of the VITA/TCE training publications.

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

The provisions known as extenders, which previously expired at the end of 2017, were renewed through tax year 2020 in late December legislation. Refer to the Legislative Extenders lesson in Publication 4491 and the Legislative Extenders tab in Publication 4012 for additional information about these provisions.

Changes to the Training and Site Publications

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

1. Use this list to make pen-and-ink changes to your printed training publications.

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

<table>
<thead>
<tr>
<th>Page Number</th>
<th>Changes</th>
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<tbody>
<tr>
<td>13</td>
<td>No changes.</td>
</tr>
</tbody>
</table>
| 14          | **F(orm) / S(chedule) #** Form 8615, **In Scope? Y/N**, replace: No with Yes  
|             | Under **Scope Limitations**, under Tax for Certain Children Who Have Unearned Income (also known as Kiddie Tax), replace Out of scope with:  
|             | **In scope for:**  
|             | - Native Americans receiving per capita payments  
|             | - Alaska residents receiving permanent fund dividends  
|             | Under **Certification Levels**, add:  
|             | Advanced certification required  
|             | **F(orm) / S(chedule) #**, Form 8814, **In Scope? Y/N**, replace No with Yes  
|             | Under Scope Limitations, below Parent's Election to Report Child's Interest and Dividends, add:  
|             | **In scope for:**  
|             | - Alaska residents receiving permanent fund dividends  
|             | Under **Certification Levels**, add:  
|             | Advanced certification required  
| 14          | Insert a new row between **F(orm) / S(chedule) #** F 8915-B and F 8917, and add:  
|             | **F(orm) / S(chedule) #** Form 8915-E  
|             | **In Scope? Y/N**, Yes  
|             | **Scope Limitations**, Qualified 2020 Disaster Retirement Plan Distributions and Repayments  
|             | **In scope for:**  
|             | - 2020 Coronavirus distributions and repayments  
|             | **Not in scope for:**  
|             | - Any other disaster-related distributions  
|             | **Certification Levels**, Advanced certification required  
| A-1         | No changes. |
| A-2         | In heading **Form 8615, Tax for Certain Children who have Unearned Income (Kiddie Tax)**, remove:  
|             | (Out of Scope), and  
|             | replace the last sentence with:  
<p>|             | Form 8615 is in scope for Native Americans receiving per capita payments and Alaska residents receiving permanent fund dividends. For all other purposes, Form 8615 remains Out of Scope. |</p>
<table>
<thead>
<tr>
<th>Page</th>
<th>Instructions</th>
</tr>
</thead>
<tbody>
<tr>
<td>B-5</td>
<td>Replace page B-5 with new page B-5. Add: references of virtual currency to Part III, lines 7, 8, 9 and 15.</td>
</tr>
<tr>
<td>B-6</td>
<td>No changes.</td>
</tr>
<tr>
<td>D-5</td>
<td>No changes.</td>
</tr>
<tr>
<td>D-6</td>
<td>Under heading, Form W-2 Reference Guide for Common Box 12 Codes, change Code E to: Elective deferrals under a section 403(b) salary reduction agreement</td>
</tr>
<tr>
<td>D-15</td>
<td>No changes.</td>
</tr>
<tr>
<td>D-16</td>
<td>Replace page with new page D-16 featuring updated TaxSlayer screen shots.</td>
</tr>
<tr>
<td>D-19</td>
<td>In the first gray Note: box, remove: The following expenses paid with proceeds from that loan can't be deducted to the extent the loan was forgiven. - Payroll costs (Out of Scope) - Certain employee benefits relating to healthcare (Out of Scope) - Interest on a mortgage (Out of Scope) - Rent - Utilities - Interest on any other existing debt</td>
</tr>
<tr>
<td>D-20</td>
<td>No changes.</td>
</tr>
<tr>
<td>D-36</td>
<td>No changes.</td>
</tr>
<tr>
<td>D-49</td>
<td>On Form Schedule K-1 (Form 1065), Part III Partner's Share of Current Year Income, Deductions, Credits and Other Items, • Box 16, C add: Income sourced by partner • Box 18, C add: Non-deductible expenses. Adjust for state as needed Other codes OOS On Form Schedule K-1 (Form 1120-S), Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items, Box 16, add: • A Tax-exempt interest • C Nondeductible expenses. Adjust for state as needed • Other codes OOS</td>
</tr>
<tr>
<td>D-50</td>
<td>No changes.</td>
</tr>
<tr>
<td>E-1</td>
<td>In the Note at the bottom of the page, replace the 2nd sentence with: Deductions are limited to $300 if single, head of household, or qualifying widow(er); $300 if married filing jointly; or $150 if married filing separately.</td>
</tr>
<tr>
<td>E-2</td>
<td>No changes.</td>
</tr>
<tr>
<td>E-3</td>
<td>No changes.</td>
</tr>
<tr>
<td>E-4</td>
<td>Add a Note: Qualified expenses include amounts paid or incurred after March 12, 2020, for personal protective equipment, disinfectant, and other supplies used for the prevention of the spread of coronavirus.</td>
</tr>
<tr>
<td>F-9</td>
<td>No changes.</td>
</tr>
<tr>
<td>F-10</td>
<td>In the Note at the bottom of the page, replace the 2nd sentence with: Deductions are limited to $300 if single, head of household, or qualifying widow(er); $300 if married filing jointly; or $150 if married filing separately.</td>
</tr>
<tr>
<td>G-1</td>
<td>No changes.</td>
</tr>
<tr>
<td>G-2</td>
<td>Replace the last Note: on the page with: Taxpayers may be able to elect to use their 2019 earned income to figure their earned income credit (EIC) and additional child tax credit (ACTC) if their 2019 earned income is more than their 2020 earned income. This election is made on the Basic Information&gt;Personal Information page. COVID19 will automatically appear in the Designation box when the check box is selected for Taxpayer wishes to elect to use their 2019 earned income to figure their 2020 earned income credit and/or child tax credit. Manually enter 2019 earned income in the Prior Year Earned Income for Disaster Victims box.</td>
</tr>
<tr>
<td>H-2-1</td>
<td>Insert new page with Schedule SE Deferral screenshot.</td>
</tr>
<tr>
<td>H-2-2</td>
<td>Insert new page with Schedule SE Deferral screenshot.</td>
</tr>
<tr>
<td>H-3</td>
<td>Under heading Tax for Children who Have Unearned Income, Step 10, replace the last sentence with: Form 8615 is in scope for Native Americans receiving per capita payments and Alaska residents receiving permanent fund dividends. For all other purposes, Form 8615 remains Out of Scope. In the Note:, replace the last sentence with: Form 8814 is in scope for Alaska residents receiving permanent fund dividends. For all other purposes, Form 8814 remains Out of Scope.</td>
</tr>
<tr>
<td>H-4</td>
<td>On Form 5329, Part I – Additional Tax on Early Distributions screenshot, move: arrows and gray boxes to align with the appropriate descriptions for: • SIMPLE Retirement Distributions that are not subject to 25% Tax • Early Distributions that are not subject to 10% tax • Select the reason for exemption</td>
</tr>
<tr>
<td>H-7</td>
<td>At the bottom of the page, add: Note: Under the CARES Act, joint returns of couples where only one member of the couple had a Social Security number were generally ineligible for a payment – unless they were a member of the military. The Consolidated Appropriations Act, 2021, signed into law on December 27, 2020, expands that provision, and more people are now eligible. In this situation, these families will now be eligible to receive payments for the taxpayers and qualifying children of the family who have work-eligible SSNs. People in this group who don’t receive an Economic Impact Payment can claim this when they file their 2020 taxes under the Recovery Rebate Credit. Taxpayers who don’t get a payment and are eligible to receive one, may claim it on their 2020 tax return as the Recovery Rebate Credit.</td>
</tr>
<tr>
<td>H-8</td>
<td>Replace page with updated page containing recovery rebate credit screenshot.</td>
</tr>
</tbody>
</table>
| H-9 | In the **Note**: change the ending date to:  
March 31, 2021. The number of days taken into account for determining the qualified sick leave equivalent amount cannot exceed 10 days over all tax years. |
| H-10 | Replace page with updated page containing Form 7202 screen shot. |
| I-1 | Replace the **Note** at the bottom of the Earned Income Table with:  
Taxpayers may be able to elect to use their 2019 earned income to figure their earned income credit (EIC) and additional child tax credit (ACTC) if their 2019 earned income is more than their 2020 earned income. This election is made on the Basic Information>Personal Information page. COVID19 will automatically appear in the Designation box when the check box is selected for Taxpayer wishes to elect to use their 2019 earned income to figure their 2020 earned income credit and/or child tax credit. Manually enter 2019 earned income in the Prior Year Earned Income for Disaster Victims box. |
| I-2 | No changes. |
| J-5 | Delete the following text from the bottom of the page:  
Because the emergency financial aid grant is not includible in gross income, taxpayers cannot claim any deduction or credit for expenses paid with the grant including the tuition and fees deduction, the American opportunity credit, or the lifetime learning credit. |
| J-6 | No changes. |
| Tab K | Replace pages K-1 through K-10, with new Tab K, pages K-1 through K-5. |
| P-3 | No changes. |
| P-4 | In the second column, last sentence under heading **Hardship Refund Request**, replace:  
TTD 866-297-0517 with TTD 800-877-8339 |

Print out the corrected pages that follow and replace the erroneous pages in your printed training publications. On the reverse side of each revised page is the continuing page.
<table>
<thead>
<tr>
<th>F(orm) S(hedule) #</th>
<th>Line / Box #</th>
<th>In Scope? Y/N</th>
<th>Scope Limitations</th>
<th>Certification Levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>F 3903</td>
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<td>Yes</td>
<td>Moving Expenses</td>
<td>Military certification required</td>
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<td></td>
<td></td>
<td></td>
<td>In scope for:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Active duty military taxpayer only</td>
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<tr>
<td>F 4136</td>
<td></td>
<td>No</td>
<td>Credit for Federal Tax Paid on Fuels</td>
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<tr>
<td>F 4137</td>
<td></td>
<td>Yes</td>
<td>Social Security and Medicare Taxes on Unreported Tip Income</td>
<td>Advanced certification required</td>
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<tr>
<td>F 4562</td>
<td></td>
<td>No</td>
<td>Depreciation and Amortization (including information on listed property)</td>
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<tr>
<td>F 4684</td>
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<td>No</td>
<td>Casualties and Thefts</td>
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<tr>
<td>F 4797</td>
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<td>No</td>
<td>Sales of Business Property</td>
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</tr>
<tr>
<td>F 4835</td>
<td></td>
<td>No</td>
<td>Farm Rental Income and Expenses</td>
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<tr>
<td>F 4852</td>
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<td>Yes</td>
<td>Substitute for F W-2 or F 1099-R</td>
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<tr>
<td>F 4868</td>
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<td>Yes</td>
<td>Application for Automatic Extension of Time to File U.S. Individual Income Tax Return</td>
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<td>F 4952</td>
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<td>No</td>
<td>Investment Interest Expense Deduction</td>
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<tr>
<td>F 4972</td>
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<td>No</td>
<td>Tax on Lump-Sum Distributions</td>
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<tr>
<td>F 5329</td>
<td></td>
<td>Yes</td>
<td>Additional Tax on Qualified Plans (including IRAs) and Other Tax-Favored Accounts</td>
<td>Advanced certification required</td>
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<td>In scope for:</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Part I</td>
<td></td>
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<td></td>
<td></td>
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<td>Not in scope for:</td>
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<tr>
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<td></td>
<td>• IRA minimum distributions not withdrawn when required</td>
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<td></td>
<td></td>
<td>• Excess contributions to an IRA that are not withdrawn by the due date of the return including extensions</td>
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<td>• Parts II through IX</td>
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<td>F 5405</td>
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<td>Yes</td>
<td>Repayment of the First-Time Homebuyer Credit</td>
<td>Advanced certification required</td>
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<td></td>
<td></td>
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<td>Not in scope for:</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• Taxpayers who claimed credit and their home is destroyed, condemned or disposed of under threat of condemnation</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>• 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. This situation is out of scope for VITA/TCE.</td>
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<td>Yes</td>
<td>IRA Contribution Information</td>
<td>Advanced certification required</td>
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<td>Not in scope for:</td>
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<td>• SEP or SIMPLE contributions</td>
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<td>• Nondeductible contributions</td>
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<td>F 5498-ESA</td>
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<td>Yes</td>
<td>Coverdell ESA Contribution Information (Information only)</td>
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<td>ABLE Account Contribution Information (Information only)</td>
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<td>Yes</td>
<td>HSA, Archer MSA or Medicare Advantage MSA Information</td>
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<td>Not in scope for:</td>
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<td>• Archer MSA</td>
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<td>• Medicare Advantage MSA</td>
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<td>Residential Energy Credit</td>
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<td>Not in scope for:</td>
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<td>• Residential Energy Efficient Property Credit (Part I)</td>
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<td>F 6251</td>
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<td>Yes</td>
<td>Alternative Minimum Tax</td>
<td>Advanced certification required</td>
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<td></td>
<td>• Interest from private activity bond on Line 12</td>
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<td>Out of scope if AMT applies</td>
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<td>F 6252</td>
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<td>Installment Sales Income</td>
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<td>F 6781</td>
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<td>No</td>
<td>Gains and Losses From Section 1256 Contracts and Straddles</td>
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<td>F 7202</td>
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<td>Yes</td>
<td>Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals</td>
<td>Advanced certification required</td>
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<tr>
<td>F 8275</td>
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<td>No</td>
<td>Disclosure Statement</td>
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<td>F 8275 R</td>
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<td>No</td>
<td>Regulation Disclosure Statement</td>
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<td>F 8283</td>
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<td>No</td>
<td>Noncash Charitable Contributions</td>
<td>Noncash contributions of $500 or less are reported on Schedule A and are in scope</td>
</tr>
<tr>
<td>F 8332</td>
<td></td>
<td>Yes</td>
<td>Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent</td>
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<tr>
<td>F 8379</td>
<td></td>
<td>Yes</td>
<td>Injured Spouse Allocation</td>
<td>See F 8958 limitations (community property states)</td>
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<tr>
<td>F(orm) Schedule #</td>
<td>Line / Box #</td>
<td>In Scope? Y / N</td>
<td>Scope Limitations</td>
<td>Certification Levels</td>
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<tr>
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<tr>
<td>F 8396</td>
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<td>No</td>
<td>Mortgage Interest Credit</td>
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<tr>
<td>F 8453</td>
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<td>Yes</td>
<td>U.S. Individual Income Tax Transmittal for an IRS e-file Return</td>
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<td>F 8582</td>
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<td>No</td>
<td>Passive Activity Loss Limitations</td>
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<td>F 8606</td>
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<td>No</td>
<td>Nondeductible IRAs</td>
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<tr>
<td>F 8615</td>
<td></td>
<td>Yes</td>
<td>Tax for Certain Children Who Have Unearned Income (also known as Kiddie Tax)</td>
<td>Advanced certification required</td>
</tr>
<tr>
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<td></td>
<td></td>
<td>In scope for:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Native Americans receiving per capita payments</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>- Alaska residents receiving permanent fund dividends</td>
<td></td>
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<tr>
<td>F 8621</td>
<td></td>
<td>No</td>
<td>Information Return by A Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund</td>
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<td>F 8801</td>
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<td>No</td>
<td>Credit for Prior Year Minimum Tax</td>
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<td>F 8805</td>
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<td>No</td>
<td>Foreign Partner’s Information Statement of Section 1446 Withholding Tax</td>
<td></td>
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<tr>
<td>S 8812</td>
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<td>Yes</td>
<td>Additional Child Tax Credit</td>
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<tr>
<td>F 8814</td>
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<td>Yes</td>
<td>Parent’s Election to Report Child’s Interest and Dividends</td>
<td>Advanced certification required</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>In scope for:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Alaska residents receiving permanent fund dividends</td>
<td></td>
</tr>
<tr>
<td>F 8815</td>
<td></td>
<td>No</td>
<td>Exclusion of Interest From Series EE and I U.S. Savings Bonds issued after 1989</td>
<td></td>
</tr>
<tr>
<td>F 8821</td>
<td></td>
<td>No</td>
<td>Tax Information Authorization</td>
<td></td>
</tr>
<tr>
<td>F 8829</td>
<td></td>
<td>No</td>
<td>Expenses for Business Use of Your Home</td>
<td></td>
</tr>
<tr>
<td>F 8833</td>
<td></td>
<td>No</td>
<td>Treaty-Based Return Positive Disclosure Under Section 6114 or 7701 (b)</td>
<td></td>
</tr>
<tr>
<td>F 8834</td>
<td></td>
<td>No</td>
<td>Plug-In Electric Vehicle Credit</td>
<td></td>
</tr>
<tr>
<td>F 8839</td>
<td></td>
<td>No</td>
<td>Qualified Adoption Expenses</td>
<td></td>
</tr>
<tr>
<td>F 8848</td>
<td></td>
<td>No</td>
<td>Consent to Extend the Time to Access the Branch Profits Tax Under Regulations Section 1.884-2 (a) and (c)</td>
<td></td>
</tr>
<tr>
<td>F 8853</td>
<td></td>
<td>Yes</td>
<td>Archer MSAs and Long-Term Care Insurance Contracts</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>In scope for:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Section C</td>
<td></td>
</tr>
<tr>
<td>F 8857</td>
<td></td>
<td>No</td>
<td>Request for Innocent Spouse Relief</td>
<td></td>
</tr>
<tr>
<td>F 8862</td>
<td></td>
<td>Yes</td>
<td>Information to Claim Earned Income Credit After Disallowance</td>
<td></td>
</tr>
<tr>
<td>F 8863</td>
<td></td>
<td>Yes</td>
<td>Education Credits (American Opportunity and Lifetime Learning Credits)</td>
<td></td>
</tr>
<tr>
<td>F 8865</td>
<td></td>
<td>No</td>
<td>Return of U.S. Persons With Respect to Certain Foreign Partnerships</td>
<td></td>
</tr>
<tr>
<td>F 8880</td>
<td></td>
<td>Yes</td>
<td>Credit for Qualified Retirement Savings Contributions</td>
<td></td>
</tr>
<tr>
<td>F 8885</td>
<td></td>
<td>No</td>
<td>Health Coverage Tax Credit</td>
<td></td>
</tr>
<tr>
<td>F 8886</td>
<td></td>
<td>No</td>
<td>Reportable Transaction Disclosure Statement</td>
<td></td>
</tr>
<tr>
<td>F 8888</td>
<td></td>
<td>Yes</td>
<td>Allocation of Refund (including Savings Bond Purchases)</td>
<td></td>
</tr>
<tr>
<td>F 8889</td>
<td></td>
<td>Yes</td>
<td>Health Savings Accounts (HSAs)</td>
<td>Advanced certification required</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Not in scope for:</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Excess contributions to an HSA that are not withdrawn in a timely fashion</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Qualified HSA funding distributions from an IRA</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Death of an HSA holder (when spouse is not the designated beneficiary)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Additional Tax for Failure to Maintain HDHP Coverage</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Deemed distributions from an HSA due to prohibited transactions, such as using an HSA as a security for a loan</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Archer Medical Saving Accounts (MSA)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Medicare Advantage MSA</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Health Reimbursement Arrangement</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Part III, lines 18-21</td>
<td></td>
</tr>
<tr>
<td>F 8903</td>
<td></td>
<td>No</td>
<td>Domestic Production Activities Deduction</td>
<td></td>
</tr>
<tr>
<td>F 8908</td>
<td></td>
<td>No</td>
<td>Energy Efficient Home Credit</td>
<td></td>
</tr>
<tr>
<td>F 8910</td>
<td></td>
<td>No</td>
<td>Alternate Motor Vehicle Credit</td>
<td></td>
</tr>
<tr>
<td>F 8911</td>
<td></td>
<td>No</td>
<td>Alternative Fuel Vehicle Refueling Property Credit</td>
<td></td>
</tr>
<tr>
<td>F 8915-A</td>
<td></td>
<td>No</td>
<td>Qualified 2016 Disaster Retirement Plan Distributions and Repayments</td>
<td></td>
</tr>
<tr>
<td>F 8915-B</td>
<td></td>
<td>No</td>
<td>Qualified 2017 Disaster Retirement Plan Distributions and Repayments</td>
<td></td>
</tr>
<tr>
<td>Form/Schedule #</td>
<td>Line / Box #</td>
<td>In Scope?</td>
<td>Scope Limitations</td>
<td>Certification Levels</td>
</tr>
<tr>
<td>-----------------</td>
<td>-------------</td>
<td>----------</td>
<td>-------------------</td>
<td>---------------------</td>
</tr>
</tbody>
</table>
| F 8915-E       | Yes         |          | Qualified 2020 Disaster Retirement Plan Distributions and Repayments  
In scope for:  
- 2020 Coronavirus distributions and repayments  
Not in scope for:  
- Any other disaster-related distributions | Advanced certification required |
| F 8917         | Yes         |          | Tuition and Fees Deduction | |
| F 8919         | No          |          | Uncollected Social Security and Medicare Tax on Wages | |
| F 8936         | No          |          | Qualified Plug-in Electric Drive Motor Vehicle Credit | |
| F 8938         | No          |          | Statement of Specified Foreign Assets | |
| F 8948         | No          |          | Preparer Explanation for Not Filing Electronically  
- Not applicable to volunteers | |
| F 8949         | Yes         |          | Sales and other Dispositions of Capital Assets  
In scope for:  
- Sale of stocks, mutual fund shares and personal residences  
- Bond sales reported on a brokerage statement with capital gain or loss only (no ordinary income/loss)  
- Capital gains and losses reported on K-1  
- Capital loss carryovers  
- Inherited property of types listed above in this section and, if inherited in 2010, taxpayer provides the basis  
- Wash sales if reported on brokerage or mutual fund statement  
Not in scope for:  
- Adjustment codes N, Q, X, R, S or C  
- Reduced exclusion on sale of home  
- Residence inherited or received as gift and not used as personal residence. If used as personal residence, taxpayer must provide basis.  
- Taxpayers who have sold any assets other than stock, mutual funds, or a personal residence  
- Taxpayers who trade in options, futures, or other commodities, whether or not they disposed of any during the year  
- Determination of basis issues:  
  - Basis of any asset acquired other than by purchase or inheritance, such as a gift or employee stock option, unless the taxpayer provides the basis and holding period  
  - Basis of inherited property determined by a method other than the FMV of the property on the date of the decedent’s death, unless the taxpayer provides the basis and holding period  
  - Like-kind exchanges and worthless securities  
  - Form 1099-B, boxes with entries for any of the following: Bartering; Profit or (loss) realized on closed contracts; Unrealized profit (loss) on open contracts – prior year; Unrealized profit or (loss) on open contracts – current year; or Aggregate profit (loss) on contracts; Proceeds from collectibles; or FATCA filing requirement  
  - Reduced exclusion computations/determinations for the sale of a home  
  - Married homeowners who do not meet all requirements to claim the maximum exclusion on the sale of a 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 | Advanced certification required |
| F 8958         | Yes         |          | Allocation of Tax Amounts Between Certain Individuals in Community Property States  
In scope for:  
- Taxpayers who are not certain they are in a common law marriage (rules are complex and differ from state to state)  
- Applicable returns as limited by Site or Program Coordinator  
- Depending on your tax assistance program, community property tax laws for married taxpayers who file a separate return from their spouse | |
| F 8959         | No          |          | Additional Medicare Tax | |
| F 8960         | No          |          | Net Investment Income Tax – Individuals, Estates and Trusts | |
# Chart A – For Most People Who Must File

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

<table>
<thead>
<tr>
<th>If your filing status is...</th>
<th>AND at the end of 2020 you were...*</th>
<th>THEN file a return if your gross income was at least...**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>under 65</td>
<td>$12,400</td>
</tr>
<tr>
<td></td>
<td>65 or older</td>
<td>$14,050</td>
</tr>
<tr>
<td>Married filing jointly***</td>
<td>under 65 (both spouses)</td>
<td>$24,800</td>
</tr>
<tr>
<td></td>
<td>65 or older (one spouse)</td>
<td>$26,100</td>
</tr>
<tr>
<td></td>
<td>65 or older (both spouses)</td>
<td>$27,400</td>
</tr>
<tr>
<td>Married filing separately (see the Instructions for Form 1040)</td>
<td>any age</td>
<td>$5</td>
</tr>
<tr>
<td>Head of household (see the Instructions for Form 1040)</td>
<td>under 65</td>
<td>$18,650</td>
</tr>
<tr>
<td></td>
<td>65 or older</td>
<td>$20,300</td>
</tr>
<tr>
<td>Qualifying widow(er) (see the Instructions for Form 1040)</td>
<td>under 65</td>
<td>$24,800</td>
</tr>
<tr>
<td></td>
<td>65 or older</td>
<td>$26,100</td>
</tr>
</tbody>
</table>

* If you were born on January 1, 1956 you are considered to be age 65 at the end of 2020. (If your spouse died in 2020 or if you are preparing a return for someone who died in 2020, see Publication 501)

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

- Do not include any social security benefits unless
  (a) you are married filing a separate return and you lived with your spouse at any time in 2020 or
  (b) one-half of your social security benefits plus your other gross income and any tax-exempt interest is more than $25,000 ($32,000 if married filing jointly).
  If (a) or (b) applies, see the Form 1040 Instructions to figure the taxable part of social security benefits you must include in gross income.

- Gross income includes gains, but not losses, reported on Form 8949 or Schedule D.
- Gross income from a business means, for example, the amount on Schedule C, line 7, or Schedule F, line 9. But, in figuring gross income, don’t reduce your income by any losses, including any loss on Schedule C, line 7, or Schedule F, line 9.

*** If you didn’t live with your spouse at the end of 2020 (or on the date your spouse died) and your gross income was at least $5, you must file a return regardless of your age.

Individuals who do not have a filing requirement based on this chart should also check Chart C, Other Situations When You Must File, and Chart D, Who Should File. Individuals with earned income but who do not have a filing requirement may be eligible for the Earned Income Credit.
Note: If your parent (or any other taxpayer) may claim you as a dependent, use this chart to see if you must file a return.

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

### Single Dependents

**Either 65 or over or blind**

You must file a return if **any** of the following apply.

1. Your unearned income was over $2,750 ($4,400 if 65 or older and blind).
2. Your earned income was over $14,050 ($15,700 if 65 or older and blind).
3. Your gross income was more than the larger of —
   a. $2,750 ($4,400 if 65 or older and blind) or
   b. Your earned income (up to $12,050) plus $2,000 ($3,650 if 65 or older and blind).

**Under 65 and not blind**

You must file a return if **any** of the following apply.

1. Your unearned income was over $1,100.
2. Your earned income was over $12,400.
3. Your gross income was more than the larger of —
   a. $1,100, or
   b. Your earned income (up to $12,050) plus $350.

### Married Dependents

**Either age 65 or older or blind**

You must file a return if **any** of the following apply.

1. Your unearned income was over $2,400 ($3,700 if 65 or older and blind).
2. Your earned income was over $13,700 ($15,000 if 65 or older and blind).
3. Your gross income was at least $5 and your spouse files a separate return and itemizes deductions.
4. Your gross income was more than the larger of —
   a. $2,400 ($3,700 if 65 or older and blind), or
   b. Your earned income (up to $12,050) plus $1,650 ($2,950 if 65 or older and blind).

**Under age 65 and not blind**

You must file a return if **any** of the following apply.

1. Your unearned income was over $1,100.
2. Your earned income was over $12,400.
3. Your gross income was at least $5 and your spouse files a separate return and itemizes deductions.
4. Your gross income was more than the larger of —
   a. $1,100, or
   b. Your earned income (up to $12,050) plus $350.

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

Children under age 18 and certain older children who are required to file a tax return and have unearned income over $2,200 must file Form 8615. For this purpose, “unearned income” includes all taxable income other than earned income, such as taxable interest, ordinary dividends, capital gains, rents, royalties, etc. It also includes taxable social security benefits, pension and annuity income, taxable scholarship and fellowship grants not reported on Form W-2, unemployment compensation, alimony, and income received as the beneficiary of a trust. Form 8615 is in scope for Native Americans receiving per capita payments and Alaska residents receiving permanent fund dividends. For all other purposes, Form 8615 remains Out of Scope.

**Note:** Taxable scholarships and fellowship grants are considered as earned income for the purpose of determining if a dependent must file a tax return and for calculating the standard deduction for dependents.

Taxable scholarships and fellowship grants not reported on Form W-2 are considered to be unearned income for the purpose of calculating kiddie tax.
Form 13614-C Job Aid for Volunteers Page 2

**Certification indicators (B, A, M) should only be used to assign returns to preparers.**

**Final certification level determinations should be made by using the Scope of Service Chart after completing the interview.**

**Important Reminder:** During the interview, question taxpayers about any items marked unsure and mark them “Yes” or “No”. Modify any taxpayer answers to correctly reflect all information obtained during the interview.

### Part III – Income – Last Year, Did You (or Your Spouse) Receive

<table>
<thead>
<tr>
<th>1. (B) Wages or Salary? (Form W-2)</th>
<th>If yes, how many jobs did you have last year?</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. (A) Tip Income?</td>
<td></td>
</tr>
<tr>
<td>3. (B) Scholarships? (Forms W-2, 1089-T)</td>
<td></td>
</tr>
<tr>
<td>4. (B) Interest/Dividends from: checking/savings accounts, bonds, CD’s, brokerage? (Forms 1099-INT, 1099-DIV)</td>
<td></td>
</tr>
<tr>
<td>5. (B) Refund of state/local income taxes? (Form 1099-G)</td>
<td></td>
</tr>
<tr>
<td>6. (B) Alimony income or separate maintenance payments?</td>
<td></td>
</tr>
<tr>
<td>7. (A) Self-Employment income? (Form 1099-MISC, 1099-NEC, cash, virtual currency, or other property or services)</td>
<td></td>
</tr>
<tr>
<td>8. (A) Cash/check/virtual currency payments, or other property or services for any work performed not reported on Forms V or W-2</td>
<td></td>
</tr>
<tr>
<td>9. (A) Income (or loss) from the sale or exchange of Stocks, Bonds, Virtual Currency or Real Estate? (including your home)</td>
<td></td>
</tr>
<tr>
<td>10. (B) Disability income? (such as payments from insurance, or workers compensation) (Form 1099-R, W-2)</td>
<td></td>
</tr>
<tr>
<td>11. (A) Retirement income or payments from Pensions. Annuities, and, or IRA? (Form 1099-R)</td>
<td></td>
</tr>
<tr>
<td>12. (B) Unemployment Compensation? (Form 1099G)</td>
<td></td>
</tr>
<tr>
<td>13. (B) Social Security or Railroad Retirement Benefits? (Forms SSA-1099, RRB-1099)</td>
<td></td>
</tr>
<tr>
<td>14. (M) Income (or loss) from Rental Property?</td>
<td></td>
</tr>
<tr>
<td>15. (B) Other income? (gambling, lottery, prizes, awards, jury duty, virtual currency, Sch K-1, royalties, foreign income, other) Specify</td>
<td></td>
</tr>
</tbody>
</table>

### Part IV – Expenses – Last Year, Did You (or Your Spouse) Pay

| 1. (B) Alimony or separate maintenance payments? If yes, do you have the recipient’s SSN? |
| 2. Contributions to a retirement account? |
| 3. (B) College or post secondary educational expenses for yourself, spouse or dependents? (Form 1098-T) |
| 4. Any of the following? |
| (A) Medical & Dental (including insurance premiums) |
| (A) Mortgage Interest |
| (A) Taxes (State, Real Estate, Personal Property, Sales) |
| (B) Charitable Contributions |
| 5. (B) Child or dependent care expenses such as daycare? |
| 6. (B) For supplies used as an eligible educator such as a teacher, a teacher’s aide, counselor, etc.? |
| 7. (A) Expenses related to self-employment income or any other income you received |
| 8. (B) Student loan interest? (Form 1098-E) |

### Part V – Life Events – Last Year, Did You (or Your Spouse)

| 1. (A) Have a Health Savings Account? (Forms 5498-SA, 1099-SA, W-2 with code W in box 42) |
| 2. (A) Have credit card or mortgage debt cancelled/forgiven by a lender or have a home foreclosure? (Forms 1099-C, 1099-A) |
| 3. (A) Adopt a child? |
| 4. (B) Have Earned Income Credit, Child Tax Credit or American Opportunity Credit disallowed in a prior year? If yes for |
| 5. (A) Purchase and install energy-efficient home items? (such as windows, furnace, insulation, etc.) |
| 6. (A) Receive the First Time Homebuyers Credit in 2008? |
| 7. (B) Make estimated tax payments or apply last year’s refund to this year’s tax? If so how much? |
| 8. (A) File a federal return last year containing a “capital loss carryover” on Form 1040 Schedule D? |
| 9. (A) Have health coverage through the Marketplace (Exchange)? [Provide Form 1095-A] |
| 10. (B) Receive an Economic Impact Payment (stimulus in 2020)? |

### Additional Information

1. Ask your site coordinator where to record the email address. The presidential election campaign fund answer will be entered into Taxpayer Software. 3. See tab K on how to enter information for a refund.

### Additional Information and Questions Related to the Preparation of Your Return

1. Provide an email address (optional) this email address will not be used for contacts from the Internal Revenue Service. 2. Presidential Election Campaign Fund (If you check a box, your tax or refund will not change) Check here if you, or your spouse if filing jointly, want $3 to go to this fund 3. If you are due a refund, would you like: a. Direct deposit b. To purchase U.S. Savings Bonds c. To split your refund |
| You | Spouse |
| Yes | No |
| Yes | Yes |
| No | No |
| No | Yes |
| No | No |
| No | Yes |
| No | No |

Many free tax preparation sites operate by receiving grant money or other federal financial assistance. The data from the follow this site to apply for these grants or to support continued receipt of financial funding. Your answer will be used only for statistic are optional.

7. Did you live in an area that was declared a Federal disaster area? Y | N | Y |

9. Do you or any member of your household have a disability? Y | N | Y |

11. Are you a veteran of the U.S. Armed Forces? Y | N | Y |

**Important Reminder:** A quality review of each return must be completed using the quality review checklist in Tab K.

Form 13614-C Job Aid for Volunteers Page 3

### Additional Information

1. 5. Check for tax benefits for declared disaster areas. 6. Determine if the IRS letter may impact the return and refer to them available resources. 7, 8, 9, 11. Answers to the questions on race will be transferred and collected inside tax payer software.
Starting a New Return

If the SSN is already in use, or the two entries don’t match, the software will display an error message. Re-enter the numbers.

Social Security Number Entry

The next step in creating a new tax return is entering the taxpayer’s Social Security number (SSN) in the space provided. To ensure accuracy, you are required to enter the SSN twice.

If the SSN is already in use, or the two entries don’t match, the software will display an error message. Re-enter the numbers.
### Form W-2 Instructions (continued)

**Wages**

<table>
<thead>
<tr>
<th>Box</th>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Wages, Tips</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Federal Tax Withheld</td>
<td>$</td>
</tr>
<tr>
<td>3</td>
<td>SS Wages</td>
<td>$</td>
</tr>
<tr>
<td>4</td>
<td>Social Security Tax Withheld</td>
<td>$</td>
</tr>
<tr>
<td>5</td>
<td>Medicare Wages</td>
<td>$</td>
</tr>
<tr>
<td>6</td>
<td>Medicare Tax</td>
<td>$</td>
</tr>
<tr>
<td>7</td>
<td>SS Tips</td>
<td>$</td>
</tr>
<tr>
<td>8</td>
<td>Allocated Tips</td>
<td>$</td>
</tr>
<tr>
<td>9</td>
<td>IRS Verification Code (If provided)</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Dependent Care</td>
<td>$</td>
</tr>
<tr>
<td>11</td>
<td>NonQual Plan</td>
<td>$</td>
</tr>
<tr>
<td></td>
<td>Unreported Tips</td>
<td>$</td>
</tr>
</tbody>
</table>

- **Review Box 2 and box 17 to ensure tax withheld was entered and is correct.**
- **The entries in boxes 3, 4, 5, 6 and 16 will auto-populate based on the Box 1 entry. If the figures don’t match taxpayer’s Form W-2, correct the data so that it matches the information on Form W-2.**
- **If there is an entry in Box 10, Form 2441, Child and Dependent Care Expenses, must be completed.**

**Box 11**

- Be sure to complete Box 11 if there is an entry on the original Form W-2. An entry here may indicate that the taxpayer is receiving deferred compensation earned in a prior year.

---

**Warning:** IRS requires that information on electronically filed Form(s) W-2 match the printed Form(s) W-2 exactly if possible. For example, the name cannot be changed, and the software will not accept special characters.

**Tip:** If the taxpayer earned tips that weren’t reported to the employer, enter in the Unreported Tips box. This will add Form 4137, Social Security and Medicare Tax on Unreported Tip Income, to the return. If the taxpayer received tips that weren’t reported to the employer because they were less than $20 a month, go to Other Taxes, select Form 4137 and also enter the amount there. If a taxpayer wishes to use their tip log instead of allocated tips in box 8, leave box 8 blank and report it as unreported tips within the W-2.
Form W-2 Instructions (continued)

For Boxes 12 and 14, choose the code from the drop-down menu and enter the dollar amount. If there are more than 4 items in Box 12, enter the items that impact the tax return (Code D, E, G, P, Q, T, W, AA, BB, EE).

Be sure to select the correct items for Box 13 as indicated on Forms W-2. This is important in calculating the deductibility of IRA contributions.

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 Income screen. Also enter related expenses. Do not mix statutory employee income with other income on the same Schedule C.

Select from the drop-down list for Box 14. If the amount is eligible for the retirement saver’s contributions credit, select Retirement (Not in Box 12) - Carry to Form 8880. To qualify for this treatment, the contribution must be a voluntary, not a mandatory, contribution.

A taxpayer may choose to include qualified Medicaid waiver payments in the calculation of earned income for the EIC and the ACTC. These are payments received for providing nonmedical support services under a plan of care to someone in the taxpayer’s home. If these payments were incorrectly reported in box 1 of Form(s) W-2, enter the amount again in the Medicaid Waiver Payment box. For more information about these payments, see Publications 17 or 525.

If the Form W-2 shows withholding from more than one state, select the Add State button to add the additional information.

Form W-2 Reference Guide for Common Box 12 Codes

A  Uncollected social security or RRTA tax on tips
B  Uncollected Medicare tax on tips
C  Taxable cost of group term life insurance over $50,000 included in boxes 1, 3 (up to social security wage base) & 5.
D  Elective deferrals to a section 401(k) cash or deferred arrangement
E  Elective deferrals under a section 403(b) salary reduction agreement
G  Elective deferrals and employer contributions (including nonelective deferrals) to a section 457(b) deferred compensation plan
H  Elective deferrals to a section 501(c)(18)(D) tax-exempt organization plan. Included in Box 1 as wages, but see Pub 525 Taxable and Nontaxable Income instructions on how to deduct on Form 1040.
J  Nontaxable sick pay
P  Excludable moving expense reimbursements paid directly to employee
Q  Nontaxable combat pay (Military certification)
R  Employee Contributions to MSA, Out of Scope
T  Adoption benefits (Out of Scope)
W  Employer contributions (including amounts the employee contributes through a cafeteria plan) to employee’s health savings account (HSA certification)
AA  Designated Roth contributions under a section 401(k) plan
BB  Designated Roth contributions under a section 403(b) plan
DD  Cost of employer-sponsored health coverage (not taxable)
EE  Designated Roth contributions under a governmental section 457(b) plan

Codes D, E, G, AA, BB, and EE also indicate elective (voluntary) contributions which qualify for retirement savings credit. See Tab G, Nonrefundable Credits.
Form 1099-NEC

Note: Add a Form 1099-NEC in TaxSlayer for each 1099-NEC received.

Sometimes income reported in Box 1, Nonemployee compensation, is related to a hobby - an activity that isn't engaged in for profit. Activities not for profit are Out of Scope. See Publication 525, Taxable and Nontaxable Income, for more complete information about not-for-profit activities.
Connecting the Form 1099-NEC to Schedule C

Transferring 1099-NEC to Schedule C
As it turns out, your 1099-NEC income gets reported on a Schedule C. But don’t worry... We’ll help you get that form set up!

Note: If the taxpayer has more than one business, you must use a separate Schedule C for each.

Note: If there is more than one Form 1099-NEC for the same business, ensure that they are all linked to the same Schedule C. Select the edit icon for the first Schedule C to add the additional Form 1099-NEC to it.

Note: If the Form 1099-NEC income is self-employment, create a Schedule C by selecting the Create a New Schedule C link.

Form 1099-NEC
Check to ensure the Form 1099-NEC is carried to the correct section of Form 1040.

Add another Form 1099-NEC
Payer | Owner | Carried To
--- | --- | ---
ABC COMPANY | Taxpayer | Schedule C

Tip
If the Carried To section says “None” the income is not being reported on the return. Select Edit and link to the appropriate Schedule.
**Schedule C - General Expenses**

**TaxSlayer Navigation:** Federal Section>Income>Profit or Loss from a Business>General Expenses; or Keyword “SC”

**Note:** All allowable and documented expenses must be reported on Sch C. If any deductible expenses are Out of Scope, the entire return is Out of Scope and taxpayer should be referred to professional preparer. There is no option to disregard allowable expenses.

**Note:** The following expenses are Out of Scope: Contract Labor, Depletion, Employee benefit program, Mortgage interest, Pension and profit sharing, and Wages. Health Insurance is in scope for Self-Employed Health Insurance deduction only.

<table>
<thead>
<tr>
<th>Expense</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>$</td>
</tr>
<tr>
<td>Contract Labor</td>
<td></td>
</tr>
<tr>
<td>Commission and fees</td>
<td>$</td>
</tr>
<tr>
<td>Depletion</td>
<td>$</td>
</tr>
<tr>
<td>Employee benefit programs</td>
<td>$</td>
</tr>
<tr>
<td>Health Insurance (will carry automatically to worksheet)</td>
<td>$</td>
</tr>
<tr>
<td>Insurance (other than health)</td>
<td>$</td>
</tr>
<tr>
<td>Long-Term Care Insurance to be Carried to Adjustment</td>
<td>$</td>
</tr>
<tr>
<td>Mortgage interest</td>
<td>$</td>
</tr>
<tr>
<td>Other interest</td>
<td>$</td>
</tr>
<tr>
<td>Legal and professional services</td>
<td>$</td>
</tr>
<tr>
<td>Office expense</td>
<td>$</td>
</tr>
<tr>
<td>Pension and profit sharing</td>
<td>$</td>
</tr>
<tr>
<td>Rent or lease of equipment</td>
<td>$</td>
</tr>
<tr>
<td>Rent or lease of property</td>
<td>$</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>$</td>
</tr>
</tbody>
</table>

**Note:** To be deductible, a business expense must be both ordinary and necessary. An ordinary expense is one that is common and accepted in your industry. A necessary expense is one that is helpful and appropriate for your trade or business. An expense does not have to be indispensable to be considered necessary. Taxpayers can deduct the cost of their own education expenses (including certain related travel) related to the trade or business. They must be able to show the education maintains or improves skills required in their trade or business, or that it is required by law or regulations for keeping their license to practice, status, or job.

**Note:** Car and truck expenses aren’t entered on this page. Those expenses are entered on a separate page.

**Note:** Rentals or leases of equipment for more than 30 days are Out of Scope.

**CAUTION** Expenses that aren’t deductible include bribes and kickbacks; charitable contributions; demolition expenses or losses; and dues paid to business, social, athletic, luncheon, sporting, airline, and hotel clubs.

**Note:** Taxpayers may exclude from gross income any covered Paycheck Protection Plan (PPP) loan forgiveness.

For additional information, refer to IRS Notice 2020-32

**Note:** Use the TaxSlayer Schedule C entry screen Health Insurance box for this Self-Employed Health Insurance Deduction. See Tab E, Adjustments, for information about the self-employed health insurance deduction. Calculations with Premium Tax Credit are Out of Scope with respect to the self-employed health insurance deduction.
### Schedule C - Car and Truck Expenses

**TaxSlayer Navigation:** Federal Section>Income>Profit or Loss from a Business>Car and Truck Expenses; or Keyword “SC”

#### Using actual expense deductions, such as gas, repairs, and depreciation, is Out of Scope.

#### Other: Miles driven for personal purposes.

**Schedule C Car and Truck Expenses**

<table>
<thead>
<tr>
<th>Car and Truck Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Please Note: Actual car or truck expenses must be entered in the depreciation menu for this business. You cannot claim both actual expenses and mileage for the same vehicle.</td>
</tr>
</tbody>
</table>

**Description of Vehicle**

- Enter a brief description of the vehicle; for example, 2008 Ford.

**Date you placed your vehicle in service for business purposes**

- MM, DD, YYYY

<table>
<thead>
<tr>
<th>Business miles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commuting</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

- Enter the number of miles you used your vehicle for each of the following.

**Note:** The total of Business, Commuting and Other miles should add up to the total miles on the vehicle for the year.

**Business miles:** Miles related to the business activity that aren’t commuting miles. For-hire drivers who have mileage in between customer pick-ups can claim the mileage as a business expense.

**Commuting miles:** Miles driven each day from home to the first business location and driven from the last business location back home.

**Note:** The total of Business, Commuting and Other miles should add up to the total miles on the vehicle for the year.

**Warning:** Refer to Publication 463, Travel, Entertainment, Gift, and Car Expenses, for help determining deductible business mileage and nondeductible commuting mileage.

**Note:** The car and truck expense deduction will automatically be calculated using the standard mileage rate, based on the number of business miles entered. The rate is 57.5 cents per mile for tax year 2020. In addition, the taxpayer can deduct the cost of business parking and tolls.

**Note:** If you are self-employed and use your car in your business, you can deduct the business part of state and local personal property taxes on motor vehicles on Schedule C. Enter this on the Taxes line on the Schedule C Expenses screen. If you are self-employed and use your car in your business, you can deduct that part of the interest expense that represents your business use of the car. You cannot deduct the part of the interest expense that represents your personal use of the car. Enter the deductible amount on the Other Interest line on the Schedule C Expenses screen.

**Note:** If you are an employee, you cannot deduct any interest paid on a car loan. This applies even if you use the car 100% for business as an employee.

**Note:** The standard mileage deduction includes depreciation, gas/oil, repairs, insurance, and nontax portion of registration, but not parking, tolls, or business part of registration tax. Taxpayer should have a written record (log or appointment book).
Tax-Favorable Treatment of Coronavirus-Related Retirement Distributions

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) of 2020, provides for expanded distribution options and favorable tax treatment for up to $100,000 coronavirus-related distributions from eligible retirement plans, as well as special rollover rules with respect to such distributions, to qualified individuals. Eligible retirement plans include certain employer retirement plans, such as section 401(k) and 403(b) plans, and IRAs.

Qualified Individuals

These special provisions apply to a qualified individual only. A qualified individual is anyone who:

• is diagnosed, or whose spouse or dependent is diagnosed, with the virus SARS-CoV-2 or the coronavirus disease 2019 (collectively, "COVID-19") by a test approved by the Centers for Disease Control and Prevention (including a test authorized under the Federal Food, Drug, and Cosmetic Act); or

• experiences adverse financial consequences as a result of the individual, the individual's spouse, or a member of the individual's household (that is, someone who shares the individual's principal residence):
  • being quarantined, being furloughed or laid off, or
  • having work hours reduced due to COVID-19;
  • being unable to work due to lack of childcare due to COVID-19;
  • closing or reducing hours of a business that they own or operate due to COVID-19;
  • having pay or self-employment income reduced due to COVID-19; or
  • having a job offer rescinded or start date for a job delayed due to COVID-19.

The taxpayer will determine if they are a qualified individual. Coronavirus-related distributions are permitted without regard to the qualified individual's need for funds, and the amount of the distribution is not required to correspond to the extent of the adverse financial consequences experienced by the qualified individual.

Distributions That Are Not Coronavirus Related

The following amounts are not coronavirus-related distributions. The taxpayer will need to determine if a distribution is or includes any of the following:

– corrective distributions of elective deferrals and employee contributions that are returned to the employee (together with the income allocable thereto) (Form 1099-R, Box 7, code 8)
– certain excess elective deferrals or contributions (Form 1099-R Box 7, code 8 )
– loans that are treated as deemed distributions (Form 1099-R, Box 7, code L)
– dividends paid on applicable employer securities (Form 1099-R, Box 7, code U)
– the costs of current life insurance protection (Form 1099-R, Box 7, code 9)
– prohibited allocations that are treated as deemed distributions (Form 1099-R, Box 7, code 5)
– distributions that are permissible withdrawals from an eligible automatic contribution arrangement
– distributions of premiums for accident or health insurance

Disaster-related distributions that are not coronavirus-related distributions are out of scope. Information on disaster-related distributions is available on irs.gov.

Exception to Additional Tax on Early Distributions

Coronavirus-related distributions are not subject to the 10% (25% for SIMPLE IRAs) additional tax on early distributions. Use Form 5329 to claim exception code 12- Other if the coronavirus-related distribution is also an early distribution, but on no more than the $100,000 maximum.
Three Year Ratble Inclusion in Income
A CARES Act distribution may be included in income ratably over a three-year period, starting with the year in which the distribution is received. Taxpayers may elect out of the 3-year ratable income inclusion. This election cannot be made or changed after the timely filing of the individual’s federal income tax return. All coronavirus-related distributions must be treated consistently - either all distribution must be included in income over a three year period or all are included in income in the year of distribution. Each spouse who is a qualified individual will file Form 8915-E to make their election for their respective eligible distributions.

Recontributions
A qualified individual who receives a coronavirus-related distribution that is eligible for tax-free rollover treatment is permitted to be recontributed any portion of the distribution to the same plan or another eligible retirement plan (such as an IRA) within 3 years from the day after the date of distribution. Not all coronavirus-related distributions qualify for recontrbution. These amounts cannot be recontributed:

- Any coronavirus-related distribution (whether from an employer retirement plan or an IRA) paid to a qualified individual as a beneficiary of an employee or IRA owner (other than the surviving spouse of the employee or IRA owner).
- Any distribution (other than from an IRA) that is one of a series of substantially equal periodic payments made (at least annually) for:
  - A period of 10 years or more,
  - The individual’s life or life expectancy, or
  - The joint lives or joint life expectancies of the individual and the individual’s beneficiary.
- Required minimum distributions.

Thus, pensions are not eligible for recontribution. Since RMDs were waived for 2020, qualified individuals can recontribute a distribution that would have been a 2020 RMD.

A recontribution to an eligible retirement plan at any date before the individual’s federal income tax return is filed (that is, by the due date, including extensions) will reduce the ratable portion of the coronavirus-related distribution that is includible in gross income for that tax year. No election is needed and the taxpayer can decide how much, if any, to recontribute within the permitted 3 year period. If a recontribution exceeds that year’s ratable taxable amount, the taxpayer can either carry back or carry forward the excess recontribution. Recontrbution of an amount taxed in an earlier year will necessitate an amended return.

A recontribution of a coronavirus-related distribution will not be treated as a rollover contribution for purposes of the one-rollover-per-year limitation.

TaxSlayer
Qualified individuals will use Form 8915-E to designate a distribution as a coronavirus-related distribution from an eligible retirement plan. The individual will identify their coronavirus-related distributions (and allocate the $100,000 limitation, if it applies), elect or not elect the 3-year ratable inclusion in income, and show any recontributions made up through the timely filing date of the tax return. Form 5329 is used to claim the coronavirus-related distribution exception to the additional tax on early distributions. Refer to Tab H.

For more information refer to Coronavirus-related relief for retirement plans and IRAs questions and answers at: https://www.irs.gov/newsroom/coronavirus-related-relief-for-retirement-plans-and-iras-questions-and-answers

Disaster-related distributions are Out of Scope. For more information, refer to:

- Disaster Assistance and Emergency Relief for Individuals and Businesses at https://www.irs.gov/businesses/small-businesses-self-employed/disaster-assistance-and-emergency-relief-for-individuals-and-businesses
Screening Sheet for CARES Act
Coronavirus-Related Retirement Plan Distributions

Instructions: Use this screening sheet to assist taxpayers with retirement plan distributions received on or after January 1, 2020, and before December 31, 2020, that may be eligible for special treatment.

1. Were you or your spouse or dependent diagnosed with the virus SARS-CoV-2 or the coronavirus disease 2019 (collectively, "COVID-19") by a test approved by the Centers for Disease Control and Prevention (including a test authorized under the Federal Food, Drug, and Cosmetic Act);
   _____ YES _____NO

   or

   Did you or your spouse experience adverse financial consequences as a result of you, your spouse, or a member of your household (that is, someone who shares your principal residence):

   • being quarantined, furloughed, or laid off or having work hours reduced due to COVID-19,
   • being unable to work due to lack of childcare due to COVID-19,
   • closing or reducing hours of a business that they own or operate due to COVID-19,
   • having pay or self-employment income reduced due to COVID-19, or
   • having a job offer rescinded or start date for a job delayed due to COVID-19.
   _____ YES _____NO

   If you answered yes to either of the above, you may be able to designate your retirement plan distribution as a coronavirus-related distribution. Continue to the next question.

   If you checked no to both, stop here. Your distribution is not a coronavirus-related distribution.

2. Is your distribution any of the following:

   • corrective distributions of elective deferrals and employee contributions that are returned to the employee (together with the income allocable thereto) (Form 1099-R, Box 7, code 8)
   • certain excess elective deferrals or contributions (Form 1099-R, Box 7, code 8)
   • loans that are treated as deemed distributions (Form 1099-R, Box 7, code L)
   • dividends paid on applicable employer securities (Form 1099-R, Box 7, code U)
   • the costs of current life insurance protection (Form 1099-R, Box 7, code)
   • prohibited allocations that are treated as deemed distributions (Form 1099-R, Box 7, code 5)
   • distributions that are permissible withdrawals from an eligible automatic contribution arrangement
   • distributions of premiums for accident or health insurance
   _____YES_____NO

   If you answered yes, stop here. Your distribution is not a coronavirus-related distribution.

   Note: The maximum amount of distributions for these special provisions is $100,000. You and your spouse are each limited to $100,000 for either option for your respective distributions.

   First choice: You can include your eligible distribution in income ratably over 3 years. If you select this option:

   • 1/3 of your eligible distributions will be included in income in 2020, 1/3 in 2021, and 1/3 in 2022.
   • all coronavirus-related retirement distributions must be treated the same (either spread all over 3 years or include the entire amount in income in 2020).
   • this election cannot be changed after the timely filing of your 2020 tax return.

3. Would you like to spread the income from your distribution over the 3 years? _____YES_____NO
Screening Sheet for CARES Act
Coronavirus-Related Retirement Plan Distributions

Second choice: You also may recontribute all or part of a coronavirus-related distribution that is eligible for tax-free rollover treatment. You cannot recontribute the following:

- Any coronavirus-related distribution (whether from an employer retirement plan or an IRA) paid to a qualified individual as a beneficiary of an employee or IRA owner (other than the surviving spouse of the employee or IRA owner).
- Any distribution (other than from an IRA) that is one of a series of substantially equal periodic payments made (at least annually) for:
  - A period of 10 years or more,
  - The individual's life or life expectancy, or
  - The joint lives or joint life expectancies of the individual and the individual's beneficiary.
- Required minimum distributions.

Additionally:

- Recontributions can be to the same account, if allowed by the administrator or trustee, or to a different account, such as an IRA.
- You have 3 years from the day after you received the distribution to recontribute. A recontribution up to the day you timely file your federal income tax return will reduce the ratable portion of the coronavirus-related distribution that is includible in gross income for that tax year. For example: a repayment on Feb. 1, 2021, (before you file your 2020 return) will reduce the amount included in income in 2020.

No election is needed – just let us know how much you repay and when.

You can choose both:

- Include 1/3 of the distribution in income for 2020, 2021, and 2022, and
- Reserve the right to recontribute any or all of your distribution.

You can change your mind about recontributing your distribution (that is, you aren’t required to recontribute it). But the election to include the distribution in income ratably over three years cannot be changed once your 2020 return is filed.
Taxable Amount Not Determined
(Special Circumstances)

**TaxSlayer Navigation:** Federal Section>Income>1099-R, RRB-1099, RRB-1099-R, SSA-1099>Add or Edit a 1099-R>Calculate taxable amount; or Keyword “R”

The following screen is displayed when “Click here for options” link under “Do you need to calculate your taxable income?” is selected.

**Public Safety Officers Distribution**

Enter the amount of PSO health insurance premiums paid from the pension (up to $3,000). Deduct any amount of premiums paid in excess of $3,000 as an itemized deduction.

**Public Safety Officer Exclusion for Health Insurance Premiums**

If you are an eligible retired public safety officer (police/law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew), you can elect to exclude from income distributions made from an eligible retirement plan that are used to pay the premiums for accident or health insurance or long-term care insurance. The premiums can be for coverage for you, your spouse, or dependents. The distribution must be made directly from the plan to the insurance provider. You can exclude from income the smaller of the amount of the insurance premiums or $3,000. You can only make this election for amounts that would otherwise be included in your income. The amount excluded from your income can’t be used to claim a medical expense deduction.

Select begin for the Simplified Method Worksheet. If the taxpayer has both retired public safety officer (PSO) health insurance exclusion and Simplified Method features, select the Simplified Method Worksheet.

If the retired PSO does not need a Simplified Method calculation, select the PSO Distribution.
No need to enter in TaxSlayer
Entering Rental and Royalty Income in TaxSlayer

**TaxSlayer Navigation:** Income>Supplemental Income and Loss>Schedule E Rent and Royalty Information; or Keyword “SC”

Volunteers must certify at Military level to prepare Schedule E for rental income. Rental income and expenses are in-scope only for military families renting their personal residences.

- Check the box if the taxpayer had any days of personal use while the property was available for rent. Enter the number of days here.
- Enter the total rental payments received for the tax year.
- Enter number of days rented at fair rental value. If the property is temporarily rented for less than 15 days during the tax year, the rental income is not taxable and the expenses are not deductible on a Schedule E.
- Check here if the taxpayer actively participated. A rental loss will not appear on Form 1040, unless the taxpayer actively participated. In order to actively participate, the taxpayer must have substantial involvement in managing the rental property, such as making management decisions and arranging for repairs.

Use Schedule E to report rental income only when the taxpayer is not a real estate professional (determination of professional status is Out of Scope). Refer taxpayers who are real estate professionals to a professional tax preparer.

If Form 4562 is required, the tax return is Out of Scope.

**Schedule E Rentals and Royalties**

Currently Editing: oil

- **Rent and Royalty Basic Information**
- **Depreciation**
- **Expenses**
- **Car and Truck Expenses**
- **Qualified Business Income Deduction**

Select to edit the physical address, type of property, and to report the number of fair rental and personal use days.

Select to enter rental expenses.

Select to enter vehicle expenses.
# Adjustments to Income

**TaxSlayer Navigation:** Federal Section > Deductions > Adjustments

<table>
<thead>
<tr>
<th>Adjustments</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Savings Account Form 8853</td>
<td>MSA Out of Scope</td>
</tr>
<tr>
<td>Educator Expenses</td>
<td></td>
</tr>
<tr>
<td>Expenses for Reservists, Performing Artists, and Qualifying Government Employees</td>
<td></td>
</tr>
<tr>
<td>Health Savings Account Form 8889</td>
<td>Health Savings Account – select to open Form 8889, Health Savings Accounts.</td>
</tr>
<tr>
<td>Moving Expenses Form 3903</td>
<td></td>
</tr>
<tr>
<td>Contributions to SEP, Simple, and Qualified Plans</td>
<td>Contributions to SEP, Simple and Qualified Plans - Out of Scope</td>
</tr>
<tr>
<td>Self-Employed Health Insurance</td>
<td>Self-employed health insurance deduction is in scope (Advanced certification required)</td>
</tr>
<tr>
<td>Penalty on Early Withdrawal of Savings or CD</td>
<td></td>
</tr>
<tr>
<td>Alimony Paid</td>
<td></td>
</tr>
<tr>
<td>IRA Deduction</td>
<td></td>
</tr>
<tr>
<td>Nondeductible IRAs Form 8606</td>
<td>Form 8606 Nondeductible IRAs is Out of Scope</td>
</tr>
<tr>
<td>Student Loan Interest Deduction</td>
<td></td>
</tr>
<tr>
<td>Tuition and Fees Deduction</td>
<td></td>
</tr>
<tr>
<td>Domestic Production Form 8903</td>
<td>Form 8903 Domestic Production Activities Deduction is Out of Scope</td>
</tr>
<tr>
<td>Other Adjustments</td>
<td>Select other adjustments for jury duty pay turned over to employer</td>
</tr>
</tbody>
</table>

**Note:** Taxpayers who do not itemize deductions are able to deduct up to $300 of cash contributions to charitable organizations per return. Deductions are limited to $300 if single, head of household, or qualifying widow(er); $300 if married filing jointly; or $150 if married filing separately.
Employee Business Expenses

Form 2106 Information

Personal Information

Form belongs to *

- [ ] Taxpayer Sample
- [ ] Spouse Sample

Occupation:

☐ Check here if you are a member of a Reserve Component of the United States, including National Guard and reserves, a performing artist, or qualifying government employees.

☐ Check here to Prorate Expenses for Minister/Clergy.

Other Expenses

Entry of auto expenses will be available once you “Continue”

Parking fees, tolls, and transportation, including train, bus, etc., that did not involve overnight travel or commuting to and from work

$...

Enter parking or ferry fees and tolls.

Travel expense while away from home overnight, including lodging, airplanes, car rental, etc. Do not include meals

$...

Enter lodging expense.

Business expenses not included above or in vehicle expenses. Do not include meals

$...

Amount paid by employer (not on W-2 Box 1)

$...

Meal Expenses

Enter your meal expenses. The program will automatically take 50% of these expenses

$...

Enter meal expenses at the federal per diem rate.

Amount Employer paid for meals

$...

Select Continue and enter vehicle information and mileage from the menu on the next screen.

Note: Form 2106 is in scope for Military certification only.

Check the box to indicate that the taxpayer is a member of a Reserve Component.

Note: Military reservists who must travel more than 100 miles away from home to attend a drill or reserve meeting may deduct their travel expenses as an adjustment to income. Entertainment expenses are not allowed.

The amount of expenses that can be deducted is limited to the:

1) actual lodging costs, limited to the federal per diem rate.

2) federal per diem rate for meals and incidental expenses and

3) standard mileage rate (for car expenses) plus any parking fees, ferry fees and/or tolls.

Enter this information on Form 2106.
# Moving Expenses

Moving expenses apply to active duty military only. Must be certified for Military.

**Note:** You can deduct the expenses that are more than your reimbursements in the year you paid or incurred the expenses.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enter number of miles from your OLD home to your NEW work place</td>
<td></td>
</tr>
<tr>
<td>Enter number of miles from your OLD home to your OLD work place</td>
<td></td>
</tr>
<tr>
<td>If an EMPLOYEE, check here if you did work full time in the general area of your NEW work place for AT LEAST 39 weeks during the 12 months right after your move</td>
<td>$</td>
</tr>
<tr>
<td>If SELF-EMPLOYED, check here if you did work full time in the NEW general area for AT LEAST 39 weeks during the first 12 months AND a total of AT LEAST 78 weeks during the 24 months right after your move</td>
<td>$</td>
</tr>
<tr>
<td>Check here if this move qualifies as a military permanent change of address move</td>
<td>$</td>
</tr>
<tr>
<td>Enter the amount you paid for transportation and storage of household goods and personal effects</td>
<td>$</td>
</tr>
<tr>
<td>Enter the total amount the government paid you for the expenses listed on lines 1 and 2 that is not included in the wage box (Box 1) of your W-2 form. This amount should be shown in box 12 of your Form W-2 with code P</td>
<td>$</td>
</tr>
<tr>
<td>Enter amount from Form W-2, Box 12, code P</td>
<td>$</td>
</tr>
<tr>
<td>Check the box to indicate a Permanent Change of Station (PCS) move</td>
<td>$</td>
</tr>
</tbody>
</table>

**Note:** 17 cents per mile driven for medical or moving purposes

**Check the box to indicate a Permanent Change of Station (PCS) move.**

**Reminder:** Your moving trip is the one-way trip you took from your old home directly to your new home. It does not include househunting trips or sightseeing trips you took along the way. Include expenses paid for both you and your household.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>How much was spent on lodging?</td>
<td>$</td>
</tr>
<tr>
<td>How much was spent on parking fees and tolls?</td>
<td>$</td>
</tr>
<tr>
<td>Did you use your own vehicle for your moving trip? *</td>
<td>$</td>
</tr>
<tr>
<td>Enter lodging costs. You can’t deduct the cost of unnecessary side trips or lavish and extravagant lodging.</td>
<td>$</td>
</tr>
<tr>
<td>If yes, enter number of miles or the taxpayer’s actual amounts for gas and oil if they maintained receipts. Don’t enter both.</td>
<td>$</td>
</tr>
<tr>
<td>Additional travel expenses (airfare, train tickets, etc) for you and your household</td>
<td>$</td>
</tr>
</tbody>
</table>

**Note:**
- You can’t deduct the following items as moving expenses.
- Any part of the purchase price of your new home.
- Car tags.
- Driver’s license.
- Expenses of buying or selling a home (including closing costs, mortgage fees, and points).
- Expenses of entering into or breaking a lease.
- Home improvements to help sell your home.
- Loss on the sale of your home.
- Losses from disposing of memberships in clubs.
- Mortgage penalties.
- Real estate taxes.
- Refitting of carpet and draperies.
- Return trips to your former residence.
- Security deposits (including any given up due to the move).
- Storage charges except those incurred in transit and for foreign moves.

**Note:**
- Enter amount from Form W-2, Box 12, code P.
- Check the box to indicate a Permanent Change of Station (PCS) move.
- Enter lodging costs. You can’t deduct the cost of unnecessary side trips or lavish and extravagant lodging.
- If yes, enter number of miles or the taxpayer’s actual amounts for gas and oil if they maintained receipts. Don’t enter both.
- Additional travel expenses (airfare, train tickets, etc) for you and your household.
- How much was spent on lodging?
- How much was spent on parking fees and tolls?
- Did you use your own vehicle for your moving trip? *
**Educator Expenses**

**TaxSlayer Navigation:** Federal section >Deductions >Adjustments>Educator Expenses

Don’t rely on this table alone. Refer to Publication 17, Your Federal Income Tax For Individuals, for more details.

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is the maximum benefit?</td>
<td>$250 (If the taxpayer and spouse are both eligible educators, they can deduct up to $500, but neither can deduct more than their own expenses up to $250).</td>
</tr>
<tr>
<td>Who can claim the expense?</td>
<td>Eligible Educators — an eligible educator is a kindergarten through grade 12 teacher, instructor, counselor, principal, or aide who worked in a school for at least 900 hours during a school year.</td>
</tr>
<tr>
<td>What are qualifying expenses?</td>
<td>Qualifying expenses include ordinary and necessary expenses paid in connection with books, supplies, equipment (including computer equipment, software, and services), and other materials used in the classroom. Additionally, professional development expenses are allowed unless reimbursement is offered by the school but not accepted.</td>
</tr>
<tr>
<td>What are nonqualifying expenses?</td>
<td>Expenses for home schooling or nonathletic supplies for courses in health or physical education.</td>
</tr>
<tr>
<td>What other issues apply?</td>
<td>Taxpayer must reduce qualified expenses by</td>
</tr>
<tr>
<td></td>
<td>• Excludable U.S series EE and I savings bond interest from Form 8815</td>
</tr>
<tr>
<td></td>
<td>• Nontaxable qualified tuition program earnings or distributions</td>
</tr>
<tr>
<td></td>
<td>• Nontaxable distribution of earnings from a Coverdell education savings account</td>
</tr>
<tr>
<td></td>
<td>• Any reimbursements received for expenses that weren’t reported on the Form W-2</td>
</tr>
</tbody>
</table>

**Note:** Professional development expenses include courses related to the curriculum in which the educator provides instruction.

**Note:** Qualified expenses include amounts paid or incurred after March 12, 2020, for personal protective equipment, disinfectant, and other supplies used for the prevention of the spread of coronavirus.

**CAUTION:** The deduction amount is indexed for inflation and may change in future years.
### Schedule A - Itemized Deductions (continued)

#### Schedule A Interest

<table>
<thead>
<tr>
<th>Description</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Mortgage Loan(s) used to Buy/Build/Improve Home</td>
<td></td>
</tr>
<tr>
<td>Mortgage Interest Reported on Form 1098</td>
<td>ADD</td>
</tr>
<tr>
<td>Mortgage Interest Not Reported on Form 1098</td>
<td>COMMENT</td>
</tr>
<tr>
<td>Points Not Reported on Form 1098</td>
<td>COMMENT</td>
</tr>
<tr>
<td>Private Mortgage Insurance (PMI) Deduction</td>
<td>COMMENT</td>
</tr>
</tbody>
</table>

- **Select for mortgage interest reported on Form 1098. Enter amount from Form 1098, Box 1 (and Box 2, if applicable).**
- **Private mortgage insurance premiums are deductible for 2020 and should be entered on the Schedule A Interest screen in TaxSlayer.**

#### Note:
- The deduction for home equity debt is disallowed as a mortgage interest deduction unless the home equity debt was used to build, buy, or substantially improve the taxpayer’s qualified residence.
- A reverse mortgage is a loan where the lender pays you (in a lump sum, a monthly advance, a line of credit, or a combination of all three) while you continue to live in your home. With a reverse mortgage, you retain title to your home. Depending on the plan, your reverse mortgage becomes due with interest when you move, sell your home, reach the end of a preselected loan period, or die. Because reverse mortgages are considered loan advances and not income, the amount you receive isn’t taxable. Any interest (including original issue discount) accrued on a reverse mortgage is considered interest on home equity debt and isn’t deductible.

#### Home Mortgage Loan(s) used to Buy/Build/Improve Home

Did you use all of your home mortgage loan(s) to buy, build or improve your home? *

- Yes
- No

- **For mortgages entered into after December 15, 2017, the amount of interest you can deduct is on no more than $750,000 of debt used to buy, build, or substantially improve your principal home and a second home ($375,000 in the case of married taxpayers filing separate tax returns) for tax years 2018 through 2025. If the taxpayer secured a mortgage for acquisition debt on or before December 15, 2017, the new tax law doesn’t change the amount of the deductible mortgage interest. Deductible interest remains limited to mortgage interest on up to $1 million ($500,000 MFS).**

#### Mortgage Interest Reported on 1098

Add/Edit Interest Reported

- **ADD INTEREST & POINTS PAID**

If there are multiple mortgages, make additional Schedule A Interest entries.

#### Real Estate Taxes (Non-Business Property)

<table>
<thead>
<tr>
<th>Description</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate Taxes (Non-Business Property)</td>
<td></td>
</tr>
</tbody>
</table>

- **Enter real estate taxes on the 1098 screen if all real estate tax paid was reported on the Form 1098. Otherwise, enter on the Other Taxes Paid screen.**

Points from refinancing must be spread over the life of the mortgage unless used to remodel (see section in Publication 17, labeled “Points”). Enter loan origination fee from closing statement as points not reported on Form 1098 if not included as points on Form 1098.
These types of donations are not deductible: political; country club/fraternal lodge; chambers of commerce; raffle, bingo, or lottery tickets; tuition; value of time/services; gifts to lobby groups; civic leagues, social clubs; labor unions, homeowners association dues.

Note: Taxpayers who do not itemize deductions are able to deduct up to $300 of cash contributions to charitable organizations per return. Deductions are limited to $300 if single, head of household, or qualifying widow(er); $300 if married filing jointly; or $150 if married filing separately.
# Nonrefundable Credits

**TaxSlayer Navigation:** Federal Section>Deductions>Credits Menu

## Credits

<table>
<thead>
<tr>
<th>Credit Type</th>
<th>Form/Menu</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Tax Credit Form 1116</td>
<td>Select for Form 1116, Foreign Tax Credit</td>
</tr>
<tr>
<td>Child Care Credit Form 2441</td>
<td>Select for Form 2441, Child and Dependent Care Expenses. See Child and Dependent Care Credit Expenses/Screening Sheet later in this tab.</td>
</tr>
<tr>
<td>Education Credits Form 1099-T</td>
<td>Select for Form 8863 Education Credits. See Tab J, Education Benefits</td>
</tr>
<tr>
<td>Retirement Savings Credit Form 8880</td>
<td>Select for Form 8880, Credit for Qualified Retirement Savings Contributions. Complete this screen if taxpayer (or spouse) made any contributions to a qualified retirement plan.</td>
</tr>
<tr>
<td>Residential Energy Credit Form 5695</td>
<td>Select for Form 5695, Residential Energy Credit. See Tab EXT, Legislative Extenders for more information.</td>
</tr>
<tr>
<td>Adoption Credit Form 8839</td>
<td>Select for EIC worksheets, See Tab I, Earned Income Credit.</td>
</tr>
<tr>
<td>DC First-Time Homebuyer Credit Form 8859</td>
<td>If taxpayer qualifies for the credit for the elderly or the disabled, open Schedule R. Refer to the Credit for the Elderly or the Disabled - Screening Sheet later in this tab.</td>
</tr>
<tr>
<td>Mortgage Interest Credit Form 8396</td>
<td></td>
</tr>
<tr>
<td>Claiming Refundable Credits after Disallowance Form 8862</td>
<td></td>
</tr>
<tr>
<td>EIC Check-list</td>
<td></td>
</tr>
<tr>
<td>Credit for the Elderly or Disabled Schedule R</td>
<td></td>
</tr>
<tr>
<td>Alternative Motor Vehicle Credit (Hybrid Cars) Form 8910</td>
<td></td>
</tr>
<tr>
<td>Qualified Electric Motor Vehicle Credit Form 8936</td>
<td></td>
</tr>
<tr>
<td>Small Employer Health Insurance Premiums Form 8941</td>
<td></td>
</tr>
<tr>
<td>Credit for Federal Tax Paid on Fuels Form 4136</td>
<td></td>
</tr>
<tr>
<td>Credit for Increasing Research Activities from Pass-through Entities Form 6768</td>
<td></td>
</tr>
<tr>
<td>Investment Credit Form 3468</td>
<td></td>
</tr>
</tbody>
</table>

**Hint:** Nonrefundable credits can’t exceed the taxpayer’s federal income tax.

## Form 8863

**TaxSlayer Navigation:** Federal Section>Deductions>Credits Menu>Education Credits; or Keyword "8863".

For complete education credit information refer to Tab J, Education Benefits.
Child Tax Credit

This is a credit intended to reduce the tax. This part of the credit isn’t refundable. The credit is up to $2,000 per qualifying child. This credit calculates automatically.

Qualifying child:
1. Under age 17 at the end of the tax year.
2. A U.S. citizen or U.S. national* or resident alien of the United States. See Tab L, Resident/NR Alien.
3. Child must be claimed as your dependent.**
4. Your:
   a. son or daughter, adopted child, stepchild, eligible foster child, or a descendant of any of them
   b. brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them (for example, your niece or nephew)
5. Didn’t provide over half of his or her own support.
6. Lived with the taxpayer for more than half of the tax year. (See Exception to Time Lived with You section on the Child Tax Credit chart on the following page.)
7. Must have a Social Security Number that is valid for employment issued before the due date of the return, including extensions.

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

**Refer to the tables in Tab C, Dependents, for the rules governing who may be claimed as a dependent.

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

Additional Child Tax Credit (ACTC) – General Eligibility

Note: Make sure the taxpayer’s credit hasn’t been disallowed previously. If previously disallowed, see Form 8862, Information To Claim Certain Credits After Disallowance, in Tab I, Earned Income Credit.

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

- Taxpayers with more than $2,500 of taxable earned income may be eligible for the additional child tax credit if they have at least one qualifying child.
- Taxpayers with three or more children may also be eligible for additional child tax credit regardless of their income.
- Limited to $1,400 per qualifying child

Schedule 8812, Additional Child Tax Credit, is used to calculate the allowable additional child tax credit. See Tab C, Dependents, and the worksheet in the instruction booklet for additional information (including definitions and special rules relating to an adopted child, foster child, or qualifying child of more than one person).

Note: The IRS cannot issue refunds before mid-February for returns that properly claim the earned income credit (EIC) or the ACTC.

Note: Taxpayers may not file an amended return to retroactively claim the additional child tax credit for a qualifying child if a valid SSN for the child is issued after the due date of the tax return.

Note: (International Certification only) If you claim the foreign earned income exclusion, the housing exclusion, or the housing deduction on Form 2555, you can’t claim the additional child tax credit.

Note: See Disallowance of Certain Credits in Tab I, Earned Income Credit, if the taxpayer received a letter saying they had to complete Form 8862. If a child was a resident of the U.S., be sure to mark the “substantial presence” box in the Dependents Section or the EXPANDED child tax credit could be denied.

Note: Taxpayers may be able to elect to use their 2019 earned income to figure their earned income credit (EIC) and additional child tax credit (ACTC) if their 2019 earned income is more than their 2020 earned income. This election is made on the Basic Information>Personal Information page. COVID19 will automatically appear in the Designation box when the check box is selected for Taxpayer wishes to elect to use their 2019 earned income to figure their 2020 earned income credit and/or child tax credit. Manually enter 2019 earned income in the Prior Year Earned Income for Disaster Victims box.
Self-Employment Tax Deferral

TaxSlayer Navigation: Federal Section>Other Taxes>Self-Employment Tax

Social Security Deferral (Optional)

According to the CARES Act, you may be eligible to defer a portion of your Social Security tax payment. Half of the deferred taxes must be paid back by Dec. 31, 2021, and the other half must be paid back by Dec. 31, 2022.

I would like to defer a portion of my Social Security tax.

Note: Selecting Continue will take you to enter your preferred deferral amount.

Deferrable self-employed net earnings (Max: 5000)
Enter earnings from 03/27/2020 - 12/31/2020

$ 

Deferrable church employee income earnings for self-employment tax (Max: 0)
Enter earnings from 03/27/2020 - 12/31/2020

$ 

Use any reasonable method to divide the net profit you reported between (a) January 1, 2020, through March 26, 2020, and (b) March 27, 2020, through December 31, 2020. A reasonable method will accurately reflect the time when income was earned and deductible expenses were paid. In most cases, a proportional division of the amount reported based upon the number of days in each period will be considered reasonable.
Self-Employment Tax Deferral

TaxSlayer Navigation: Federal Section>Other Taxes>Self-Employment Tax

Enter an amount equal to or less than the maximum deferral amount. The taxpayer may be able to defer some self-employment tax payments they owe on their 2020 tax return and pay them later instead. However, they can't defer amounts that they have already paid, which includes:

- Federal income taxes withheld
- Estimated taxes
- Amounts paid with request for extension to file
- Excess Social Security and tier 1 RRTA tax withheld

If the taxpayer qualifies, the amount they may defer is figured using Deferral Worksheet for Schedule H or Schedule SE filers—Schedule 3, line 12e, in Form 1040 and 1040-SR Instructions.

Note: The deferred amount is a deferral of payments, not a deferral of your 2020 income tax liability. Any amount you enter must be paid by the due dates shown on lines 13 and 14 of the Deferral Worksheet for Schedule H or Schedule SE filers to be treated as timely and avoid interest and penalties. Any deferred amount may be paid before the due date. Payments you make are first applied against your payment due on December 31, 2021, and then applied against your payment due on December 31, 2022.
## Tax for Children who Have Unearned Income

<table>
<thead>
<tr>
<th>Step</th>
<th>Question</th>
<th>Yes Option</th>
<th>No Option</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Was the child’s unearned income, including taxable scholarships and grants, more than $2,200?</td>
<td>Go to Step 2</td>
<td>Don’t use Form 8615 to figure the child’s tax.</td>
</tr>
<tr>
<td>2</td>
<td>Is the child required to file a tax return for 2020?</td>
<td>Go to Step 3</td>
<td>Don’t use Form 8615 to figure the child’s tax.</td>
</tr>
<tr>
<td>3</td>
<td>Was the child under age 18 at the end of 2020?</td>
<td>Go to Step 8</td>
<td>Go to Step 4</td>
</tr>
<tr>
<td>4</td>
<td>Was the child age 18 at the end of 2020?</td>
<td>Go to Step 7</td>
<td>Go to Step 5</td>
</tr>
<tr>
<td>5</td>
<td>Was the child under age 24 at the end of 2020?</td>
<td>Go to Step 6</td>
<td>Don’t use Form 8615 to figure the child’s tax.</td>
</tr>
<tr>
<td>6</td>
<td>Was the child a full-time student in 2020?</td>
<td>Go to Step 7</td>
<td>Don’t use Form 8615 to figure the child’s tax.</td>
</tr>
<tr>
<td>7</td>
<td>Did the child have earned income that was more than half of his or her support?</td>
<td>Don’t use Form 8615 to figure the child’s tax.</td>
<td>Go to Step 8</td>
</tr>
<tr>
<td>8</td>
<td>Was at least one of the child’s parents alive at the end of 2020?</td>
<td>Go to Step 9</td>
<td>Don’t use Form 8615 to figure the child’s tax.</td>
</tr>
<tr>
<td>9</td>
<td>Is the child filing a joint return for 2020?</td>
<td>Don’t use Form 8615 to figure the child’s tax.</td>
<td>Go to Step 10</td>
</tr>
<tr>
<td>10</td>
<td>Form 8615 must be used to figure the child’s tax. Form 8615 is in scope for Native Americans receiving per capita payments and Alaska residents receiving permanent fund dividends. For all other purposes, Form 8615 remains Out of Scope.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:** If the child’s parent chooses to report the child’s income by filing Form 8814, the child isn’t required to file a tax return. Don’t use Form 8615. (See Parent’s Election to Report Child’s Interest and Dividends.) Form 8814 is in scope for Alaska residents receiving permanent fund dividends. For all other purposes, Form 8814 remains Out of Scope.
Additional Tax on IRAs and Other Qualified Plans –

**TaxSlayer Navigation:** Federal Section>Other Taxes>Tax on Early distribution; or Keyword “5329”

A 10% penalty is calculated on Form 5329, Additional Tax on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts, for early withdrawal before age 59-1/2. If an exception applies, enter the code and the amount on line 2 of Form 5329.

Advanced Certification Required for this topic.

---

**Form 5329**

**Part I - Additional Tax on Early Distributions**

- **Form belongs to**
  - Testing Taxpayer
  - Spouse Taxpayer

  **Funds distributed from a SIMPLE IRA in the first two years are subject to a 25% early distribution tax. If an exception applies, enter the amount not subject to the tax here.**

  **Early Distributions that are not subject to 10% tax**

  - $ 

  **Select the reason for exemption**

  - **Please Select**

  **Part II - Additional Tax on Certain Distributions from Education Accounts**

  **Coverdell ESAs and QTPs that are not subject to the additional tax**

  - $
Payments and Estimates

**Excess Social Security** - Calculated automatically if there are multiple W-2s for an individual and the combined wages exceed the maximum subject to Social Security for the year.

**2020 Estimated Tax Payments - Federal and/or State**

- Open Federal Estimated Payments for 2020 or State Estimated Payments and enter:
  - Any refund amount from last year that was credited toward estimated taxes for the current year
  - Enter actual amount paid in each quarter.

**Federal or State Income Tax Withheld** - Entered automatically from the entries made on Forms W-2, 1099, SSA 1099, etc. For Form 1099 withholding not listed elsewhere, enter in Other Federal Withholdings or Other State Withholdings.

**Payments and Estimates**

- Federal Estimated Tax Payments
  - Federal tax payments already made for 2019
- State Estimated Payments
  - State tax payments already made for 2019
- Other Federal Withholdings
  - Federal withholdings you haven't already entered
- Other State Withholdings
  - State withholdings you haven't already entered
- Underpayment of Estimated Tax
  - Determine if you owe a penalty for underpayment of estimated tax and next steps
- Apply Overpayment to Next Year's Taxes
  - Option to apply all or part of your refund to next year's taxes
- Vouchers for 2020 Estimated Tax Payments
  - Print vouchers for estimated tax payments
- Amount Paid with Extension
  - Amount paid with Form 4868

**Amount to be Applied to 2021 Estimated Tax**

Enter the amount of overpayment to apply to 2021.

**TIP Estimated tax payments for 2020 normally due on April 15, 2020 and June 15, 2020 are treated as timely when made by July 15, 2020.**

*To apply state refunds to next year's taxes, go to State>Payments>Apply Your State Refund*

**Note:** Under the CARES Act, joint returns of couples where only one member of the couple had a Social Security number were generally ineligible for a payment – unless they were a member of the military. The Consolidated Appropriations Act, 2021, signed into law on December 27, 2020, expands that provision, and more people are now eligible.

In this situation, these families will now be eligible to receive payments for the taxpayers and qualifying children of the family who have work-eligible SSNs. People in this group who don’t receive an Economic Impact Payment can claim this when they file their 2020 taxes under the Recovery Rebate Credit. Taxpayers who don’t get a payment and are eligible to receive one, may claim it on their 2020 tax return as the Recovery Rebate Credit.
Eligible taxpayers who received a smaller-than-expected Economic Impact Payment (EIP) may qualify to receive an additional amount when they file their 2020 federal income tax return. EIPs are technically an advance payment of a new temporary tax credit (recovery rebate credit) that eligible taxpayers can claim on their 2020 return.


You may be able to claim the recovery rebate credit only if your economic impact payments are less than your credit. This happens when:

- You are eligible but were not issued an EIP 1, an EIP 2, or neither an EIP 1 or EIP 2, or
- Your EIP 1 was less than $1,200 ($2,400 if married filing jointly) plus $500 for each qualifying child you had in 2020; or
- Your EIP 2 was less than $600 ($1,200 if married filing jointly) plus $600 for each qualifying child you had in 2020.

You don’t qualify for the recovery rebate credit if, for EIP 1:

- You received $1,200 plus $500 for each qualifying child you had in 2020, or
- You’re filing a joint return for 2020 and together you and your spouse received $2,400 plus $500 for each qualifying child you had in 2020.

And for EIP 2:

- You received $600 plus $600 for each qualifying child you had in 2020, or
- You’re filing a joint return for 2020 and together you and your spouse received $1,200 plus $600 for each qualifying child you had in 2020.

Note: If you haven’t received Notice 1444 or Notice 1444-B, or you can’t locate your notice, go to IRS.gov/Account for the amount(s) to enter on the worksheet.
Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals

Eligible self-employed individuals are allowed an income tax credit to offset their federal self-employment tax for any taxable year equal to their “qualified sick leave equivalent amount” or “qualified family leave equivalent amount.”

Form 7202, Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals, has been created to allow self-employed individuals to figure these credits. Part I of the new form figures a sick leave credit and Part II figures a family leave credit. These two credits will be included on Schedule 3 (Form 1040), line 12b (previously reserved). Form 7202 is filed separately by each taxpayer with net self-employment earnings, so a joint tax return may have two Forms 7202 attached.

How is the “qualified sick leave equivalent amount” for an eligible self-employed individual calculated?

For an eligible self-employed individual who is unable to work or telework because the individual:

1. Is subject to a Federal, State, or local quarantine or isolation order related to COVID-19;
2. Has been advised by a health care provider to self-quarantine due to concerns related to COVID-19; or
3. Is experiencing symptoms of COVID-19 and seeking a medical diagnosis,

the qualified sick leave equivalent amount is equal to the number of days during the taxable year that the individual cannot perform services in the applicable trade or business for one of the three above reasons, multiplied by the lesser of $511 or 100 percent of the “average daily self-employment income” of the individual for the taxable year.

For an eligible self-employed individual who is unable to work or telework because the individual:

1. Is caring for an individual who is subject to a Federal, State, or local quarantine or isolation order related to COVID-19, or
2. Has been advised by a health care provider to self-quarantine due to concerns related to COVID-19;
3. Is caring for a child if the child’s school or place of care has been closed, or child care provider is unavailable due to COVID-19 precautions; or
4. Is experiencing any other substantially similar condition specified by the Secretary of Health and Human Services in consultation with the Secretary of the Treasury and the Secretary of Labor,

the qualified sick leave equivalent amount is equal to the number of days during the taxable year that the individual cannot perform services in the applicable trade or business for one of the three above reasons, multiplied by the lesser of $200 or 67 percent of the average daily self-employment income of the individual for the taxable year. In either case, the maximum number of days a self-employed individual may take into account in determining the qualified sick leave equivalent amount cannot exceed 10 days over all tax years.

Note: The only days that may be taken into account in determining the qualified sick leave equivalent amount are days occurring during the period beginning on April 1, 2020, and ending on March 31, 2021. The number of days taken into account for determining the qualified sick leave equivalent amount cannot exceed 10 days over all tax years.

How is the “qualified family leave equivalent amount” for an eligible self-employed individual calculated?

The qualified family leave equivalent amount with respect to an eligible self-employed individual is an amount equal to the number of days (up to 50) during the taxable year that the self-employed individual cannot perform services for which that individual would be entitled to paid family leave, (if the individual were employed by an Eligible Employer (other than himself or herself)), such as periods during which they are unable to work or telework due to a need for leave to care for a child of such employee if the child’s school or place of care has been closed, or because the child care provider of the child is unavailable, due to COVID-19 related reasons, multiplied by the lesser of two amounts: (1) $200, or (2) 67 percent of the average daily self-employment income of the individual for the taxable year.

Up to 10 weeks of qualifying leave can be counted toward the Family Leave Credit. This can be combined with the sick leave credit, so a taxpayer could be entitled to a credit for pay for up to 12 weeks – 2 weeks of sick leave and 10 weeks of family leave. These amounts are limited if the taxpayer also took Families First Coronavirus Response Act family and sick leave as an employee. Employers are required to report these amounts either on Form W-2, Box 14, or on a separate statement.

See Form 7202 and instructions for information on calculations.
Credits for Sick Leave & Family Leave: Form 7202

**TaxSlayer Navigation:** Federal Section>Deductions>Credits Menu>Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals Form 7202

### Form F7202 - Credits for Sick Leave and Family Leave

#### Who is this Form 7202 for?
Taxpayer

#### Net earnings from self-employment
Adjust your net earnings from self-employment

#### Were you unable to work due to COVID-19? *
- Yes
- No

Tell us about any care you received or provided.

- I required care for myself.
- I provided care to another.
- I provided care to my son or daughter because their school or place of care was closed.

#### Amount of qualified sick leave wages from employer for when you required care

- $ 

#### Select if you were unable to perform services as a self-employed individual because of certain coronavirus-related care you provided to a son or daughter under the age of 18 whose school or place of care is closed or whose child care provider is unavailable for reasons related to COVID-19.

You can count days occurring in the period from April 1, 2020, and March 31, 2021, but do not enter more than 50 days.

---

**Note:** The Consolidated Appropriations Act, 2021 allows individuals to elect to use their average daily self-employment income from 2019, rather than 2020, to compute the credits for paid sick and family leave. You can make this election if your prior-year net earnings from self-employment were greater than your current year net earnings from self-employment. For a 2020 tax return, compare the amount on your 2020 Schedule SE, line 6, with the amount on your 2019 Schedule SE, line 4 (if you used the Short Schedule SE) or line 6 (if you used the Long Schedule SE), and enter the larger amount.

Make sure you only include net earnings from your own Schedule SE. Don’t include your spouse’s net earnings from self-employment.

**Note:** A son or daughter must generally be under 18 years of age or incapable of self-care because of a mental or physical disability. For more information about who is a son or daughter under the FFCRA, see DOL.gov/agencies/whd/pandemic/ffccra-questions#40.
Common EIC Filing Errors

- Claiming a child who doesn't meet the residency and relationship requirements
- Married taxpayers incorrectly filing as a single or head of household
- Incorrectly reporting income, particularly income and expenses from self-employment
- Incorrect Social Security numbers

Earned Income Table

<table>
<thead>
<tr>
<th>Includes</th>
<th>Doesn't include</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Taxable wages, salaries, and tips</td>
<td>• Interest and dividends</td>
</tr>
<tr>
<td>• Union strike benefits</td>
<td>• Social Security and railroad retirement benefits</td>
</tr>
<tr>
<td>• Taxable long-term disability benefits received prior to</td>
<td>• Welfare benefits</td>
</tr>
<tr>
<td>minimum retirement age</td>
<td>• Workfare payments</td>
</tr>
<tr>
<td>• Net earnings from self-employment</td>
<td>• Pensions and annuities (except if disability pension and taxpayer is under</td>
</tr>
<tr>
<td>• Gross income of a statutory employee</td>
<td>minimum retirement age)</td>
</tr>
<tr>
<td>• Household employee income</td>
<td>• Veteran’s benefits (including VA rehabilitation payments)</td>
</tr>
<tr>
<td>• Nontaxable combat pay election</td>
<td>• Workers’ compensation benefits</td>
</tr>
<tr>
<td>• Nontaxable pay</td>
<td>• Alimony</td>
</tr>
<tr>
<td>• The rental value of a home or a housing allowance provided</td>
<td>• Child support</td>
</tr>
<tr>
<td>to a minister as part of the minister’s pay (Out of Scope)</td>
<td>• Nontaxable foster-care payments</td>
</tr>
<tr>
<td></td>
<td>• Unemployment compensation</td>
</tr>
<tr>
<td></td>
<td>• Taxable scholarship or fellowship grants that aren't reported on Form W-2</td>
</tr>
<tr>
<td></td>
<td>• Earnings for work performed while an inmate at a penal institution or on work</td>
</tr>
<tr>
<td></td>
<td>release*</td>
</tr>
<tr>
<td></td>
<td>• Salary deferrals (for example, under a 401(k) or 403(b) plan or the Federal</td>
</tr>
<tr>
<td></td>
<td>Thrift Savings Plan)</td>
</tr>
<tr>
<td></td>
<td>• The value of meals or lodging provided by an employer for the convenience of</td>
</tr>
<tr>
<td></td>
<td>the employer</td>
</tr>
<tr>
<td></td>
<td>• Disability Insurance payments</td>
</tr>
<tr>
<td></td>
<td>• Excludable dependent care benefits (line 25 of Form 2441)</td>
</tr>
<tr>
<td></td>
<td>• Salary reductions such as under a cafeteria plan</td>
</tr>
<tr>
<td></td>
<td>• Excludable employer-provided educational assistance benefits (may be shown</td>
</tr>
<tr>
<td></td>
<td>in box 14 of Form W-2</td>
</tr>
</tbody>
</table>

*This particular income is entered as other income on the return and not counted as earned income.

Note: Taxpayers may be able to elect to use their 2019 earned income to figure their earned income credit (EIC) and additional child tax credit (ACTC) if their 2019 earned income is more than their 2020 earned income. This election is made on the Basic Information>Personal Information page. COVID19 will automatically appear in the Designation box when the check box is selected for Taxpayer wishes to elect to use their 2019 earned income to figure their 2020 earned income credit and/or child tax credit. Manually enter 2019 earned income in the Prior Year Earned Income for Disaster Victims box.
### Summary of EIC Eligibility Requirements

<table>
<thead>
<tr>
<th>Part A</th>
<th>Part B</th>
<th>Part C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rules for Everyone</strong></td>
<td><strong>Rules If You Have a Qualifying Child</strong></td>
<td><strong>Rules If You Don’t Have a Qualifying Child</strong></td>
</tr>
<tr>
<td>Taxpayers &amp; qualifying children must all have SSN that is valid for employment by the due date of the return (including extensions).¹</td>
<td>Child must meet the relationship, age, residency test and joint return tests but not the support test. The child doesn’t have to be your dependent.²</td>
<td>Must be at least age 25 but under age 65 as of December 31,³</td>
</tr>
<tr>
<td>Filing status can’t be married filing separately.</td>
<td>Qualifying child can’t be used by more than one person to claim the EIC.</td>
<td>Can’t be the dependent of another person.</td>
</tr>
<tr>
<td>Must be a U.S. citizen or resident alien all year.</td>
<td>The taxpayer can’t be a qualifying child of another person.</td>
<td>Must have lived in the United States more than half the year.</td>
</tr>
<tr>
<td>Can’t file Form 2555 (relating to foreign earned income).</td>
<td></td>
<td>Can’t be a qualifying child of another person.</td>
</tr>
<tr>
<td>Investment income must be $3,650 or less.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Can’t be a qualifying child of another person.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Part D

**Earned Income and AGI Limitations**

You must have earned income to qualify for this credit. Your earned income and AGI must be less than:

- $50,954 ($56,844 for married filing jointly) if you have three or more qualifying children,
- $47,440 ($53,330 for married filing jointly) if you have two qualifying children,
- $41,756 ($47,646 for married filing jointly) if you have one qualifying child, or
- $15,820 ($21,710 for married filing jointly) if you don’t have a qualifying child.

### Footnotes

¹ If the taxpayer’s Social Security card says “VALID FOR WORK ONLY WITH INS OR DHS AUTHORIZATION,” the taxpayer can use the Social Security number to claim EIC if they otherwise qualify.

If taxpayer (or spouse, if filing a joint return) or dependent has an individual taxpayer identification number (ITIN), they can’t get the EIC. ITINs are issued by the IRS to noncitizens who can’t get an SSN.

If the taxpayer’s Social Security card has a “NOT VALID FOR EMPLOYMENT” imprint, and if the card-holder obtained the SSN to get a federally funded benefit, such as Medicaid, they can’t get the EIC.

² To meet the joint return test, the child cannot file a joint return for the year unless it’s only to claim a refund of income tax withheld or estimated tax paid.

³ Taxpayers turning 25 on January 1st are considered to be 25 as of December 31st. Taxpayers reaching the age 65 on January 1st are still considered to be 64 as of December 31st.

⚠️ Taxpayers cannot file an amended return to claim the credit for a year they did not originally have a valid Social Security number.
# Education Credits

**TaxSlayer Navigation:** Federal Section>Deductions>Credits Menu>Education Credits; or Keyword “EDUCA” or “886”

**Probe/Action:** To determine if a taxpayer qualifies for the education credit.

**Taxpayers who claim the American opportunity credit even though they are not eligible can be banned from claiming the credit for up to 10 years.**

## Comparison of Education Credits

<table>
<thead>
<tr>
<th></th>
<th>American Opportunity Credit</th>
<th>Lifetime Learning Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Maximum credit</strong></td>
<td>Up to $2,500 credit per eligible student</td>
<td>Up to $2,000 credit per return</td>
</tr>
<tr>
<td><strong>Limit on modified adjusted gross income (MAGI)</strong></td>
<td>$180,000 if married filing jointly; $90,000 if single, head of household, or qualifying widow(er)</td>
<td>$138,000 if married filing jointly; $69,000 if single, head of household, or qualifying widow(er)</td>
</tr>
<tr>
<td><strong>Refundable or nonrefundable</strong></td>
<td>40% of credit may be refundable¹; the rest is nonrefundable</td>
<td>Nonrefundable—credit limited to the amount of tax you must pay on your taxable income</td>
</tr>
<tr>
<td><strong>Number of years of postsecondary education</strong></td>
<td>Available ONLY if the student had not completed the first 4 years of postsecondary education before 2020</td>
<td>Available for all years of postsecondary education and for courses to acquire or improve job skills</td>
</tr>
<tr>
<td><strong>Number of tax years credit available</strong></td>
<td>Available for 4 tax years per eligible student (including any year(s) Hope credit was claimed)</td>
<td>Available for an unlimited number of tax years</td>
</tr>
<tr>
<td><strong>Type of program required</strong></td>
<td>Student must be pursuing a program leading to a degree or other recognized education credential</td>
<td>Student does not need to be pursuing a program leading to a degree or other recognized education credential</td>
</tr>
<tr>
<td><strong>Number of courses</strong></td>
<td>Student must be enrolled at least half-time for at least one academic period beginning during 2020 (or the first 3 months of 2021 if the qualified expenses were paid in 2020)</td>
<td>Available for one or more courses</td>
</tr>
<tr>
<td><strong>Felony drug conviction</strong></td>
<td>As of the end of 2020, the student had not been convicted of a felony for possessing or distributing a controlled substance</td>
<td>Felony drug convictions do not make the student ineligible</td>
</tr>
<tr>
<td><strong>Qualified expenses</strong></td>
<td>Tuition, required enrollment fees, and course materials that the student needs for a course of study whether or not the materials are bought at the educational institution as a condition of enrollment or attendance</td>
<td>Tuition and required enrollment fees (including amounts required to be paid to the institution for course-related books, supplies, and equipment)</td>
</tr>
<tr>
<td><strong>Payments for academic periods</strong></td>
<td>Payments made in 2020 for academic periods beginning in 2020 or beginning in the first 3 months of 2021</td>
<td>Payments made in 2020 for academic periods beginning in 2020 or beginning in the first 3 months of 2021</td>
</tr>
<tr>
<td><strong>TIN needed by filing due date</strong></td>
<td>Filers and students must have a TIN by the due date of their 2020 return (including extensions)</td>
<td></td>
</tr>
<tr>
<td><strong>Educational institution’s EIN</strong></td>
<td>You must provide the educational institution’s employer identification number (EIN) on your Form 8863, Education Credits.</td>
<td></td>
</tr>
</tbody>
</table>

### Footnote

¹ None of the credit is refundable if (1) the taxpayer claiming the credit is (a) under age 18 or (b) age 18 at the end of the year, and their earned income was less than one-half of their own support or (c) a full time student over 18 and under 24 and their earned income was less than one-half of their own support; and (2) the taxpayer has at least one living parent, and; (3) the taxpayer doesn’t file a joint return.

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**Emergency financial aid grants under the CARES Act for unexpected expenses, unmet financial need, or expenses related to the disruption of campus operations on account of the COVID-19 pandemic, such as unexpected expenses for food, housing, course materials, technology, health care, or childcare, are qualified disaster relief payments under section 139 of the Internal Revenue Code. This grant is not includible in gross income.**
Education Credits (continued)

Probe/Action: To determine if a taxpayer qualifies for the education credit.

Who Can Claim the Credit?

- Taxpayers who paid qualified educational expenses of higher education for an eligible student unless filing MFS.
- Taxpayers who paid the education expenses for a student enrolled at or attending an eligible educational institution. To determine if eligible, go to the U.S. Department of Education’s Office of Post-secondary Education (OPE) website.
- The eligible student is either the taxpayer, taxpayer’s spouse or their dependent.

Note: Qualified education expenses are considered paid by the taxpayer if paid by their dependent or a third party on behalf of the dependent. If a student isn’t 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) are considered to have given a gift to the student who in turn is treated as having paid the expenses.

Note: There are two 4-year tests for the American opportunity credit. First, the credit can be taken for only 4 tax years. Second, the student must not have completed four years of academic credit before the beginning of this tax year. Follow the examples in the “Who is an Eligible Student for the American Opportunity Credit” section in Publication 970 for additional information.

Who Can Claim a Dependent’s Expenses?

<table>
<thead>
<tr>
<th>If the taxpayer...</th>
<th>Then only...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has a dependent who is an eligible student</td>
<td>The taxpayer can claim the credit based on that dependent’s expenses. The dependent can’t claim the credit.</td>
</tr>
<tr>
<td>Doesn’t claim the dependent on the tax return</td>
<td>The dependent can claim the credit. The taxpayer can’t claim the credit based on the dependent’s expenses.</td>
</tr>
</tbody>
</table>

Who Can’t Claim the Credit?

- Married filing separately filing status
- Anyone listed as a dependent on another person’s tax return
- Taxpayers whose modified AGI is more than the allowable income limits
- Taxpayer (or the spouse) was a nonresident alien for any part of the tax year unless one of the exceptions listed in Publication 519, U.S. Tax Guide for Aliens, applies

What Expenses Qualify?

- Expenses paid for an academic period starting in 2020 or the first 3 months of 2021
- Expenses not refunded when the student withdraws from class
- Expenses paid with the proceeds from a loan

What are Qualifying Expenses?

- The term “qualified tuition and related expenses” is expanded for the American opportunity credit to include expenditures for course materials. For this purpose, course-related materials are 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.

What is Tax-Free Educational Assistance?

- Tax-free parts of scholarships and fellowships
- Pell Grants (see Publication 970)
- Employer-provided educational assistance (see Publication 970)
- Veterans’ educational assistance
- Any other nontaxable payment (other than gifts or inheritances) received as educational assistance

Note: Don’t reduce the qualified education expenses by any scholarship or fellowship reported as income on the student’s tax return if the use of the scholarship isn’t restricted and used to pay education expenses that aren’t qualified (such as room and board).

Note: Taxpayers must have a Form 1098-T from an eligible educational institution to claim education benefits.

Note: If the student includes the tax free educational assistance in income, has a filing requirement, and unearned income (including the taxable scholarship) over $2,200, the student may need to file Form 8615, Tax for Certain Children Who Have Unearned Income (Kiddie Tax). In that case, the return is Out of Scope.
Completing the e-File Section

**e-File Process**
When all the data has been entered, complete the e-file section. The return should not be filed (e-filed or as a paper return) until the e-file section has been completed. The following are included in the e-file section:

- Return Type
- Tax Preparation and e-File Information
- State Return(s)
- Taxpayer Bank Account Information
- Third Party Designee Info
- Questions

**Consent to Disclose Tax Return Information to VITA/TCE Tax Preparation Sites (Global Carryforward)**
- Request for Taxpayer Consent to Disclose Tax Return Information
- Request for Taxpayer Consent to Use Tax Return Information
- State ID (Optional) (Shows only if there is a state return)

**Federal Return Type**
Select type of federal return. The drop down options for a balance due return differ from those for a return with a refund. Most states may require the federal return be e-filed before the state e-filed return can be electronically processed. TaxSlayer will wait until the federal return is accepted and then transmit state returns.

---

**Apply your State Refund.**
Select the Send State Only box if the state return is to be e-filed, but federal will not be filed.

**Your return is now ready to be eFiled to the IRS.**

⚠️ Please make sure that all information you enter below is correct.

In order for us to transmit your client’s return to the IRS you must complete all Steps in the e-File Process.

CAUTION: Your client’s return will not be sent to the IRS unless you complete ALL steps. None of the information is saved until all information is entered and the “Continue” button below is clicked.

To continue the e-File process, please first select a return type and the form will ask for all required information.

**Send State Only**

**Federal Return Type**

- **E-file: Direct Deposit**
- **E-file: Paper Check**
- **E-file: Direct Deposit Paper Return with Direct Deposit**
- **Paper Return**

To apply a federal refund towards next year’s taxes open Federal>Payments and Estimates>Apply Payments to Next Year’s Taxes.

To apply state refund to next year’s state taxes, go to State>Payments>Apply your State Refund.

**Federal Return Types with a Refund**

- **E-file: Paper Check**
- **E-file: Direct Deposit**
- **Paper Return with Direct Deposit**
- **Paper Return**

**Federal Return Types with an Amount Owed**

- **Mail Payment**
- **Direct Debit**
- **Paper Return**

---

K-1
Completing the e-File Section (continued)

State Return(s)

Enter type of state return

<table>
<thead>
<tr>
<th>State</th>
<th>Refund/Due</th>
<th>Return Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>GA</td>
<td>Due: $ 481.00</td>
<td>Not Selected</td>
</tr>
</tbody>
</table>

By using a computer system and software to prepare and transmit electronically, it is essential to disclose all information pertaining to my use of a direct deposit or direct debit card in the electronic transmission of this tax return to the Department, as applicable by law.

If the state return is marked as Paper and the federal return is e-filed, confirm this is the correct choice and not a mistake.

Taxpayer Bank Account Information

If direct deposit or direct debit is selected for either federal or state return, the Taxpayer Bank Account Information screen will appear.

In this section, the preparer inputs the bank routing and account number for direct deposit of refund or automatic withdrawal of balance due.

**Note:** This bank information MUST be accurate for your return to process correctly.

- **Name of Bank**
- **Type of Account**
  - Checking
- **Routing Transit Number**
- **Confirm Routing Transit Number**
- **Bank Account Number**
- **Confirm Bank Account Number**

Input both the routing and account number twice on this screen

**Re-loadable Prepaid Bank Cards:**

The taxpayer must provide the routing number and account number for the card so that it can be entered on the bank information screen.

**Note:** See Pointers for Direct Deposit of Refunds later in this tab.

Use written or electronic account information from the financial institution.
Completing the e-File Section (continued)

TaxSlayer Navigation: (Administrator) Configuration>Office Setup

Split Refund Option

When the taxpayer elects to direct deposit his or her refund into two or three accounts or to purchase saving bonds, you will need to answer additional questions in the e-file section.

First, someone with Administrator privileges must go to Configuration>Office Setup and mark the box for Offer 8888. This will allow all preparers at that site to offer Form 8888, Allocation of Refund (Including Savings Bond Purchases). Form 8888 also supports double-entry of bank routing and account information.

Note: The taxpayer’s name must be on the account in order for a refund to be deposited.

Note: TreasuryDirect® Account
Taxpayers can request a deposit of their refund (or part of it) to a TreasuryDirect® online account to buy U.S. Treasury marketable securities and savings bonds. For more information, go to Treasury Direct (https://www.treasurydirect.gov/indiv/research/articles res_invest_articles_tax_refund_1208.htm)

Bank Accounts
Enter bank account information where you would like your refund deposited.

Bank Account 1

<table>
<thead>
<tr>
<th>Account Type</th>
<th>Bank Name</th>
<th>Deposit Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Checking</td>
<td></td>
<td>$0.00</td>
</tr>
<tr>
<td>Routing Number</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Confirm Rtn Number</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Bank Account 2

<table>
<thead>
<tr>
<th>Account Type</th>
<th>Bank Name</th>
<th>Deposit Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Checking</td>
<td></td>
<td>$0.00</td>
</tr>
<tr>
<td>Routing Number</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Confirm Rtn Number</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Completing the e-File Section (continued)

Purchase Savings Bonds
From Split Refund Screen, savings bonds can be purchased.

<table>
<thead>
<tr>
<th>Purchase Savings Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>You can purchase up to 3 savings bonds with the remainder of your refund.</td>
</tr>
<tr>
<td>Bond amounts must be in $50 increments</td>
</tr>
</tbody>
</table>

- **Purchase A Bond**
  - I do not want to purchase this bond
  - Amount to be used for bond purchase for yourself: $0.00

- **Purchase another bond for yourself or someone else**
  - I do not want to purchase this bond
  - Bond Amount: $0.00
  - Enter the owner's name (First then Last) for the bond registration
  - If you would like to add a co-owner or beneficiary, enter the name here (First then Last)
  - Is Beneficiary?

**Note:** U.S. Series I Savings Bonds
Taxpayers can request that their refund (or part of it) be used to buy up to $5,000 in series I savings bonds. Taxpayers can buy bonds electronically by direct deposit into their TreasuryDirect® account. Or, if they don’t have a TreasuryDirect® account, they can buy paper savings bonds.

Third Party Designee Info
This information is optional but must be filled out completely if you choose to include it.

- **First Name**
- **Designee Last Name**
- **Designee Phone**
- **Designee Pin**

Third party designee info can be completed if the taxpayer wishes, but the designee is never the volunteer preparer.

**Global Carryforward**

<table>
<thead>
<tr>
<th>Consent Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>I, we, the Taxpayer have read the above information. By typing in my / our taxpayer PIN(s) and checking this input, I / we hereby consent to “Consent to Disclose Tax Return Information to VITA/TCE Tax Prep Sites” as stated above.</td>
</tr>
</tbody>
</table>

- **Primary PIN (enter 5 numbers)**
  - 62397

- **Primary PIN Date**
  - 05/22/2019

- **Secondary PIN (enter 5 numbers)**
  - 62368

- **Secondary PIN Date**
  - 06/23/2019

**Grant** = Next year, the taxpayer’s data will carry forward to any VITA/TCE site using TaxSlayer.

**Deny** = Next year, the taxpayer’s data will carry forward only to the VITA/TCE site that prepared the return.

**Note:** Paper Form 15080, Consent to Disclose Tax Return Information to VITA/TCE Tax Return Preparation Sites, is not needed if the taxpayer denies the Global Carryforward of return data to all sites, enters his/her own PIN into TaxSlayer, or if the site uses another tax preparation software.
Completing the e-File Section (continued)

Questions
Answer national and local questions

<table>
<thead>
<tr>
<th>Questions</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Would you say you can carry on a conversation in English, both understanding and speaking?</td>
<td>Please Select</td>
</tr>
<tr>
<td>2. Would you say you can read a newspaper or book in English?</td>
<td>Please Select</td>
</tr>
<tr>
<td>3. Do you or any member of your household have a disability?</td>
<td>Please Select</td>
</tr>
<tr>
<td>4. Are you or your spouse a Veteran from the US Armed Force?</td>
<td>Please Select</td>
</tr>
<tr>
<td>5. Your Race?</td>
<td>Please Select</td>
</tr>
<tr>
<td>6. Your Spouse’s race?</td>
<td>Please Select</td>
</tr>
<tr>
<td>7. Your ethnicity?</td>
<td>Please Select</td>
</tr>
<tr>
<td>8. Your spouse’s ethnicity?</td>
<td>Please Select</td>
</tr>
<tr>
<td>9. Was the taxpayer physically present during the entire return preparation and quality review process?</td>
<td>Please Select</td>
</tr>
</tbody>
</table>

Use these fields for information that is helpful to your site. For example, these fields could be used to enter the preparer’s name and/or new versus returning taxpayers. These fields are used by the military to report rank, grade, enlisted/retired, etc.

After the end of the tax season a custom report can be created.

State ID (Optional)
Some states require a driver’s license or additional taxpayer identification in order to e-file the return. This screen will appear only if there is a state return.

Taxpayer ID Information
You may provide your state issued ID or driver’s license in the section below. This information is optional but may assist the state in verifying your identity and processing your return.

<table>
<thead>
<tr>
<th>Type</th>
<th>Select driver’s license or ID, license number, date issued, date expires and issuing state.</th>
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</thead>
<tbody>
<tr>
<td>Number</td>
<td>If taxpayer’s license has expired, select None Available. See state requirement and work around if applicable.</td>
</tr>
<tr>
<td>Issue Date</td>
<td>mm/dd/yyyy</td>
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<tr>
<td>Expiration Date</td>
<td>mm/dd/yyyy</td>
</tr>
<tr>
<td>Issue State</td>
<td>Please Select</td>
</tr>
<tr>
<td>NY Document ID</td>
<td>If the state is NY, this field is required. Please enter only the first three characters of the NY Document number on the Driver’s License/State ID</td>
</tr>
<tr>
<td>IF you live in...</td>
<td>THEN use this address if you:</td>
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</tr>
<tr>
<td>Department of the Treasury</td>
<td>Are requesting a refund or are not enclosing a check or money order...</td>
</tr>
<tr>
<td>Internal Revenue Service</td>
<td>Are enclosing a check or money order...</td>
</tr>
<tr>
<td>Kansas City, MO 64999-0002</td>
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<tr>
<td><strong>Alabama, North Carolina, South Carolina</strong></td>
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<tr>
<td>Department of the Treasury</td>
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<tr>
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<tr>
<td>Charlotte, NC 28201-1214</td>
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<tr>
<td><strong>Alaska, California, Hawaii, Washington</strong></td>
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<tr>
<td>Department of the Treasury</td>
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<tr>
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<tr>
<td>Fresno, CA 93888-0002</td>
<td>P.O. Box 7704</td>
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<tr>
<td></td>
<td>San Francisco, CA 94120-7704</td>
</tr>
<tr>
<td><strong>Arizona, Colorado, Idaho, Kansas, Montana, Nebraska, New Mexico, Nevada, North Dakota, Oregon, South Dakota, Utah, Wyoming</strong></td>
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<td>Department of the Treasury</td>
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<tr>
<td>Internal Revenue Service</td>
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<tr>
<td>Ogden, UT 84201-0002</td>
<td>P.O. Box 802501</td>
</tr>
<tr>
<td></td>
<td>Cincinnati, OH 45280-2501</td>
</tr>
<tr>
<td><strong>Arkansas, Georgia, Indiana, Iowa, Kentucky, Missouri, New Jersey, Oklahoma, Tennessee, Virginia</strong></td>
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<tr>
<td></td>
<td>Louisville, KY 40293-1000</td>
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<tr>
<td><strong>Connecticut, District of Columbia, Maryland, Rhode Island, West Virginia</strong></td>
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<td>Louisville, KY 40293-1000</td>
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<td></td>
<td>Hartford, CT 06176-7008</td>
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<tr>
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<tr>
<td>Austin, TX 73301-0002</td>
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<tr>
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<td>Ogden, UT 84201-0002</td>
<td>P.O. Box 37008</td>
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<td>Hartford, CT 06176-7008</td>
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<td><em><em>A foreign country, U.S. possession or territory</em>, or use an APO or FPO address, or file Form 2555 or 4563, or are a dual-status alien</em>*</td>
<td><em><em>A foreign country, U.S. possession or territory</em>, or use an APO or FPO address, or file Form 2555 or 4563, or are a dual-status alien</em>*</td>
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<tr>
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<td>P.O. Box 1303</td>
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<tr>
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<td>Charlotte, NC 28201-1303</td>
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</tbody>
</table>

*If you live in American Samoa, Puerto Rico, Guam, the U.S. Virgin Islands, or the Northern Mariana Islands, see Pub. 570.
Interactive Tax Assistant (ITA)

The ITA tool is a tax law resource that takes you through a series of questions and provides you with responses to tax law questions on a limited number of topics. Enter “ITA” into the Search feature on the IRS website.

- Simply answer the questions and select Continue to progress to the next question screen.
- You may need to collect information before the interview such as income amounts, taxes owed and credits you are claiming.
- The tool includes a crossover feature that allows you to move from certain tax topics to another without needing to enter the same answers multiple times. The Review/Start Over buttons allows you to adjust responses to previously asked questions.
- When you reach the response screen, you have the option to print the entire interview and the final response.

ITA Topics by Category

Premium Tax Credit, Filing Requirement, Form to Use, Due Date, Filing Status, Dependents and Exemptions, Retirement: Pensions, IRAs, Social Security, Other Income, Deductions, Itemized Deductions, Credits, and Additional Topics (ITINs, Injured Spouse Claims, Cancellation of Debt on a Personal Residence, and Estimated Tax Payments)

For additional information on tax law resource tools, refer to the IRS website, keywords “Tax Trails” and “Tax Topics.”
<table>
<thead>
<tr>
<th>Page Number</th>
<th>Changes</th>
</tr>
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<tbody>
<tr>
<td>iii</td>
<td>No changes.</td>
</tr>
</tbody>
</table>
| iv          | Under the heading, **Tax Form Changes**, after the first bullet, add a new bullet:  
  • Form 8915-E, Qualified 2020 Disaster Retirement Plan Distributions and Repayments, is used to report coronavirus-related distributions from eligible retirement plans.  
  After the last sentence of the eighth bullet, add:  
  Schedule SE, Part III, is new for tax year 2020 and used by self-employed individuals to indicate the amount of the employer’s share of Social Security tax that is deferred and due by December 31, 2021 and December 31, 2022. |
| vii         | Under the **Paycheck Protection Plan, PPP Loan Forgiveness** bullet, remove:  
  IRS Notice 2020-32 clarifies that no deduction is allowed for an expense that is otherwise deductible if the payment of the expense results in forgiveness of a covered loan pursuant to the CARES Act, and the income associated with the forgiveness is excluded from gross income pursuant to the CARES Act.  
  In the first sub-bullet for **Special Rules for use of Retirement Funds**, remove the words:  
  “(out of scope)” and “(in scope)”.  
  At the end of the sentence in the fourth sub-bullet, add:  
  from the day after the date of distribution.  
  And remove:  
  In scope if repayment is made before the due date of the 2020 return (Advanced). Otherwise, it is out of scope.  
  At the end of the sentence in the last paragraph, add:  
  Special rules for use of retirement funds are in scope only at the Advanced certification level.  
  At the end of the first sentence in bullet for **Temporary waiver of required minimum distribution rules for certain retirement plans and accounts**, add:  
  , including first-time distributions for 2019 that are required by April 1, 2020.  
  Under the heading **Allowance of partial above-the-line deduction for charitable contributions**, replace the 2nd sentence with:  
  Deductions are limited to $300 if single, head of household, or qualifying widow(er); $300 if married filing jointly; or $150 if married filing separately. |
| viii        | Under the bullet **Higher education emergency financial aid grants**, delete the following:  
  Because the emergency financial aid grant is not includible in gross income, taxpayers cannot claim any deduction or credit for expenses paid with the grant including the tuition and fees deduction, the American opportunity credit, or the lifetime learning credit. |
| ix  | Under the heading **Certain Expenses of Elementary and Secondary School Teachers**, add a new paragraph at the end of the section:  
Qualified expenses include amounts paid or incurred after March 12, 2020, for personal protective equipment, disinfectant, and other supplies used for the prevention of the spread of coronavirus.  
Under the heading **Child Tax Credit**, at the end of the sentence, add:  
Taxpayers may be able to elect to use their 2019 earned income to figure their additional child tax credit if their 2019 earned income is more than their 2020 earned income. |
|---|---|
| x  | Under the subheading **Earned Income Amount Increased**, add:  
Taxpayers may be able to elect to use their 2019 earned income to figure the EIC if their 2019 earned income is more than their 2020 earned income. |
| xi | No changes. |
| xii | Under the heading **Scope Changes**, in the third bullet of the second paragraph, replace the word “for” with:  
, 3-year spread, and the ability to repay eligible and remove:  
Limitation: In scope if taxpayer elects NOT to spread the taxable amount over three years.  
Under the heading **Scope Changes**, at the end of the first bullet, add:  
Form 8615 is in scope for Native Americans receiving per capita payments and Alaska residents receiving permanent fund dividends. |
| 8-7 | Under the heading **What about higher education emergency financial aid grants?** delete the following text:  
Because the emergency financial aid grant is not includible in gross income, taxpayers cannot claim any deduction or credit for expenses paid with the grant including the tuition and fees deduction, the American opportunity credit, or the lifetime learning credit. |
| 8-8 | No changes. |
| 8-15 | No changes. |
| 8-16 | Under the heading, **What situations are out of scope for the VITA/TCE programs?**, after the fifth bullet, add a new bullet:  
• Form 1099-INT amounts reported in the box labeled Bond premium that exceed amounts reported in the box labeled Interest. |
| 9-3 | No changes. |
| 9-4 | Under **Definition of Terms**, at the end of the first sentence for **Election to expense business assets**, add:  
, known as a “179 deduction”. |
### Income – Retirement Income

| 11-1 | No changes. |
| 11-2 | Under the heading, **What if the taxable portion is already calculated?**, in the last sentence of the last paragraph, remove: Form W-2 and |
| 11-7 | Under the heading, **Procedure Helps People Making Retirement Plan Rollovers**, after the eleventh bullet, add:  
  - The distribution was made to a state unclaimed property fund (Revenue Procedure 2020-46). |
| 11-8 | Under the heading, **Qualified Charitable Distributions**, after the last paragraph, add:  
  **TIP:** If a QCD is reduced by an IRA contribution, the taxpayer will show that amount as a taxable distribution. Additionally, the taxpayer may claim a charitable contribution deduction for the donation. |
| 11-13 | Replace page 11-13 with new page 11-13  
  Add: New content for **Special Provisions and Tax-Favorable Treatment of Retirement Fund Distributions** |
| 11-14 | Replace page 11-14 with new pages 11-14 through 11-18.  
  Add: New content for **Special Provisions and Tax-Favorable Treatment of Retirement Fund Distributions** |
| 11-15 | Text reflow. This is page is now 11-19. |
| 11-16 | Text reflow. This is page is now 11-20. |

### Adjustments to Income

| 17-1 | No changes. |
| 17-2 | Under the heading **What Expenses Qualify?**, add a Caution:  
  Qualified expenses include amounts paid or incurred after March 12, 2020, for personal protective equipment, disinfectant, and other supplies used for the prevention of the spread of coronavirus. |
| 17-7 | Under the first **TIP** and above the heading, **What are the eligibility requirements for an IRA contribution?**, add:  
  **CAUTION:** Repayment of a coronavirus-related distribution is not an IRA contribution. Refer to the Income - Retirement Income lesson and Form 8915-E, Qualified 2020 Disaster Retirement Plan Distributions and Repayments, and instructions. |
| 17-8 | No changes. |
| 17-13 | Under the heading, **Distributions for Qualified Medical Expenses**, between the first and second paragraphs, add:  
  Qualified medical expenses include the medical expenses of the taxpayer, their spouse, or a dependent at the time the expense was incurred. It does not matter whether the taxpayer has self-only or family HDHP coverage. |
| 17-14 | No changes. |
| 17-17 | No changes. |
| 17-18 | Under the heading **Is a charitable contribution adjustment allowed?**, delete the second sentence and replace with:  
  Deductions are limited to $300 if single, head of household, or qualifying widow(er); $300 if married filing jointly; or $150 if married filing separately. |
<table>
<thead>
<tr>
<th>Page</th>
<th>Change Description</th>
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<tbody>
<tr>
<td>19-1</td>
<td>Under the heading, <strong>Introduction</strong>, in the second sentence, between the words &quot;business&quot; and “deduction”, add: income</td>
</tr>
<tr>
<td>19-2</td>
<td>No changes.</td>
</tr>
<tr>
<td>19-5</td>
<td>Under the heading <strong>What is the tax for certain children who have unearned income (Kiddie Tax)?</strong>, at the beginning of the second paragraph, replace the word “Tax” with: Form 8615, Tax for Certain Children who have Unearned Income, is in scope for Native Americans receiving per capita payments and Alaska residents receiving permanent fund dividends. Form 8814, Parent’s Election to Report Child’s Interest and Dividends, is in scope for Alaska residents receiving permanent fund dividends. In all other circumstances,</td>
</tr>
<tr>
<td>19-6</td>
<td>No changes.</td>
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<tr>
<td></td>
<td><strong>Itemized Deductions</strong></td>
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<tr>
<td>20-7</td>
<td>No changes.</td>
</tr>
<tr>
<td>20-8</td>
<td>In the first <strong>TIP</strong>, replace the 2nd sentence with: Deductions are limited to $300 if single, head of household, or qualifying widow(er); $300 if married filing jointly; or $150 if married filing separately.</td>
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<tr>
<td></td>
<td><strong>Educations Credits</strong></td>
</tr>
<tr>
<td>22-3</td>
<td>Delete the first <strong>Caution</strong> on this page.</td>
</tr>
<tr>
<td>22-4</td>
<td>In the first paragraph at the top of the page, at the beginning of the second to last sentence, add: In this case,</td>
</tr>
<tr>
<td></td>
<td><strong>Payments and Miscellaneous Refundable Credits</strong></td>
</tr>
<tr>
<td>28-5</td>
<td>No changes.</td>
</tr>
<tr>
<td>28-6</td>
<td>Delete the <strong>Caution</strong> at the top of the page. Add a <strong>Note</strong>: <strong>Note</strong>: The Consolidated Appropriations Act, 2021 allows individuals to elect to use their average daily self-employment income from 2019, rather than 2020, to compute the credits for paid sick and family leave. Under the heading, <strong>Which credit is the taxpayer entitled to claim?</strong>, replace the first sentence of the last paragraph with: The only days that may be taken into account in determining the qualified sick leave equivalent amount are days occurring during the period beginning on April 1, 2020 and ending on December 31, 2021. March 31, 2021. The number of days taken into account for determining the qualified sick leave equivalent amount cannot exceed 10 days over all tax years. Delete both instances of: (80 hours)</td>
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<td>Page</td>
<td>Description</td>
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</tbody>
</table>
| 33-3  | Under the heading, **What is Form 1040-X?**, at the end of the second sentence in the first **TIP**, add:  
if the return was originally e-filed. If the original return was paper filed, the amended return will also have to be paper filed. |
| 33-4  | No changes. |

**The corrected pages follow. On the reverse side of each revised page is the continuing page.**
October 1, 2020

Greetings Volunteers,

I am excited to welcome you to another Tax Filing Season! Thank you for supporting the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) programs. Your service continues to be needed to help taxpayers and enhance their federal tax return experience through these programs.

As returning volunteers, your ongoing dedication to the VITA and TCE programs is appreciated. As new volunteers, I encourage you to embrace each opportunity to help taxpayers through these vital programs. The success of each filing season is attributed to your continued commitment to the VITA and TCE programs.

Each year offers unique challenges and opportunities to help many taxpayers. To ensure that all volunteers are equipped and prepared for the filing season, we have taken extensive steps to provide the training materials and software you will need.

As we continue through this filing season, I look forward to hearing good news stories on how volunteers have embraced our cause to serve more taxpayers and touch more lives. I welcome your suggestions for improving your experience, as well as that of the taxpayers you serve. Feel free to email your feedback to specdirect@irs.gov.

Best regards,

Frank Nolden
Director, Stakeholder Partnerships, Education and Communication
Important Changes for 2020

Due Date of Return

The due date for filing a 2020 return is Thursday, April 15, 2021.

Tax Form Changes

- New Form 1099-NEC, Nonemployee Compensation, The PATH Act accelerated the due date for submission of Forms 1099 that include nonemployee compensation (NEC). To alleviate taxpayer burden and eliminate confusion regarding due dates, new Form 1099-NEC was created. As a result, nonemployee compensation (formerly Box 7) has been deleted from Form 1099-MISC and will now be reported on the new Form 1099-NEC. The remaining boxes have been renumbered and repositioned accordingly.

- Form 8915-E, Qualified 2020 Disaster Retirement Plan Distributions and Repayments, is used to report coronavirus-related distributions from eligible retirement plans.

- New Form 7202, Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals, can be used by certain self-employed individuals to claim refundable credits for sick and family leave needed as a result of the coronavirus.

- New Form 1040 SCH LEP, Request for Alternative Language Products by Taxpayers With Limited English Proficiency (LEP), can be used by taxpayers to state a preference to receive written communication from the IRS in a language other than English. Schedule LEP is not mandatory, but may be attached to Form 1040, Form 1040-SR, Form 1040-NR, Form 1040-PR, or Form 1040-SS.

- New Form 9000, Request for Alternative Format or Language, can be used by taxpayers with disabilities to elect to receive notices from the IRS in an accessible format and, when available, in a language other than English. Attach Form 9000 to Form 1040, Form 1040-SR, Form 1040-NR, Form 1040-PR, or Form 1040-SS.

- New Form 1040 (SP), Declaracion de Impuestos de los Estados Unidos Sobre los Ingresos Personales, a Spanish translation of Form 1040, will be available for tax year 2020. The following will also be translated to Spanish for tax year 2020: Form 1040-SR, Instructions for Form 1040 and Form 1040-SR, Schedules 1, 2 and 3 of Form 1040, Schedule LEP, Form 9000, Schedule 8812 and Instructions, Schedule EIC, Publication 972, and Form 1040-X and Instructions.

- Form 1040, U.S. Individual Income Tax Return, has additional lines to accommodate charitable contributions, federal income tax withholding from Form W-2, Form 1099, and other forms, and the recovery rebate credit.

- Form 1040-SR, U.S. Tax Return for Seniors, is expanded to four pages to accommodate necessary new lines and maintain the increased font size and vertical entry spacing that makes the 1040-SR easier to read. The Standard Deduction Chart is moved to page 4 of the form.

- Form 1040, Schedule SE, Self-Employment Tax will no longer contain the “short” version (Section A). All filers of Schedule SE will use the method of calculating self-employment tax found in Section B. As a result, Schedule SE will also no longer allow joint return filers to use a single Schedule SE (one using Section A and one using Section B). Each taxpayer with taxable net self-employment earnings will use a separate Schedule SE. Schedule SE, Part III, is new for tax year 2020 and used by self-employed individuals to indicate the amount of the employer’s share of Social Security tax that is deferred and due by December 31, 2021 and December 31, 2022.
At the time this publication was finalized, the Economic Impact Payment established by the CARES Act was in effect. If additional legislation becomes law, details will be included in Publication 4491X, VITA/TCE Training Supplement.

• **Paycheck Protection Plan (PPP) loan forgiveness**
  
  Taxpayers may exclude from gross income any covered loan forgiveness.

• **Special rules for use of retirement funds**

  Individuals eligible for coronavirus-related relief may be able to withdraw up to $100,000 from IRAs or workplace retirement plans before December 31, 2020. These coronavirus-related withdrawals:
  
  – May be included in taxable income either over a three-year period or in the year taken.
  
  – Are not subject to the 10% additional tax on early distributions that would otherwise apply to most withdrawals before age 59½,
  
  – Are not subject to mandatory tax withholding, and
  
  – May be repaid to an IRA or workplace retirement plan within three years from the day after the date of distribution.

  As expanded under Notice 2020-50 a qualified individual is anyone who:
  
  – is diagnosed, or whose spouse or dependent is diagnosed, with the virus SARS-CoV-2 or the coronavirus disease 2019 (collectively, "COVID-19") by a test approved by the Centers for Disease Control and Prevention (including a test authorized under the Federal Food, Drug, and Cosmetic Act); or
  
  – experiences adverse financial consequences as a result of the individual, the individual’s spouse, or a member of the individual’s household (that is, someone who shares the individual’s principal residence):
    
    – being quarantined, being furloughed or laid off, or
    
    – having work hours reduced due to COVID-19;
    
    – being unable to work due to lack of childcare due to COVID-19;
    
    – closing or reducing hours of a business that they own or operate due to COVID-19;
    
    – having pay or self-employment income reduced due to COVID-19; or
    
    – having a job offer rescinded or start date for a job delayed due to COVID-19.

  These benefits are claimed on new Form 8915-E, Qualified 2020 Disaster Retirement Plan Distributions and Repayments. Special rules for use of retirement funds are in scope only at the Advanced certification level.

• **Temporary waiver of required minimum distribution rules for certain retirement plans and accounts** – waives the required minimum distribution rules for certain defined contribution plans and IRAs for calendar year 2020 including first-time distributions for 2019 that are required by April 1, 2020:

• **Allowance of partial above-the-line deduction for charitable contributions** – permits taxpayers who do not itemize deductions to deduct up to $300 of cash contributions to charitable organizations per return. Deductions are limited to $300 if single, head of household, or qualifying widow(er); $300 if married filing jointly; or $150 if married filing separately.

• **Modification of limitations on charitable contributions during 2020** – increases the limitations on deductions for charitable cash contributions by individuals who itemize. For individuals, the 60% of adjusted gross income limitation is suspended for 2020.
• **Health care spending**
  – Allows a high-deductible health plan (HDHP) with a health savings account (HSA) to cover telehealth services prior to a patient reaching the deductible, increasing access for patients who may have the COVID-19 virus and protecting other patients from potential exposure.
  – The CARES Act also modifies the rules that apply to various tax-advantaged accounts (HSAs, Archer MSAs, Health FSAs, and HRAs) so that additional items are “qualified medical expenses” that may be reimbursed from those accounts. Specifically, the cost of menstrual care products is now reimbursable. In addition, over-the-counter products and medications are now reimbursable without a prescription. The new rules apply to amounts paid after Dec. 31, 2019. Taxpayers should save receipts of their purchases for their records.

• **Deferred payment of the employer share of the Social Security tax** – allows self-employed individuals to defer payment of the employer share of Social Security tax. Half of the deferred amount is due by December 31, 2021 and the other half by December 31, 2022.

• **Exclusion for certain employer payments of student loans** – enables employers to provide a student loan repayment benefit to employees on a tax-free basis. Under the provision, an employer may contribute up to $5,250 annually toward an employee's student loans, and such payment would be excluded from the employee's income. The $5,250 cap applies to both the new student loan repayment benefit as well as other educational assistance (e.g., tuition, fees, books) provided by the employer. This provision applies to any student loan payments made by an employer on behalf of an employee after March 27, 2020 and before January 1, 2021.

• **Higher education emergency financial aid grants** – Emergency financial aid grants under the CARES Act for unexpected expenses, unmet financial need, or expenses related to the disruption of campus operations due to the COVID-19 pandemic, such as unexpected expenses for food, housing, course materials, technology, health care, or childcare, are qualified disaster relief payments under section 139 of the Internal Revenue Code. This grant is not includible in gross income.

**Individual Taxpayer Identification Numbers (ITINs)**

**ITINs not used in the last three consecutive tax years:** If an ITIN was not included on a U.S. federal tax return at least once for tax years 2017, 2018, or 2019, the ITIN will expire on December 31, 2020. Affected taxpayers need to take action to renew if it will be included on a U.S. federal tax return.

**ITINs with the middle digits 88 will expire.** ITINs with middle digits (the fourth and fifth positions) “88” will expire December 31, 2020. ITINs with middle digits “90”, “91”, “92”, “94”, “95”, “96”, “97”, “98”, or “99” that were assigned before 2013 and have not already been renewed, will also expire at the end of the year. Taxpayers with these ITINs need to take action to renew it if it will be included on a U.S. federal tax return filed in 2021.

**Estimated Tax Payments**

Estimated tax payments for 2020 normally due on April 15, 2020 and June 15, 2020 are treated as timely if made by July 15, 2020.

**Personal Exemption Amount**

The deduction for all personal exemptions is suspended (reduced to zero), effective for tax years 2018 through 2025.

For 2020, the gross income limitation for a qualifying relative is $4,300.
Certain Expenses of Elementary and Secondary School Teachers

The amount of the deduction allowed that consists of expenses paid or incurred by an eligible educator in connection with books, supplies (other than nonathletic supplies for courses of instruction in health or physical education), computer equipment (including related software and services) and other equipment, and supplementary materials used by the eligible educator in the classroom is $250 (no change).

Qualified expenses include amounts paid or incurred after March 12, 2020, for personal protective equipment, disinfectant, and other supplies used for the prevention of the spread of coronavirus.

Standard Deduction

The standard deduction for taxpayers who do not itemize deductions on Schedule A (Form 1040) has increased. The standard deduction amounts for 2020 are:

- $24,800 – Married Filing Jointly or Qualifying Widow(er) (increase of $400)
- $18,650 – Head of Household (increase of $300)
- $12,400 – Single or Married Filing Separately (increase of $200)

Taxpayers who are 65 and Older or are Blind

For 2020, the additional standard deduction amounts for taxpayers who are 65 and older or blind are:

- $1,650 for Single or Head of Household (no change)
- $1,300 for married taxpayers or Qualifying Widow(er) (no change)

Standard Mileage Rate

For 2020, the following rates are in effect:

- 57.5 cents per mile for business miles driven
- 17 cents per mile driven for medical or moving purposes
- 14 cents per mile driven in service of charitable organizations (no change)

The standard mileage rate for business cannot be used to claim an itemized deduction for unreimbursed employee travel expenses during the suspension of miscellaneous itemized deductions that are subject to the 2% of AGI floor.

The moving expense deduction is not allowed through 2025 and the exclusion from income of moving expense reimbursements from an employer is also suspended. The only exception is for active military service members who move pursuant to a military order to a new permanent duty station.

Deduction for Qualified Business Income

For 2020, the threshold amount is $163,300 ($326,600 for Married Filing Jointly).

Retirement Savings Contribution Credit

To claim this credit, the taxpayer’s modified adjusted gross income (MAGI) must not be more than $32,500 for Single, Married Filing Separately, or Qualifying Widow(er) (increase of $500). MAGI must not be more than $48,750 (increase of $750) for Head of Household, and $65,000 (increase of $1,000) for Married Filing Jointly.
**Child Tax Credit**
The refundable amount of the credit is limited to $1,400 per qualifying child (no change). Taxpayers may be able to elect to use their 2019 earned income to figure their additional child tax credit if their 2019 earned income is more than their 2020 earned income.

**Earned Income Credit (EIC)**
For 2020, the maximum credit increased to:
- $6,660 with three or more children
- $5,920 with two children
- $3,584 with one child
- $538 with no children

**Earned Income Amount Increased**
Taxpayers may be able to elect to use their 2019 earned income to figure the EIC if their 2019 earned income is more than their 2020 earned income. To be eligible for a full or partial credit, the taxpayer must have earned income of at least $1 but less than:
- $50,954 ($56,844 if Married Filing Jointly) with three or more qualifying children
- $47,440 ($53,330 if Married Filing Jointly) with two qualifying children
- $41,756 ($47,646 if Married Filing Jointly) with one qualifying child
- $15,820 ($21,710 if Married Filing Jointly) with no qualifying child

**Investment Income**
Taxpayers whose investment income is more than $3,650 cannot claim the EIC.

**Education Benefits**
**American opportunity credit** for 2020 is gradually reduced (phased out) if taxpayers’ MAGI is between $80,000 and $90,000 ($160,000 and $180,000 if Married Filing Jointly). Taxpayers cannot claim a credit if their MAGI is $90,000 or more ($180,000 or more if Married Filing Jointly).

**Lifetime learning credit** for 2020 is gradually reduced (phased out) if taxpayers’ MAGI is between $59,000 and $69,000 ($118,000 and $138,000 if Married Filing Jointly). Taxpayers cannot claim a credit if their MAGI is $69,000 or more ($138,000 or more if Married Filing Jointly).

**Student loan interest deduction** begins to phase out for taxpayers with MAGI in excess of $70,000 ($140,000 for joint returns) and is completely phased out for taxpayers with MAGI of $85,000 or more ($170,000 or more for joint returns).

**Eligible Long-Term Care Premium Limits**
For 2020, the maximum amount of qualified long-term care premiums includable as medical expenses has increased. Qualified long-term care premiums up to the amounts shown below can be included as medical expenses on Schedule A (Form 1040), Itemized Deductions, or in calculating the self-employed health insurance deduction.
- Age 40 or under: $430
- Age 41 to 50: $810
- Age 51 to 60: $1,630
- Age 61 to 70: $4,350
- Age 71 and over: $5,430

**TIP**
The limit on premiums is for each person.
Foreign Earned Income Exclusion

For 2020, the maximum foreign earned income exclusion is $107,600.

The COVID-19 virus has caused a global health emergency that has prompted the Department of the Treasury and the Internal Revenue Service to provide a waiver of the time requirements related to the foreign earned income exclusion.

If, due to the COVID-19 emergency, the taxpayer was required to leave:

- The People’s Republic of China (excluding the Special Administrative regions of Hong Kong and Macau) on or after December 1, 2019, but on or before July 15, 2020; or
- Another foreign country on or after February 1, 2020, but on or before July 15, 2020;

the taxpayer may still be able to meet requirements of the bona fide residence or physical presence test for 2019 or 2020 for purposes of determining the foreign earned income exclusion. For more information and examples see Revenue Procedure 2020-27. This topic is in scope for volunteers with International certification only.

Deduction Amount and Modified AGI Limit for Traditional IRA Contributions

For 2020, the maximum IRA deduction is $6,000 ($7,000 if age 50 or older). For taxpayers who are covered by a retirement plan at work, the deduction for contributions to a traditional IRA is reduced (phased out) if the modified AGI is:

- More than $104,000 but less than $124,000 for a married couple filing a joint return or a qualifying widow(er) if both spouses are covered by a retirement plan,
- More than $65,000 but less than $75,000 for a single individual or head of household, or
- Less than $10,000 for a married individual filing a separate return

For an IRA contributor who is not covered by a workplace retirement plan and is married to someone who is covered, the deduction is phased out if the couple’s income is between $196,000 and $206,000.

2020 Repayment Caps for APTC

<table>
<thead>
<tr>
<th>Income (as % of federal poverty line)</th>
<th>Taxpayers filing as Single</th>
<th>Taxpayers using other filing statuses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 200%</td>
<td>$325</td>
<td>$650</td>
</tr>
<tr>
<td>200%-299%</td>
<td>$800</td>
<td>$1,600</td>
</tr>
<tr>
<td>300%-399%</td>
<td>$1,350</td>
<td>$2,700</td>
</tr>
<tr>
<td>400% and above</td>
<td>No cap (full repayment)</td>
<td>No cap (full repayment)</td>
</tr>
</tbody>
</table>

- Filing thresholds and federal poverty line tables have been adjusted for inflation.
- The individual Shared Responsibility Payment (SRP) is reduced to zero. Taxpayers who do not have health insurance coverage during 2019 or later do not require an exemption to avoid the SRP.
- Details about these and other updates can be found in the Premium Tax Credit lesson and in the Volunteer Resource Guide, Tab H, Other Taxes, Payments, and Premium Tax Credit.

Health Savings Account (HSA) Deduction

For 2020, the annual contribution limits on deductions for HSAs for individuals with self-only coverage
is $3,550 (increase of $50) and $7,100 for family coverage (increase of $100). There is an additional contribution amount of $1,000 for taxpayers who are age 55 or older.

Scope Changes

The following has been removed from scope:

- Form 8615, Tax for Certain Children Who Have Unearned Income – The Further Consolidated Appropriations Act, 2020 reverts the “kiddie tax” to pre-2018 law with a child’s unearned income taxed at the parents’ top marginal rates. Previously, this was in scope when the unearned income for certain children was taxed using the brackets and rates for estates and trusts, which was a simpler calculation. The change is effective for taxable years beginning after December 31, 2019, with the option to use the estates and trusts rates for 2019 and 2018. Form 8615 is in scope for Native Americans receiving per capita payments and Alaska residents receiving permanent fund dividends.

Added to scope:

- Schedule C with expenses up to $35,000. In scope for Advanced certification.
- HSA is now included in Advanced certification and will not be a separate certification.
- Waiver of the 10% early withdrawal penalty, 3-year spread, and the ability to repay eligible distributions up to $100,000 from qualified retirement accounts for coronavirus-related purposes made on or after January 1, 2020, and before December 31, 2020.
- Repayment of coronavirus-related distributions if made by the due date of the 2020 tax return (Advanced).
- Above the line deduction for charitable contributions (Basic or Advanced).
- Deferred payment of the employer share of the Social Security tax for self-employed individuals (Advanced).
- Credit for sick leave for certain self-employed individuals and Credit for family leave for certain self-employed individuals (Advanced).
- Penalty-free withdrawals from retirement plans for individuals in case of birth of child or adoption (Advanced).
- Economic Impact Payment/Recovery Rebate Credit.

Other Changes

- A new optional certification test is available. The Qualified Experienced Volunteer test is an optional path to allow returning volunteers to certify at the advanced level. Check with your Site Coordinator or sponsoring organization for additional qualifications before taking this test.

Extended and Expired Legislation

The Taxpayer Certainty and Disaster Tax Relief Act of 2019 extended the following provisions through December 31, 2020.

- Exclusion from gross income of qualified principal residence indebtedness
- Mortgage insurance premiums deductible as qualified residence interest
- Deduction for qualified tuition & fees
- Credit for nonbusiness energy property (residential energy credit)
- Reduction in the medical expense deduction floor to 7.5%
• Payment for services
• Money used for personal living expenses, such as room and board

If the taxpayer received Form W-2 for the scholarship or fellowship it is considered earned income. Include the amount on Form 1040 as wages just as you would any other Form W-2.

Form 1098-T lists qualified tuition and related expenses paid to the school. Verify that these amounts have been paid by reviewing the student’s detailed financial account transcript which lists scholarship and grant money the student received. If scholarships or grants exceed the qualified educational costs, some of the grant or scholarship may be taxable.

In certain situations, the student may choose to include all or part of certain scholarships or grants in income in order to increase an education credit. This is explained in the education credits lesson, and examples can be found in the Form 8863 Instructions and Publication 970, Tax Benefits for Education.

**Tax Software Hint:** Taxable scholarships are entered into the software in the Income>Less Common Income>Other compensation> Scholarships and Grants section, but are shown as part of Wages on the tax return with “SCH” printed on the line. Refer to the Volunteer Resource Guide for specific entries.

**What about higher education emergency financial aid grants?**

Emergency financial aid grants under the CARES Act for unexpected expenses, unmet financial need, or expenses related to the disruption of campus operations due to the COVID-19 pandemic, such as unexpected expenses for food, housing, course materials, technology, health care, or childcare, are qualified disaster relief payments under section 139 of the Internal Revenue Code. This grant is not includable in gross income.

**What about loan repayment assistance programs (LRAPs) for health care professionals?**

Education loan repayments are not taxable if they are made to taxpayers by:

• The National Health Service Corps Loan Repayment Program
• A state education loan repayment program eligible for funds under the Public Health Service Act, or
• Any other state loan repayment or loan forgiveness program that promotes increased availability of health professionals/services in underserved areas

The taxpayer should not receive a tax form because the amount is not taxable. If there is any question, the taxpayer should contact the repayment agency.

**What about ministers or other members of the clergy?**

The ministry profession presents unique issues, such as the parsonage/housing allowance, whether earnings are covered under FICA or SECA (self employment tax), and the rules for being exempt. Publication 517, Social Security and Other Information for Members of the Clergy and Religious Workers, covers this topic. This information is provided for awareness only and is out of scope for the VITA/TCE programs. Taxpayers who have these issues should be referred to a professional tax preparer.
**What interest is taxable?**

Common sources of taxable interest income are checking and savings accounts, certificates of deposit (CDs), savings certificates, U.S. government bonds, interest on insurance proceeds, and loans that the taxpayer makes to others. Some savings and loans, credit unions, and banks call their distributions “dividends.” These distributions are really interest and are reported correctly as interest on Form 1099-INT.

**TIP**
If a taxpayer received less than $10 in interest, the financial institution might not issue Form 1099-INT. Even if the taxpayer did not receive Form 1099-INT, they must still report all of their taxable interest income. The interest amount for the year will typically be shown on the December statement.

**Caution**
If the FATCA (Foreign Account Tax Compliance Act) filing requirement box is checked on Forms 1099-INT, 1099-DIV, or any other income reporting document, the taxpayer may have a FATCA filing requirement. Refer these taxpayers to a professional tax preparer.

**Where do I get interest income information?**

There are many sources of information about interest income. Ask the taxpayer to supply all Form(s) 1099-INT from institutions that pay interest. Some institutions issue a year-end summary statement with the title “In lieu of Form 1099-INT or Form 1099-DIV” rather than preparing multiple documents for each account.

Original Issue Discount (OID) is a form of interest income. A debt instrument generally has OID when issued for an amount that is less than its stated redemption price at maturity. The issuer of the debt instrument will report the amount of OID that is currently taxable on Form 1099-OID, Original Issue Discount, or a similar statement.

**TIP**
Entries in Boxes 10, 11, 12 and 13 of Form 1099-INT, and Boxes 5 and 10 of Form 1099-OID are in scope. Enter the information just as it appears on the information reporting documents (type what you see) and TaxSlayer software will complete the calculations.

If the amount reported in Box 11 exceeds the amount reported in Box 1, the return is out of scope.

If the amount reported in Box 12 exceeds the amount reported in Box 3, or if the amount reported in Box 13 exceeds the amount reported in Box 8, the return is also out of scope.

If the taxpayers cashed in Series EE or Series I bonds, they should have received a Form 1099-INT. Most taxpayers report the total interest when they cash in the bonds. Few taxpayers elect to report savings bond interest as it accrues each year. This method is out of scope for the volunteer program and taxpayers should be referred to a professional tax preparer.

**TIP**
Interest on qualified U.S. Series EE and Series I savings bonds that are used to pay for higher education expenses may be eligible for exclusion from income using Form 8815, Exclusion of Interest From Series EE and Series I U.S. Savings Bonds Issued After 1989. Form 8815 is out of scope for the VITA/TCE programs.

**TIP**
A Net Investment Income Tax applies to individuals, estates and trusts that have certain investment income above certain threshold amounts. This topic is out of scope for the VITA/TCE programs. Taxpayers affected by the Net Investment Income Tax should be referred to a professional tax preparer. Additional information can be found in Publication 17 or on [https://www.irs.gov](https://www.irs.gov)

If a U.S. savings bond is issued in the names of co-owners, such as the taxpayer and child, or the taxpayer and spouse, interest on the bond is generally taxable to the co-owner who purchased the bond. To determine who is responsible for paying the tax on the interest from the redemption of a bond, see
Post-1984 and Pre-2019 Divorces

The person receiving alimony must include it as income. The person paying alimony can subtract it as an adjustment to income. Both items are reported on Form 1040, Schedule 1. The date of divorce or separation agreement must also be provided.

**TIP** If the taxpayer is unsure whether a payment is alimony or child support, ask if the payments will stop once the child is grown.

**TIP** Alimony income received under a pre-2019 divorce or separation instrument is unearned income. However, it is considered compensation, which may allow the taxpayer receiving alimony income to make a deductible traditional IRA or nondeductible Roth IRA contribution.

**TIP** If the agreement was executed before 1985, refer the taxpayer to a professional tax preparer.

Where do I get alimony information?

Ask if the taxpayer received alimony under a divorce or separation instrument. If so, explain that you need the exact amount, since it may also be reported as a deduction by the payor, and the two amounts must agree.

How do I report alimony income?

**Tax Software Hint:** Enter any alimony income on the alimony received screen. The Social Security number of the person paying the alimony is not needed.

Post-2018 Divorces

The Tax Cuts and Jobs Act provides that alimony and separate maintenance payments are not deductible by the payor spouse and repeals the code provisions that specify that alimony and separate maintenance payments are included in income by the recipient of the payments.

This treatment is effective for any divorce or separation instrument executed after December 31, 2018, or for any divorce or separation instrument 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, Section 11051, apply to such modification.

Summary

This lesson covered income reported on Form 1040, including how to differentiate taxable and nontaxable income, and earned or unearned income.

- Earned income is any income received for work, such as wages or business/self-employment income.
- Unearned income is any income produced by investments, such as interest on savings, dividends on stocks, or rental income.
- The Form 1040 wages, salaries, tips, etc. line includes wages, salaries, tips, and scholarships usually reported to the taxpayer on Form W-2. Taxable scholarships or household employee income are shown on the same line even when not shown on a Form W-2.
- Common sources of taxable interest income are checking and savings accounts, certificates of deposit.
(CDs), savings certificates, or U.S. government bonds. This interest is reported by the payer on Form 1099-INT and included in the taxpayer’s income on Form 1040.

- Interest on certain bonds, such as from state political subdivisions, District of Columbia, or port authorities, are exempt from federal income tax but must be reported on Form 1040.
- Dividends are reported to the taxpayer on Form 1099-DIV. Ordinary dividends are corporate distributions paid out of the earnings and profits of a corporation. Qualified dividends are ordinary dividends that qualify for lower, long-term capital gains tax rates. Capital gain distributions are reported on Form 1040 and Schedule D, if required.
- Taxpayers who itemized deductions in the previous year and received a tax benefit from deducting state or local income taxes may have to report part or all of their refund as income. Taxpayers generally receive Form 1099-G reporting their state or local tax refund.
- Alimony is income received from a spouse or former spouse under a separation or divorce instrument. If the alimony was paid pursuant to a divorce or separation instrument executed on or before December 31, 2018, it is taxable income and included on Form 1040, Schedule 1.

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

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

- Taxpayers with income from the following sources:
  - Other gains/losses
  - Farm income
- Taxpayers affected by the Additional Medicare Tax
- Taxpayers who use the accrual method for reporting income
- Taxpayers who buy or sell noncovered bonds between interest payment dates
- Form 1099-INT amounts reported in the box labeled Specified private activity bond interest if AMT applies
- Form 1099-INT amounts reported in the box labeled Bond premium that exceed amounts reported in the box labeled Interest.
- Form 1099-DIV amounts reported in the boxes labeled Unrecap. Sec. 1250 gain, Section 1202 gain, Cash liquidation distributions, and Noncash liquidation distributions
- Adjustments needed for any of the amounts reported on Form 1099-OID, or if the taxpayer should have received Form 1099-OID but did not receive one
- 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
- Tax returns for ministers and members of the clergy because of unique tax issues

**TAX LAW APPLICATION**

To gain a better understanding of the tax law, complete the practice return(s) for your course of study using the Practice Lab on L&LT.
Example

Darryl used his car only for personal purposes during the first 6 months of the year. During the last 6 months of the year, he drove the car a total of 18,000 miles. Of those miles, 15,000 miles were driven providing transportation through a ride-sharing service. He received a Form 1099-K showing the income he received from the ride-sharing business. Darryl can deduct the 15,000 miles using the standard mileage rate as well as any other ordinary and necessary business expenses, such as supplies, a cell phone, food and drinks for passengers, parking fees, tolls, roadside assistance plans, business insurance, and taxes.

Qualified Medicaid Waiver Payments

Qualified Medicaid waiver payments may be excluded from gross income. To be qualified Medicaid waiver payments, the care provider and the care recipient must reside in the same home. When the care provider and the care recipient do not live together in the same home, the Medicaid waiver payments are fully taxable.

A taxpayer may choose to include qualified Medicaid waiver payments in the calculation of earned income for the EIC and the ACTC. The taxpayer may include qualified Medicaid waiver payments in earned income even if the taxpayer chooses to exclude those payments from gross income.

- A taxpayer may not choose to include or exclude only a portion of qualified Medicaid waiver payments. Either include all or none of the qualified Medicaid waiver payments for the taxable year in earned income.

- If the taxpayer chooses to include qualified Medicaid waiver payments in earned income, that amount will be included in the calculation for both the EIC and the ACTC.


How is business income reported?

Form 1040, Schedule C

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

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

Form 1040, Schedule C, is also used to report wages and expenses the taxpayer had as a statutory employee or certain income shown on Form 1099-MISC or Form 1099-NEC.

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

⚠️ Volunteer tax preparers who have Advanced certification can assist with preparation of the limited Schedule C.
Tax Software Hint: The tax software calculates net profit after income and expense entries are made. Next, the software transfers the net profit to the applicable line on Schedule SE, Self-Employment Tax, to compute the self-employment tax. Amounts are then transferred to the applicable lines of Form 1040.

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

<table>
<thead>
<tr>
<th>Definition of Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business expenses</strong></td>
</tr>
<tr>
<td>Business expenses are amounts that are ordinary and necessary to carry on the business.</td>
</tr>
<tr>
<td><strong>Cash method of accounting</strong></td>
</tr>
<tr>
<td>The cash method of accounting reports all income when received and deducts all expenses when paid.</td>
</tr>
<tr>
<td><strong>Inventory</strong></td>
</tr>
<tr>
<td>Inventory is the items the taxpayer buys or makes for resale to others. Taxpayers with inventories should be referred to a professional tax preparer.</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
</tr>
<tr>
<td>The cost of items that are expected to last more than a year should be spread over a period of years rather than deducted in the year of purchase. If the taxpayers have such a cost, they should be referred to a professional tax preparer.</td>
</tr>
<tr>
<td><strong>Election to expense business assets</strong></td>
</tr>
<tr>
<td>An election is available to immediately expense qualifying business assets, known as a &quot;179 deduction&quot;. Taxpayers who wish to expense business assets should be referred to a professional tax preparer.</td>
</tr>
</tbody>
</table>

What is in scope for VITA/TCE?

Volunteers can assist taxpayers who have returns that require Schedule C with certain limits:

- Have less than $35,000 in business expenses
- Use the cash method of accounting
- Have no inventory at any time during the year
- Did not have a net loss from the business
- Have no employees during the year and did not pay contract labor for services (out of scope issue)
- Are not required to file Form 4562, Depreciation and Amortization, for this business (depreciation and the election to expense business assets are out of scope for the VITA/TCE programs)
- Do not deduct expenses for business use of a home

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

TIP: More than one Schedule C can be prepared if the taxpayers have more than one business.

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

**Taxpayer Interview and Tax Law Application**

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

This lesson will help you identify and report the taxable portion of retirement income received by the taxpayer. To do this, you must understand the types of retirement income and the forms used to report them. You should also be able to recognize when taxpayers should adjust their withholding and determine which form to use.

For more information on the topics discussed in this lesson, see Publication 575, Pension and Annuity Income; Publication 590-B, Individual Retirement Arrangements (IRAs); Publication 721, Tax Guide to U.S. Civil Service Retirement Benefits; and Publication 939, General Rule for Pensions and Annuities.

Objectives

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

- Identify how retirement income is reported to the taxpayer using Form 1099-R series
- Calculate the taxable portion of different types of retirement income
- Determine how to report retirement income on the tax return
- Determine when an adjustment to withholding should be made

What is retirement income?

Retirement income can include Social Security benefits as well as benefits from annuities, retirement or profit sharing plans, insurance contracts, IRAs, etc. Retirement income may be fully or partially taxable. For information about Social Security benefits and tier 1 Railroad Retirement benefits, see the Social Security Benefits lesson.

Where can I get information about a taxpayer’s retirement income?

To determine if the taxpayer must report retirement income, review the taxpayer’s completed intake and interview sheet, particularly the Income section. If the taxpayer had retirement income, you may need to ask additional questions to clarify the type of plan, whether the taxpayer’s contributions to the plan were before-tax or after-tax dollars, etc. This is explained later in this lesson.

Be considerate when probing for the information you need to complete the return. When taxpayers cannot provide the required information (and have not retained the packet of “retirement papers” they received when they retired), suggest that they contact their former employer or annuity administrator. You may even give the taxpayer a written list of questions that need to be resolved.
Which forms are used to report retirement income?

Retirement income can be reported on one of the forms in the Form 1099-R Series:

- Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.,
- Form CSA 1099-R, Statement of Annuity Paid (civil service retirement payments),
- Form CSF 1099-R, Statement of Survivor Annuity Paid, and
- Form RRB 1099-R, Annuities or Pensions by the Railroad Retirement Board

If Form 1099-R is for an IRA-type distribution, it will be indicated in Box 7.

Examples of these forms can be found at irs.gov. These forms indicate such information as the amount received, the taxable portion, and the taxpayer’s cost (investment) in the plan.

If the taxable amount is indicated, Basic certified volunteers can complete the return. In general, if the taxable amount is not indicated, volunteers with Advanced certification must calculate the taxable portion using the Simplified Method covered later in this lesson.

Qualified disability income reported on Form 1099-R with a Distribution Code 3 in Box 7, is reported as earned income wages on Form 1040 until the minimum retirement age is met. Review the software entries in the Volunteer Resource Guide, Tab D, Form 1099-R Rollovers and Disability Under Minimum Retirement Age.

What if the taxable portion is already calculated?

In many instances, the payer will compute the taxable portion of the distribution and report the taxable amount on Form 1099-R. Taxpayers with Form RRB-1099-R are in scope only for Advanced certified volunteers because the taxable portion is not shown on the form.


Amounts from Form 1099-R are reported as follows:

- The gross amount (Box 1 of Forms 1099-R, CSA- and CSF-1099-R) should be shown on Form 1040 on the IRAs, pensions, and annuities line
- The taxable amount (Box 2a of Forms 1099-R, CSA- and CSF-1099-R) should be shown on Form 1040 on the IRAs, pensions, and annuities line in the taxable amount section

Note: The IRA/SEP/SIMPLE box is not checked for Roth IRAs. Instead, Roth IRAs are identified on Form 1099-R (Box 7) with a distribution code Q, J, H, or T. Only code Q is in scope for the VITA/TCE programs. In-scope Roth IRA distributions are reported on Form 1040 on the IRAs, pensions, and annuities line.

Any amount of federal income tax withheld on Forms 1099-R, CSA- and CSF-1099-R should appear in the Federal income tax withheld from 1099 line of the tax return.
What is the IRA self-certification procedure?

Procedure Helps People Making Retirement Plan Rollovers

Revenue Procedure 2016-47 explains a self-certification procedure designed to help recipients of retirement plan distributions who inadvertently miss the 60-day time limit for properly rolling these amounts into another retirement plan or individual retirement arrangement (IRA). Eligible taxpayers can qualify for a waiver of the 60-day time limit and avoid possible taxes and penalties on early distributions, if they meet certain circumstances. Taxpayers who missed the time limit will ordinarily qualify for a waiver if one or more of 11 circumstances, listed in the revenue procedure, apply:

- An error was committed by the financial institution making the distribution or receiving the contribution.
- The distribution was in the form of a check and the check was misplaced and never cashed.
- The distribution was deposited into and remained in an account that the taxpayer mistakenly thought was a retirement plan or IRA.
- Taxpayer’s principal residence was severely damaged.
- One of the taxpayer’s family members died.
- Taxpayer or a family member was seriously ill.
- Taxpayer was incarcerated.
- Restrictions were imposed by a foreign country.
- A postal error occurred.
- The distribution was made on account of an IRS levy and the proceeds of the levy have been returned.
- The party making the distribution delayed providing information that the receiving plan or IRA required to complete the rollover despite reasonable efforts to obtain the information.
- The distribution was made to a state unclaimed property fund (Revenue Procedure 2020-46).

Ordinarily, the IRS, plan administrators, and trustees will honor a taxpayer’s truthful self-certification that they qualify for a waiver under these 11 circumstances. Even if a taxpayer does not self-certify, the IRS now has the authority to grant a waiver during a subsequent examination. Other requirements, along with a copy of a sample self-certification letter, can be found in the revenue procedure.

The IRS encourages eligible taxpayers wishing to transfer retirement plan or IRA distributions to another retirement plan or IRA to consider requesting that the administrator or trustee make a direct trustee-to-trustee transfer, rather than doing a rollover. Doing so can avoid some of the delays and restrictions that often arise during the rollover process.

For more information, refer to Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs).
Qualified Charitable Distributions

A qualified charitable distribution (QCD) is generally a nontaxable distribution made directly by the trustee of the IRA to an organization eligible to receive tax-deductible contributions. The taxpayer must be at least age 70½ when the distribution is made. In accordance to Setting Every Community Up for Retirement Enhancement (SECURE) Act, the long-standing 70½ age limit for making contributions to traditional IRAs was eliminated for tax years beginning after 2019. In addition, the excludible portion of a QCD distribution is reduced by IRA deductions once the taxpayer attains age 70½. The taxpayer must have the same type of acknowledgement of the contribution that is needed to claim a deduction for a charitable contribution. Typically, a QCD counts towards the taxpayer’s required minimum distribution (RMD). Taxpayers may make a QCD for 2020 even though they are not required to take a RMD for 2020.

The maximum annual exclusion for QCDs is $100,000. Any QCD in excess of the $100,000 exclusion limit is included in income as any other distribution. On a joint return, the spouse can also have a QCD and exclude up to $100,000.

If a QCD is reduced by an IRA contribution, the taxpayer will show that amount as a taxable distribution. Additionally, the taxpayer may claim a charitable contribution deduction for the donation.

How do I find the taxable portion of pensions and annuities?

Fully Taxable Pensions and Annuities

Pension and annuity income is reported on Form 1099-R, Form CSA 1099-R, and Form RRB 1099-R. In general, pension or annuity payments are fully taxable, if the following is true:

- Taxpayers did not pay any part of the cost of their pensions or annuities
- Employers did not withhold part of the cost from the taxpayers’ pay while they worked
- Employers withheld part of the cost from the taxpayer’s before-tax pay while they worked

Social Security benefits are not reported on the pension line of the tax return. Social Security income is covered in a later lesson.

example

Sue worked for a software development company for 20 years. She retired and began receiving pension income the same year. Sue never contributed to the pension plan while she was working; her employer made all of the contributions. Her pension is fully taxable.

Partially Taxable Pensions and Annuities

Two methods used to figure the taxable portion of each pension or annuity payment are the General Rule and the Simplified Method. Unless an exception applies, retirees must use the Simplified Method for annuity payments from a qualified plan. A qualified plan is established by an employer to provide retirement benefits for employees and their beneficiaries. Employees typically do not pay taxes on plan assets until the assets are distributed; furthermore, earnings on qualified plans are tax deferred. If a taxpayer tells you they have been using the General Rule to figure the taxable portion for past years, refer them to a professional tax preparer.

If the taxpayer’s annuity starting date is before July 2, 1986, the General Rule has to be used unless the Three-Year Rule was used.
This information is provided for your information only, to help you answer any questions a taxpayer may ask about RMD. RMD distributions are reported on Form 1099-R and included on the return using the procedures previously discussed.

### Withdrawal of Excess IRA Contributions

An excess IRA contribution is the amount contributed to a traditional and/or Roth IRA during the year that is more than the smaller of the:

- Maximum IRA amount for the year based on the taxpayer’s age, or
- Taxable compensation for the year

The taxpayer may not know that a contribution is excess until the tax return is completed after the end of the year. In this situation, the excess amount, with any earnings on that amount, must be withdrawn by the due date of the return (including extensions). If the excess amount is not withdrawn by the due date of the return, the taxpayer will be subject to an additional 6% tax on this amount.

The withdrawn excess contribution is not included in the taxpayer’s gross income if both of the following conditions are met:

- No deduction was allowed for the excess contribution
- All interest or other income earned on the excess contribution is withdrawn by the due date of the return, including extensions

However, taxpayers must include the earnings on the excess contribution as income on the return. This income is reported on the return for the year in which the excess contribution was made. The withdrawal of interest or other income may also be subject to an additional 10% tax on early distributions.

If the taxpayer is subject to an additional tax due to excess IRA contributions, refer them to professional tax preparer.
Special Provisions and Tax-Favorable Treatment of Retirement Fund Distributions

The CARES Act of 2020 provides for three special rules for up to $100,000 of coronavirus-related distributions from eligible retirement plans to qualified individuals: exception to the additional tax on early distributions; distributions may be included in income over a 3-year period; and, to the extent the distribution is eligible for tax-free rollover treatment, the distribution may be recontributed. If the retirement distribution recipient is not a qualified individual, none of these provisions apply. The information below is for federal purposes; state laws may differ.

IRS Notice 2020-50 and the Instructions for Form 8915-E provide more detailed information and are available for download on irs.gov.

Who can use the special rules for a coronavirus-related distribution?

A qualified individual is anyone who:

• Is diagnosed, or whose spouse or dependent is diagnosed, with the virus SARS-CoV-2 or the coronavirus disease 2019 (collectively, “COVID-19”) by a test approved by the Centers for Disease Control and Prevention (including a test authorized under the Federal Food, Drug, and Cosmetic Act); or

• Experiences adverse financial consequences as a result of the individual, the individual’s spouse, or a member of the individual’s household (that is, someone who shares the individual’s principal residence):
  – Being quarantined, furloughed or laid off, or having work hours reduced due to COVID-19,
  – Being unable to work due to lack of childcare due to COVID-19,
  – Closing or reducing hours of a business that they own or operate due to COVID-19,
  – Having pay or self-employment income reduced due to COVID-19, or
  – Having a job offer rescinded or start date for a job delayed due to COVID-19

What are coronavirus-related distributions?

Generally, a distribution from an eligible retirement plan made on or after January 1, 2020, and before December 31, 2020, to a qualified individual can be designated as a coronavirus-related distribution. The amount of aggregate distributions from all eligible retirement plans that can be treated as designated coronavirus-related distributions cannot be more than $100,000. Coronavirus-related distributions are not limited to amounts needed as a result of COVID-19. Thus, the amount of the distribution is not required to correspond to the extent of the adverse financial consequences experienced by the qualified individual.
What plans can make coronavirus-related distributions?

The term “eligible retirement plan” means an individual retirement plan (IRA) or an eligible employer plan. An eligible employer plan includes: a plan qualified under § 401(a), including a money purchase pension plan, a profit-sharing or stock bonus plan (whether or not the plan includes a qualified cash or deferred arrangement under § 401(k)), and a defined benefit plan; an annuity plan under § 403(a); a § 403(b) plan; or a governmental deferred compensation plan under § 457(b).

example

A section 401(k) plan distributes $35,000 to a qualified individual on November 1, 2020. The qualified individual also receives a distribution from the individual’s IRA on December 1, 2020, of $15,000. The individual is permitted to treat both the $35,000 from the plan and the $15,000 from the IRA as designated coronavirus-related distributions on the individual’s 2020 federal income tax return.

The following distributions are not coronavirus-related distributions:

- Corrective distributions of elective deferrals and employee contributions that are returned to the employee (together with the income allocable thereto) (Form 1099-R, Box 7, code 8)
- Certain excess elective deferrals or contributions (Form 1099-R, Box 7, code 8)
- Loans that are treated as deemed distributions (Form 1099-R, Box 7, code L)
- Dividends paid on applicable employer securities (Form 1099-R, Box 7, code U)
- The costs of current life insurance protection (Form 1099-R, Box 7, code 9)
- Prohibited allocations that are treated as deemed distributions (Form 1099-R, Box 7, code 5)
- Distributions that are permissible withdrawals from an eligible automatic contribution arrangement
- Distributions of premiums for accident or health insurance

A qualified individual may designate an eligible distribution as a coronavirus-related distribution without regard to whether the plan treated the distribution as a coronavirus-related distribution.

Additional rules and limitations are discussed below.

How is the exception to the early distribution additional tax applied?

A qualified individual can claim an exception to the 10% additional tax for an early coronavirus-related distribution, or the 25% additional tax in the case of a SIMPLE IRA, received on or after January 1, 2020, and before December 31, 2020. The exception can be claimed on Form 5329 using exception code 12 - Other. A qualified individual can claim this exception for designated coronavirus-related early distributions, which are limited to $100,000 total.

An early distribution (no known exception) is identified by code 1 in box 7 on Form 1099-R.

What are the rules for the 3-year spread of eligible distributions?

A taxpayer may elect to include designated coronavirus-related distributions in income ratably over a 3-year period, starting with the year in which the distribution is received. Thus, for a 2020 designated coronavirus-related distribution received on or after January 1, 2020, and before December 31, 2020, the income would be reported 1/3 in each year 2020, 2021, and 2022 if the taxpayer so elects on Form 8915-E.
All coronavirus-related distributions as defined above are eligible for the 3-year spread by a qualified individual. Periodic payments (such as pensions) and distributions that would have been required minimum distributions (RMDs) received by a qualified individual from an eligible retirement plan are permitted to be treated as coronavirus-related distributions and, therefore, permitted to be included in income ratably over 3 years. Similarly, any distribution received by a qualified individual as a beneficiary can be treated as a coronavirus-related distribution eligible to include the distribution in income ratably over 3 years.

If elected, 3-year spread must be applied to all eligible coronavirus-related distributions up to the limit of $100,000 (either all coronavirus-distributions must be included in income ratably over a 3-year period or all coronavirus-related distributions must be included in income in the current year). The taxpayer will allocate the $100,000 limit to designate their coronavirus-related distributions using Form 8915-E when total eligible distributions exceed $100,000. The election of or the opting out of the 3-year spread provision cannot be made or changed after the timely filing of the return (including extensions) for the year of the distribution.

If a qualified individual dies before the full taxable amount of the coronavirus-related distribution has been included in gross income, then the remainder must be included in gross income for the taxable year that includes the individual's death.

What are the rules for recontributions of eligible distributions?

A qualified individual may recontribute part or all of their eligible designated coronavirus-related distributions to an eligible retirement plan (up to an aggregate limit of $100,000), but not an amount in excess of the amount of the distribution. Recontribution is permitted whether or not the 3-year spread is elected. The recontribution must be completed within three years beginning with the day after the date that the distribution was received. Not all coronavirus-related distributions may be repaid. That is, a distribution that is eligible for the 3-year spread may or may not be eligible for recontribution. In general, distributions that would be eligible for tax-free rollover treatment are eligible for recontribution under the CARES Act. The following distributions are not eligible for recontribution:

1. Any coronavirus-related distribution (whether from an employer retirement plan or an IRA) paid to a qualified individual as a beneficiary of an employee or IRA owner (other than the surviving spouse of the employee or IRA owner).

2. Any distribution (other than from an IRA) that is one of a series of substantially equal periodic payments made (at least annually) for:
   c. A period of 10 years or more,
   d. The individual's life or life expectancy, or
   e. The joint lives or joint life expectancies of the individual and the individual's beneficiary.

A pension is a periodic payment and cannot be repaid, even if the taxpayer elects to use the 3-year spread of the income.

RMDs are not eligible for rollover to another qualified account. However, the CARES Act waived RMDs for 2020 so a qualified individual can recontribute an amount that would otherwise have been an RMD for 2020.

The recontribution can be made to any qualified account that will accept the recontribution. In general, it is anticipated that eligible retirement plans will accept recontributions of coronavirus-related distributions, which are to be treated as rollover contributions. However, a recontribution under this CARES Act provision will not be treated as a rollover contribution for the one-in-12-months limitation.
How are these provisions reported on a tax return?

A qualified individual will use Form 5329 to claim the exception to the early distribution addition to tax if the designated coronavirus-related distribution is also an early distribution.

A qualified individual will include Form 8915-E in their timely filed 2020 tax return and report:

- All their distributions, coronavirus-related distributions, and allocation of their $100,000 limit,
- That they elect or not elect the 3-year spread for their eligible distributions,
- The amount of permissible recontributions made before filing their 2020 return (but not later than the due date of the return, including extensions), and
- The amount of their coronavirus-related distributions taxable in 2020.

Form 8915-E may also need to be filed in future years to report the amount of the eligible distribution that has been repaid for the tax year, if any, and the taxable amount of their designated coronavirus-related distributions if the 3-year spread was elected (2021 and 2022).

A recontribution is applied to the current tax year’s ratable amount (if any) of taxable distribution first. If the recontribution exceeds the current tax year’s ratable taxable amount (if any), the taxpayer can elect to either carry back or carry forward the excess. A qualified individual who recontributes some or all of a distribution that has been included in taxable income in a prior year will need to file an amended return to report the amount of the recontribution on Form 8915-E and reduce his or her gross income by the excess amount of the recontribution. A recontribution made at any date before the timely filing of the individual’s federal income tax return (that is, by the due date of the return, including extensions) is applied to that tax year.

Example

Claudia is a qualified individual who received an eligible coronavirus-related distribution from her employer’s 401(k) plan. She can choose to recontribute the distribution to her employer’s plan, if the plan allows, or to recontribute the distribution to her IRA. The employer plan administrator or IRA trustee may request that Claudia certify she satisfies the re-contribution requirements.

Example

Adrian took an eligible coronavirus-related distribution of $60,000 on September 1, 2020. He uses the ratable income inclusion method for the distribution ($20,000 included in income on each federal income tax return for 2020, 2021, and 2022). He repaid $15,000 to his IRA on March 15, 2022 before filing his 2021 return. The $15,000 recontribution is applied to 2021 and Adrian includes the remaining $5,000 in income in 2021.

If Adrian filed his 2021 return on March 1, 2022, before making the recontribution, the $15,000 recontribution would be applied to the ratable taxable amount for his 2022 tax year first.

Example

LaDonna is a qualified individual who includes a $45,000 IRA coronavirus-related distribution she took in 2020 in income ratably over a 3-year period. She includes $15,000 in income in 2020. LaDonna recontributes $20,000 to her IRA in 2021 after filing her 2020 tax return. None of the ratable taxable amount will be taxable in 2021 (the ratable taxable amount of $15,000 is fully offset by the $20,000 recontribution and there is an excess recontribution of $5,000). LaDonna can choose to either carry forward the $5,000 excess recontribution to reduce the ratable taxable amount for 2022 or to apply it to 2020 by filing an amended return to revise the ratable taxable amount in 2020 downward to $10,000.
Be sure to include Form 8915-E in the 2020 return when there is a coronavirus-related distribution to indicate whether the taxpayer elects or does not elect the 3-year spread and preserve the taxpayer’s ability to re-contribute eligible designated distributions.

**Married taxpayers:** The $100,000 limit, the 3-year spread election, and re-contribution of eligible coronavirus-related distributions are determined separately for each spouse. Thus, each spouse is required to file a Form 8915-E to claim these provisions. Separate Forms 5329 may also be required.

**CARES Act Summary**

The CARES Act provides relief to qualified individuals that received coronavirus-related distributions on or after January 1, 2020, and before December 31, 2020. These include an exception to the additional tax on early distributions, a 3-year spread of taxable eligible distributions, and the opportunity to re-contribute some or all of the eligible distributions at any time within 3 years. Designated coronavirus-related distributions are limited to $100,000 in the aggregate. These provisions are applied separately to a taxpayer and their spouse.

**What is not in scope?**

Disaster-related distributions that are not coronavirus-related distribution are out of scope. For more information, refer to:


**How do I determine when an adjustment to withholding should be made?**

After the completion of the return, if the taxpayer owes $1,000 or more on the tax return, you should discuss their withholding and estimated tax options with them. This is covered in more detail in the Completing the Return lesson.

Sometimes taxpayers are not aware they can request that federal income tax be withheld from their retirement income by filing Form W-4P, Withholding Certificate for Pension or Annuity Payments. This form is sent to the payer. Also, Form W-4V, Voluntary Withholding Request, is used to request withholding from Social Security benefits. This form is sent to the Social Security Administration. Every year, the Social Security Administration reports taxpayers’ retirement benefits and/or voluntary withholdings on Form 1099-SSA.

**TIP**

Taxpayers who receive a very large refund may make better use of their funds if tax withholding is lowered. Explain ways they can reduce their withholding.
For additional help, taxpayers can refer to Publication 17, Withholding, Form W-4, or visit the IRS website and use the “Tax Withholding Estimator.” A taxpayer who chooses not to have tax withheld may have to pay estimated tax each quarter. Failure to pay enough federal income tax throughout the year can result in a large amount of tax being owed when the return is due. It can also result in a penalty. Form 1040-ES, Estimated Tax for Individuals, is used to calculate the estimated quarterly payment and provides vouchers with which to remit the payments.

EXERCISES (continued)

Question 9: Faith comes to your site to get her tax return done. When you finish her return, you explain to her that she owes $985, and that she needs to pay this amount by April 15. She says that she will pay the amount, but wants to know if there is some way to have more tax withheld from her pension so that she doesn’t owe so much at the end of the year. Which form should she complete to increase the withholding from her pension?

A. Form W-4P
B. Form W-4V

Summary

This lesson helped you identify, calculate, and report the taxable portion of retirement income received by the taxpayer. It reviewed the types of retirement income and the forms used to report them. You learned when taxpayers of retirement age are required to take a minimum distribution from a retirement plan and when they may need to adjust their withholding.

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

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

- The taxpayer needs to file Form 8606
- Taxpayers who made nondeductible contributions to a traditional IRA
- Taxpayers 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 requirements
- Taxpayers who used the 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)

TAX LAW APPLICATION

To gain a better understanding of the tax law, complete the practice return(s) for your course of study using the Practice Lab on L&LT.

You may not be able to complete the entire exercise if some of the technical issues in the exercise are not covered until later lessons in the training. In these instances, complete as much of the exercise as you can. Come back later to finish the exercise after you cover all the technical topics.
**EXERCISE ANSWERS**

**Answer 1:** False. In addition to Roth IRAs, nondeductible contributions to traditional IRAs are also not taxed when they are distributed.

**Answer 2:** False. Mary’s distribution was not made after the 5-year period beginning with the first taxable year she made a contribution to her Roth IRA. Therefore, the earnings/investment gains portion of the distribution will be taxable income. (She may also owe an additional tax on early distributions. This will be discussed in the Other Taxes lesson.)

**Answer 3:** True. Amy’s distribution can be excluded from her taxable income because it was made more than five years after the beginning of the taxable year of her first contribution, and it was made on or after age 59½.

**Answer 4:** B. Andrew can exclude the entire distribution from income because it was rolled over into an IRA within the allowed 60-day period.

**Answer 5:** C. Dotty’s entire pension amount of $10,074 (6 x $1,679) is fully taxable because she has never paid income taxes on her employer’s contribution to her pension.

**Answer 6:** D. Because Annie Jo has not reached the minimum retirement age set by her employer, you should report her disability income as wages on her Form 1040.

**Answer 7:** True. Taxpayers must withdraw excess contributions and any earnings by the due date of the return (including extensions) to avoid the additional 6% tax on the excess contribution.

**Answer 8:** D. Taxpayers are required to begin receiving distributions from their qualified plan by April 1 of the calendar year following the year in which they reach age 72. Helen will turn 72 in 2021. She must take a distribution by April 1, 2022, and another distribution by December 31, 2022.

**Answer 9:** A. Generally, Form W-4P, Withholding Certificate for Pension and Annuity Payments, is used to request a change in withholding on a pension.
Adjustments to Income

Introduction

This lesson covers the Adjustments to Income section of Form 1040, Schedule 1. Taxpayers can subtract certain expenses, payments, contributions, fees, etc. from their total income. The adjustments, subtracted from total income on Form 1040, establish the adjusted gross income (AGI).

Some items in the Adjustments to Income section are out of scope. This lesson will cover all in-scope topics. Refer to the Volunteer Resource Guide, Tab B, Starting a Return and Filing Status, or go to irs.gov to view Form 1040.

Objectives

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

• Identify which adjustments are within the scope of the VITA/TCE programs
• Calculate and accurately report the adjustments to income that are within the scope of the VITA/TCE programs

How do I determine if the taxpayer has adjustments to income?

To identify the adjustments to income that taxpayers can claim, you will need to ask the taxpayers if they had the types of expenses listed on the Adjustments to Income section of Schedule 1. Review the taxpayers’ answers on their intake and interview sheet.

During the tax year did the taxpayer or spouse:

• Pay qualified educator expenses?
• Receive income from self-employment?
• Have self-employed health insurance?
• Pay a penalty for early withdrawal of savings?
• Pay alimony?
• Make charitable contributions?
• Make contributions to a traditional IRA?
• Make a contribution to a health savings account?
• Pay student loan interest?
• Receive income from jury duty that was turned over to an employer?
• Have a Form W-2 Box 12 code H contribution to Sec 501(c)(18)(D) pension plan?

What do I need?

□ Form 13614-C
□ Form 8889
□ Form 8889 Instructions
□ Publication 4012
□ Publication 17
□ Publication 969
Optional:
□ Publication 504
□ Publication 590-A
□ Publication 970
□ Form 1040 Instructions
□ Form 1040 (Sch SE)
□ Form 1098-E
□ Form 1099-INT
□ Form 1099-OID
□ Form 8606
□ IRA Deduction Worksheet
□ Student Loan Interest Deduction Worksheet
There are other adjustments to income, such as self-employed SEP, SIMPLE, and qualified plans and domestic production activities deductions. These are beyond the scope of the VITA/TCE programs. If you believe a taxpayer could benefit from one of these other adjustments, encourage the taxpayer to consult a professional tax preparer.

**Tax Software Hint:** To review the tax software entry screen for Adjustments, go to the Volunteer Resource Guide, Tab E, Adjustments.

### How do I handle educator expenses?

**Who is eligible?**

Eligible educators can deduct up to $250 of qualified expenses paid during the tax year. If the taxpayer and spouse are both eligible educators, they can deduct up to $500, but neither can deduct more than their own expenses up to $250. The deduction amount is indexed for inflation, so future maximum deduction amounts may be higher.

If the taxpayer or spouse is an educator, probe a little deeper to see if they qualify for this adjustment. Ask questions such as:

- Are you or your spouse a teacher, instructor, counselor, principal, or aide in a school? (Cannot be a home school)
- What grade or grades do you teach? (Must be K-12)
- Were you employed for at least 900 hours during the school year? (Required minimum)

**What expenses qualify?**

If the taxpayer or spouse is an eligible educator, ask about their qualified expenses. Advise taxpayers that they must have receipts for verification if they get audited.

Expenses that qualify include books, supplies, equipment (including computer equipment, software, and services), and other materials used in the classroom. The educator’s own professional development expenses related to the curriculum in which the educator provides instruction are also included. Qualified expenses don’t include expenses for home schooling or for nonathletic supplies for courses in health or physical education.

**Qualified expenses include amounts paid or incurred after March 12, 2020, for personal protective equipment, disinfectant, and other supplies used for the prevention of the spread of coronavirus.**

**example**

Gloria is a 5th and 6th grade teacher who works full-time in a year-round school. She had 1800 hours of employment during the tax year. She spent $262 on supplies for her students. Of that amount, $212 was for educational software. The other $50 was for supplies for a unit she teaches sixth graders on health. Only the $212 is a qualified expense. She can deduct $212.

**example**

Debbie is a part-time art teacher at an elementary school. She spent $185 on qualified expenses for her students. Because she has only 440 hours of documented employment as an educator during the tax year, she cannot deduct her educator expenses.
Although contributions to a Roth IRA cannot be deducted, the taxpayer may be eligible for the retirement savings contributions credit, discussed in the lesson on Miscellaneous Credits.

**Example**
Fred has a traditional IRA account and a Roth IRA account. During the tax year, Fred contributed $2,200 to his traditional IRA and $1,000 to his Roth IRA. The most Fred will be able to deduct is the $2,200 contribution to his traditional IRA.

**Tip**
Based on the intake and interview form, ask the taxpayer about any IRA contributions during the year or that they intend to make by the due date of the return.

**Caution**
Repayment of a coronavirus-related distribution is not an IRA contribution. Refer to the Income - Retirement Income lesson and Form 8915-E, Qualified 2020 Disaster Retirement Plan Distributions and Repayments, and instructions.

**What are the eligibility requirements for an IRA contribution?**
The taxpayer, and the taxpayer’s spouse if applicable, must meet these eligibility requirements in order to make an IRA contribution:

- **Types of IRAs:** Verify the types of IRAs to which the taxpayer and spouse contributed. Only contributions to traditional IRAs are deductible.
- **Age limit:** Under the SECURE Act of 2019, there is no age limit for either traditional or Roth IRA contributions effective for tax years beginning after December 31, 2019.
- **Compensation:** Individuals must have taxable compensation (i.e., wages, self-employment income, commissions, taxable alimony, or taxable scholarships or fellowships, as shown in Box 1 of Form W-2).
- **Time limits:** Contributions must be made by the due date for filing the return, not including extensions. Verify with the taxpayer and spouse that they made the contribution(s) (or will make them) by the due date of the return.

**Tip**
Be sure the taxpayer knows that if a contribution is reported on the tax return but is not made by the deadline, the taxpayer must file an amended return.

**How much can a taxpayer deduct for an IRA contribution?**
Generally, you can deduct the lesser of:

- The contributions to your traditional IRA for the year, or
- The general limit reduced for Roth IRA contributions made for the same tax year

**What is the compensation requirement?**
Compensation is generally the income a taxpayer has earned from working; it also includes taxable alimony, and other forms of earned income. (See Publication 17 for more information on compensation.) Taxpayers cannot make IRA contributions that are greater than their compensation for the year.

**Tip**
An IRS certified volunteer preparer must exercise due diligence when preparing or assisting in the preparation of, approving, and filing tax returns. Based on this, volunteers may rely in good faith without requiring certain documents from the taxpayer. However, the volunteer preparer may not ignore the implications of information furnished to, or actually known by, the preparer. The preparer must ask questions if the information furnished appears to be incorrect, inconsistent, or incomplete.
If 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 that spouse is the lesser of:

• The general limits, or

• The total compensation includible in the gross income of both spouses for the year, reduced by:
  – Traditional IRA contributions for the spouse with the greater compensation
  – Any contribution for the 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 the general IRA limit to their own IRA.

Beginning in 2019, taxpayers can elect to increase their compensation for difficulty of care payments that are excluded from gross income for the purpose of nondeductible IRA contributions.

data-table

`example`

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

Although a person may have IRA accounts with several different financial institutions, the tax law treats all of their traditional IRA accounts as one single IRA. Inherited IRAs, however, are treated separately. If a taxpayer inherits a traditional IRA from a deceased spouse, they can treat the account as their own and make contributions and rollovers into the inherited account. A taxpayer cannot make a contribution to an IRA they inherited from someone other than a spouse. A surviving spouse who elects to transfer an IRA inherited from their spouse to their own IRA can make contributions to the transferred IRA.

`example`

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

---

**EXERCISES** (continued)

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

A. $1,000  
B. $3,500  
C. $4,500  
D. $5,500

**Question 3:** Bob and Carol are married and both are 55 years old. They both work and each has a traditional IRA. During the tax year, Bob earned $2,000, and Carol earned $50,000. If they file separate returns, what is the maximum that Bob can contribute to his IRA? $_______.
reimbursed by the HDHP, the taxpayer can request a distribution from the HSA trustee. The taxpayer can receive tax-free distributions from an HSA to pay or be reimbursed for qualified medical expenses incurred in the current or prior year, but after the taxpayer establishes the HSA.

Qualified medical expenses include the medical expenses of the taxpayer, their spouse, or a dependent at the time the expense was incurred. It does not matter whether the taxpayer has self-only or family HDHP coverage.

Qualified medical expenses are expenses that generally would qualify for the medical and dental expenses deduction. Examples include unreimbursed expenses for doctors, dentists, and hospitals. The Coronavirus Aid, Relief, and Economic Security (CARES) Act modifies the rules that apply to various tax-advantaged accounts (HSAs, Archer MSAs, Health FSAs, and HRAs) so that additional items are “qualified medical expenses” that may be reimbursed from those accounts. Specifically, the cost of menstrual care products is now reimbursable. These products are defined as tampons, pads, liners, cups, sponges or other similar products. In addition, over-the-counter products and medications are now reimbursable without a prescription. The new rules apply to amounts paid after Dec. 31, 2019. Health insurance premiums are not included as qualified medical expenses except for Medicare premiums.

See Publication 502, Medical and Dental Expenses, for more information.

For recordkeeping requirements on HSA distributions see Publication 969, Distributions from an HSA. Taxpayers are not required to take annual distributions from their HSA. However, taxpayers who have taken HSA distributions will receive Form 1099-SA, Distributions from an HSA, Archer MSA, or Medicare Advantage MSA, from their HSA trustee and must provide it before the return can be completed.

example

Vikki’s doctor suggested she take some exercise classes. Vikki signed up for yoga, swimming classes, and a health club. Since these are for general health improvement, they cannot be considered as qualified medical expenses.

Form 8889, Health Savings Accounts (HSA)

A taxpayer must complete Form 8889 with Form 1040 if the taxpayer (or spouse if filing a joint return) had any activity in an HSA. This is true even if only the taxpayer’s employer or the spouse’s employer made contributions to the HSA.

Taxpayers who are filing jointly and who each have separate HSAs will each complete a separate Form 8889. Married taxpayers cannot have a joint HSA.

Ask taxpayers during the interview process if their HDHP coverage is “self-only” or “family,” and check the corresponding box on Form 8889, click to view Form 8889.

Form 8889, Part I

Form 8889, Part I, is used to report all HSA contributions and to compute the allowable HSA deduction. This includes contributions made by the filing deadline that are designated for the tax year. Contributions made by an employer are also shown in Part I, but are not included in the deductible amount.

An HSA may receive contributions from an eligible individual or any other person, including an employer or a family member, on behalf of an eligible individual.
Form 8889, Part II

Form 8889, Part II, is used by taxpayers to report distributions from an HSA. Taxpayers receive tax-free distributions from an HSA to pay or be reimbursed for qualified medical expenses. The taxpayer will have to tell you what types of expenses were paid or reimbursed with the distribution.

Form 1099-SA reports distributions to a taxpayer. Box 5 will indicate whether the distribution is from an HSA, Archer MSA, or a Medicare Advantage MSA. The code in Form 1099-SA, Box 3, identifies the distribution the taxpayer received. Code 1 is a normal distribution. Refer to Form 1099-SA for an explanation of the other codes.

If distributions are not offset with qualified medical expenses, the amount withdrawn will be included in income and reported on Form 1040. HSA distributions included in income are subject to an additional 20% tax unless the account beneficiary:

- Dies
- Becomes disabled (see Form 8889 instructions)
- Turns age 65

Form 8889, Part III

Form 8889, Part III, is out of scope for the VITA and TCE programs.

Tax Software Hint: Refer to Tab E, Adjustments, in the Volunteer Resource Guide for software entries.

How do I handle student loan interest?

The student loan interest deduction is generally the smaller of $2,500 or the interest payments paid that year on a qualified student loan. This amount is gradually reduced (phased out) or eliminated based on the taxpayer’s filing status and MAGI.

example

Robert has taken his first job after completing law school. His filing status is Single. He paid $3,000 in interest on his student loans during the tax year. With all adjustments to income (except student loan interest adjustment), his MAGI is below the limits. He can deduct $2,500 of his student loan interest as an adjustment to income.

example

Veronica and her husband are filing jointly. Their MAGI is above the fully deductible income limits. She completed her doctoral degree last year and paid $2,400 in student loan interest during the tax year. Due to their high MAGI, the software will calculate their deduction; it will be less than the full amount of interest that she paid.
Here is how a volunteer helped Brenda determine if she can take the deduction for her student loan interest.

<table>
<thead>
<tr>
<th>VOLUNTEER SAYS...</th>
<th>BRENDA RESPONDS...</th>
</tr>
</thead>
<tbody>
<tr>
<td>In reviewing your intake and interview sheet, I see you did not indicate if you had any educational expenses. Did you pay any student loan interest this year?</td>
<td>Yes, I just graduated a year ago and I’ll be paying those loans for a while.</td>
</tr>
<tr>
<td>Well, you might be able to take a deduction for that. You are filing as Single, and your income before adjustments is not more than the limit for your filing status. Do you know how much interest you paid?</td>
<td>I have two loans; here are the statements.</td>
</tr>
<tr>
<td>The interest amounts add up to $2,600. Now, if your interest payments qualify for the deduction, the most we can claim is $2,500. Do you have any questions about that?</td>
<td>No, I understand.</td>
</tr>
<tr>
<td>I just need to ask a few questions to see if you qualify, okay? Earlier we decided that you can’t be claimed as a dependent on someone else’s return, so that’s no problem. Can you tell me what you used the loan to pay for?</td>
<td>My tuition and fees, and my books.</td>
</tr>
<tr>
<td>Did you receive any educational assistance, like from your employer or the Veteran’s Administration?</td>
<td>No.</td>
</tr>
<tr>
<td>How about tax-free withdrawals from a Coverdell educational savings account, another qualified tuition program, or from U.S. savings bonds?</td>
<td>No, none of those.</td>
</tr>
<tr>
<td>Did you get any other nontaxable payments, not counting gifts, bequests, or inheritances, which were specifically for educational expenses?</td>
<td>Heavens, no, I wish I had!</td>
</tr>
</tbody>
</table>

It looks like you can claim the maximum deduction of $2,500. [Indicate on the intake and interview sheet whether Brenda is eligible for this adjustment.]

**Is pay for jury duty an adjustment to income?**

As you learned earlier, jury duty pay received by taxpayers is included in Other income on Form 1040, Schedule 1. Some employees receive their regular wages from their employers while they are serving on a jury instead of working at their jobs.

Often, employees must turn their jury duty pay over to their employers. This may be claimed as an adjustment to income.

**Is a charitable contribution adjustment allowed?**

Taxpayers may deduct up to $300 of cash contributions to charitable organizations per return when they do not itemize their deductions. Deductions are limited to $300 if single, head of household, or qualifying widow(er); $300 if married filing jointly; or $150 if married filing separately. Refer to the Itemized Deductions lesson for the definition of a qualified charitable organization.
How do I determine Adjusted Gross Income?

The taxpayer’s total Adjusted Gross Income (AGI) is the amount that is used to compute some limitations, such as the medical and dental deduction on Schedule A and the credit for child and dependent care expenses. To find the taxpayer’s AGI:

1. Add the Income section. This is the taxpayer’s total income.
2. Add the Adjustments to Income section. These are the total Adjustments.
3. Subtract the Schedule 1 adjustments from the total income. This is the AGI.

Taxpayer Interview and Tax Law Application

The volunteer assists Daniela with the adjustments to income covered in this lesson.

<table>
<thead>
<tr>
<th>SAMPLE INTERVIEW</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>VOLUNTEER SAYS...</td>
<td>DANIELA RESPONDS...</td>
</tr>
<tr>
<td>Daniela, we've discussed your income, so we can go on to Adjustments to Income. We might find ways to reduce the income that you're taxed on. Do you have any questions before we go on?</td>
<td>No, it all makes sense.</td>
</tr>
<tr>
<td>Now, let's review the expenses listed on your intake and interview sheet and the deductions listed in the Adjustments to Income section. Do you have a Health Savings Account?</td>
<td>No, I don't.</td>
</tr>
<tr>
<td>Okay. That brings us to self-employment tax. The tax software will calculate the deductible portion of your self-employment tax. The same thing happens with the penalty for an early withdrawal. I will put that in when I enter your interest income, and it will show up as an adjustment.</td>
<td>Cool!</td>
</tr>
<tr>
<td>Did you pay any alimony?</td>
<td>No, I've never even been married.</td>
</tr>
<tr>
<td>Did you pay any health insurance premiums during the year?</td>
<td>No.</td>
</tr>
<tr>
<td>Now, did you contribute to an IRA?</td>
<td>I put in $2,000 right after Christmas.</td>
</tr>
<tr>
<td>Good for you. Will you be contributing any more? You can put money in your IRA before the deadline for filing the return.</td>
<td>I don't think so, but that's good to know.</td>
</tr>
<tr>
<td>Was it a traditional, Roth IRA, or a SIMPLE IRA?</td>
<td>It was just a plain old IRA. Here's the statement.</td>
</tr>
<tr>
<td>There we go; it is what we call a traditional IRA. Were you covered by any kind of employer retirement plan at any time during the tax year?</td>
<td>No, none.</td>
</tr>
<tr>
<td>Because you weren't covered by a retirement plan, you will be able to deduct the full $2,000 you contributed.</td>
<td></td>
</tr>
</tbody>
</table>

[The volunteer reviews all expenses listed on the intake and interview sheet and reviews all the adjustments on Schedule 1, asks more questions and determines that Daniela does not qualify for the remaining adjustments.]
Introduction

This is the first of eight lessons covering computing taxable income, tax, and allowable credits. After completing this lesson on standard deductions and the Itemized Deductions lesson, you will be able to subtract the appropriate deduction, and if the taxpayer qualifies, the qualified business income deduction from the taxpayer’s adjusted gross income (AGI) to figure their taxable income.

Some taxpayers may need to use the standard deduction worksheet in the Form 1040 Instructions.

Objectives

At the end of this lesson, using your resource materials, you will be able to:
• Determine the standard deduction amount for most taxpayers
• Determine the standard deduction amount for taxpayers claimed as dependents
• Identify how taxable income and income tax are computed and reported

What are deductions?

Deductions are subtractions from a taxpayer’s AGI. They reduce the amount of income that is taxed. Most taxpayers have a choice of taking a standard deduction or itemizing their deductions. When taxpayers have a choice, they should use the type of deduction that results in the lower tax. Use the interview techniques and tools discussed in earlier lessons to assist you in determining if the standard deduction will result in the largest possible deduction for the taxpayer.

What is a standard deduction?

A standard deduction for most taxpayers is a set dollar amount based on the taxpayer’s filing status. An increased standard deduction is available to taxpayers who are 65 or older or blind. There are limitations on the standard deduction for taxpayers who can be claimed as a dependent on someone else’s return. The Volunteer Resource Guide, Tab F, Deductions, includes references for calculating the standard deduction.

example

James, 44, and Sara, 39, are filing a joint return. Neither is blind, and neither can be claimed as a dependent. They decided not to itemize their deductions. They will use the Married Filing Jointly standard deduction amount. The standard deduction amount can be found in the Standard Deduction Chart in the Volunteer Resource Guide.

What is an itemized deduction?

Itemized deductions allow taxpayers to reduce their taxable income based on specific personal expenses. If the total itemized deductions are greater than the standard deduction, it will result in a lower taxable income and lower tax. In general, taxpayers benefit from itemizing deductions if they have mortgage interest, very large unreimbursed medical or dental expenses when compared to their income, or other large expenses such as charitable contributions. Itemized deductions will be covered in the next lesson.
Who cannot take the standard deduction?

Some taxpayers cannot take the standard deduction and must itemize. During the interview, find out if the taxpayer is:

- Filing as Married Filing Separately and the spouse itemizes
- A nonresident or dual-status alien during the year (and not married to a U.S. citizen or resident at the end of the year) – both are out of scope for the VITA/TCE programs
- Filing a return for a short tax year due to a change in the annual accounting period - out of scope for the VITA/TCE programs

If any of these situations apply, the taxpayer must itemize personal deductions and complete Schedule A.

example

Chase files as Married Filing Separately. Her spouse, Grant, will be itemizing his deductions. Chase cannot use the standard deduction; she will have to itemize her deductions.

Tax Software Hint: The standard deduction is automatically calculated based on entries in the Basic Information section.

How does age or blindness affect the standard deduction?

The standard deduction is higher if the taxpayer or spouse is 65 or older, and if one or both are blind. This information is reported in the check boxes located on Form 1040 or Form 1040-SR. The more check boxes marked, the higher the standard deduction. Be sure to verify the taxpayer’s and spouse’s age and level of blindness as described below.

Tax Software Hint: The Age 65 or older boxes are automatically checked. For software entries, go to the Volunteer Resource Guide, Tab B, Starting a Return and Filing Status.

example

Sherman is 73 years old and blind. He files as Single using Form 1040. Because Sherman is over 65 and blind, check the appropriate boxes in the software.

Who qualifies as 65 or older?

Taxpayers are entitled to a higher standard deduction if they are 65 or older at the end of the year. They are considered to be 65 on the day before their 65th birthday. In other words, a person born on January 1 is considered to be 65 on December 31 of the previous year.

The standard deduction for decedents is the same as if they had lived the entire year; however, if taxpayers die before their 65th birthday, the higher standard deduction does not apply.

example

Armando died on November 24. He would have been 65 if he had reached his birthday on December 12 of that same year. He does not qualify for a higher standard deduction for being 65 because he died before reaching his 65th birthday.
• The deduction will also be limited for specified service trades or businesses when the applicable threshold is exceeded

For taxable income that does not exceed the applicable threshold amount the QBI deduction is the lesser of:

• 20% of qualified business income (for example, it is the net profit reported on a Schedule C) plus 20% of qualified REIT (Sec. 199A) dividends or

• 20% of taxable income (equals adjusted gross income minus the applicable standard or itemized deduction) minus net capital gains and qualified dividends. See Form 1040 instructions for details.

Qualified business income is reduced by the deductible part of the self-employment tax, the self-employment health insurance deduction, and by contributions to certain qualified retirement plans (not traditional IRA deductions).

Taxpayers with income over the threshold amount should be referred to a professional tax preparer. Refer the Volunteer Resource Guide, Tab F for the threshold amounts.

How are taxable income and tax determined?

Tax is based on the amount of taxable income, which is determined by subtracting from the AGI:

• Standard or itemized deductions

• Deduction for qualified business income (QBI)

How is tax computed?

Tax on taxable income is figured using the tax tables or the tax rate schedule for higher incomes. A separate worksheet is used to calculate the tax (instead of the tax tables) for taxpayers with certain types of income, such as capital gains, qualifying dividends, or foreign earned income for in-scope returns. There are other computations as listed in the instructions to Form 1040, which are out of scope for the VITA/TCE programs.

The software automatically calculates tax based on previous entries. It is important to enter all income, deduction, and credit information correctly for the tax to be computed accurately.

TIP Please see the Premium Tax Credit lesson contained in this publication for additional information on calculating the Excess Advance Premium Tax Credit Repayment.

What is the tax for certain children who have unearned income (Kiddie Tax)?

For children under age 18 and certain older children, unearned income over a certain amount is taxed using their parent(s) the tax rates. For this purpose, “unearned income” includes all taxable income other than earned income, such as taxable interest, ordinary dividends, capital gains, rents, royalties, etc. It also includes taxable Social Security benefits, pension and annuity income, taxable scholarship and fellowship grants not reported on Form W-2, unemployment compensation, alimony, and income received as the beneficiary of a trust.

Form 8615, Tax for Certain Children who have Unearned Income, is in scope for Native Americans receiving per capita payments and Alaska residents receiving permanent fund dividends. Form 8814, Parent’s Election to Report Child’s Interest and Dividends, is in scope for Alaska residents receiving permanent fund dividends. In all other circumstances, tax returns for children subject to the Kiddie Tax or a parent's election to include their child's income are out of scope for the VITA/TCE programs. The following information is presented for awareness.
The Kiddie Tax might apply if all the following are true:

1. The child's unearned income was more than the ceiling amount.
2. The child is required to file a return for the tax year.
3. The child either:
   - Was under age 18 at the end of the year,
   - 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.
   - At least one of the child's parents was alive at the end of the tax year.
   - The child does not file a joint return for the tax year.

**Summary**

You should be able to identify those who can take the standard deduction, and how the deduction is affected by their filing status, age, blindness and status as a dependent. All of this will make it easier for you to help taxpayers understand how their deduction is computed and how it affects their tax.

You should also understand that the tax computation is based on taxable income and may be computed using a worksheet if the taxpayer has qualifying dividends, capital gains, or foreign earned income. The tax may be further reduced by tax credits to be covered in an upcoming lesson.

Students that opt to include scholarships in income that exceed the unearned income ceiling amount may be subject to the Kiddie Tax, in which case the return is out of scope.

Taxpayers who are considered sole proprietors may take up to 20% of their qualified business income as a deduction on the return. Taxpayers with qualifying REIT dividends may also be eligible for the QBI deduction.

You are now ready to work with itemized deductions in the next lesson.

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**TAX LAW APPLICATION**

To gain a better understanding of the tax law, complete the practice return(s) for your course of study using the Practice Lab on L&LT.

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**EXERCISE ANSWERS**

*Answer 1: Yes. Roderick is entitled to an additional standard deduction amount for blindness.*

*Answer 2: No*
**When are points deductible?**

Only points paid as a form of interest (for the use of money) can be deducted on Schedule A. Generally, points must be spread over the life of the mortgage. However, if the loan is used to buy or build a taxpayer’s main home, the taxpayer may be able to deduct the entire amount in the year paid. See the Interest Expense chapter of Publication 17 for more information.

Points paid to refinance a mortgage are generally not deductible in full the year they were paid, unless the points were paid in connection with the improvement of a main home and certain other conditions are met.

Beware of certain charges that some lenders call points. Points paid for specific services, such as appraisal fees, preparation fees, VA funding fees or notary fees, are not interest and are not deductible.

![Tip]

Use the flow chart in the Interest Expense chapter of Publication 17 to help determine if points are fully deductible.

**What types of interest are not deductible?**

Interest that cannot be deducted includes:

- Interest on car loans where the car is used for nonbusiness purposes
- Other personal loans
- Credit 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

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### EXERCISES (continued)

**Question 4:** Joe and Angela file a joint return. During the year, they made the interest payments listed below. The total of Joe and Angela’s fully deductible interest for the tax year is $\_

<table>
<thead>
<tr>
<th>Interest Payments</th>
<th>Amount</th>
<th>Deductible?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Qualified interest on their home mortgage, reported on Form 1098</td>
<td>$2,180</td>
<td></td>
</tr>
<tr>
<td>Credit card interest</td>
<td>$400</td>
<td></td>
</tr>
<tr>
<td>Points paid to refinance their mortgage for a better interest rate</td>
<td>$1,500</td>
<td></td>
</tr>
<tr>
<td>(None of the points qualify as interest.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on a car loan</td>
<td>$2,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$6,080</td>
<td></td>
</tr>
</tbody>
</table>
How do I handle gifts to charity?

A charitable contribution is a donation or gift to a **qualified organization**, which may be deductible if the taxpayer itemizes. Cash, check, and noncash contributions should be reported on Schedule A on either the Gifts by cash or check line or the Other than by cash or check line, respectively. Deductions may be taken for contributions to:

- Organizations that operate 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 or corporations
- The United States, or any state, the District of Columbia, a U.S. possession (including Puerto Rico), a political subdivision of a state or U.S. possession, or an Indian tribal government or any of its subdivisions that perform substantial government functions

**TIP** Taxpayers who do not itemize deductions are able to deduct up to $300 of cash contributions to charitable organizations per return. Deductions are limited to $300 if single, head of household, or qualifying widow(er); $300 if married filing jointly; or $150 if married filing separately.

**TIP** To be deductible, contributions must be made to a qualifying organization, not an individual.

**TIP** Qualified organizations are listed in Publication 78, Cumulative List of Organizations. An online version is offered to help taxpayers efficiently search organizations that are eligible to receive tax-deductible charitable contributions. To find out if the organization is a qualified charity, go to [https://www.irs.gov](https://www.irs.gov).

Deductible items include:

- Monetary donations
- Dues, fees, and assessments paid to qualified organizations above the value of benefits received
- Fair market value of used clothing, furniture, and other items in good condition
- Cost and upkeep of uniforms that have no general use but must be worn while performing services donated to a charitable organization
- Unreimbursed transportation expenses that relate directly to the services the taxpayer provided for the organization
- Part of a contribution above the fair market value for items received such as merchandise and tickets to charity balls or sporting events
- Transportation expenses, including bus fare, parking fees, tolls, and either the cost of gas and oil or the standard mileage deduction may be taken. Refer to the Volunteer Resource Guide, Tab F for the standard mileage deduction for charitable contributions.

Form 1098-C, Contributions of Motor Vehicles, Boats and Airplanes, is out of scope. Taxpayers who have made these contributions should be referred to a professional tax preparer.
When Janice enrolled for her freshman year of college, she had to pay a separate student activity fee in addition to her tuition. This activity fee is required of all students and is used solely to fund on-campus organizations and activities run by students, such as the student newspaper and the student government. No portion of the fee covers personal expenses. Although labeled as a student activity fee, the fee is required for Janice's college enrollment and attendance; therefore, it is a qualified expense.

**Which expenses do not qualify?**

Do **not** include expenses such as:

- Room and board, insurance, medical expenses (including student health fees), transportation costs, or other similar personal, living, or family expenses
- Any course of instruction or other education involving sports, games, or hobbies, unless the course is part of the student’s degree program or (for the lifetime learning credit) helps the student to acquire or improve job skills

**example**

Jackie paid $3,000 for tuition and $5,000 for room and board at an eligible university. The $5,000 paid for room and board is not a qualified expense for the education credits.

**Are any amounts excluded from qualified expenses?**

Certain tax-free funds used to pay tuition cannot be used to figure the credit. Once you have identified each person claiming a credit and their qualified expenses, ask if the student received any of these untaxed educational benefits during the year:

- Tax-free part of Pell grants
- Tax-free employer-provided educational assistance
- Veterans’ educational assistance
- Tax-free parts of scholarships and fellowships
- Any other nontaxable payments received as educational assistance (other than gifts or inheritances). For example, distributions from a 529 plan reported on Form 1099-Q, Payments From Qualified Education Programs (Under Sections 529 and 530)
- Refunds of the year’s qualified expenses paid on behalf of a student (e.g., the student dropped a class and received a refund of tuition)

**CAUTION**

Do not reduce the qualified education expenses by any scholarship or fellowship reported as income on the student's tax return if the scholarship or fellowship grant (or any part of it) **must** be applied (by its terms) to expenses (such as room and board) other than qualified education expenses, or if the scholarship or fellowship grant (or any part of it) **may** be applied (by its terms) to expenses (such as room and board) other than qualified education expenses. Some students may choose to pay non-qualifying expenses with scholarship/Pell grants funds, making the scholarship/Pell grants taxable. This is true even if the scholarship/grant was paid directly to the school.

Generally, any scholarship or fellowship grant is treated as tax-free educational assistance. However, a scholarship or fellowship grant is not treated as tax-free educational assistance to the extent the student includes it in gross income (the student may or may not be required to file a tax return) for the year the scholarship or fellowship grant is received. If the student includes the educational assistance in income, has a filing requirement and unearned income (including the taxable scholarship) over the ceiling amount, the
student must file Form 8615, Tax for Certain Children Who Have Unearned Income (Kiddie Tax) to compute the tax. In this case, Form 8615 is out of scope for the VITA/TCE programs. See the Volunteer Resource Guide, Tab J, Education Benefits for the ceiling amount.

Most students should receive Form 1098-T from the educational institution. The form should show the amounts the student paid for tuition and related expenses, the amounts of scholarships and grants received, and whether the student was at least a half-time student or a graduate student. Verify with the taxpayer that the amount in Form 1098-T, Box 1, is actually the amount paid in the current tax year for qualified expenses. Also ask about qualified education expenses paid outside the school, such as from a bookstore.

**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).

**Example**

Juan, a student, receives a grant equal to his qualifying education expenses. He otherwise has no filing requirement. He earned $8,500 from a summer job, had $4,000 in education expenses and a $4,000 Pell grant. Juan’s parents file a return claiming Juan as a dependent and reported income that is within the allowable range for the American opportunity credit (AOC).

**Scenario 1:** Juan uses the grant to pay the education expenses. Juan has no filing requirement and files only to get his withholding (from his summer job) back. His parents qualified education expenses would be zero.

Gross income = $8,500, no filing requirement, tax = 0.

**Scenario 2:** Juan chooses to declare $2,000 of the grant as income on his return and his parents use the education expenses toward the AOC. Juan’s gross income is $8,500 + $2,000 = $10,500. As a dependent, Juan has no filing requirement and he has no tax. His parents claim $2,000 as qualified education expenses.

**Scenario 3:** Juan chooses to include the entire grant as income on his return. Juan’s parents can claim the entire $4,000 education expenses toward the AOC. Juan’s gross income is $8,500 + $4,000 = $12,500. As a dependent, Juan has a filing requirement and unearned income (the taxable scholarship) over the kiddie tax ceiling amount*. The kiddie tax applies and his tax return is out of scope. His parents claim $2,500 for the AOC.

*The kiddie tax ceiling amount is adjusted for inflation each year.

**What about payments for the next academic year?**

The taxpayers can claim payments prepaid for the academic period that begins in the first three months of the next calendar year. Refer to the Volunteer Resource Guide, Tab J, Education Benefits.

**Example**

Thomas pays $1,500 in December for qualified tuition for the winter semester that begins in January. He can use the $1,500 paid in December to compute his credit for the current tax year. He cannot count it again next tax year.

---

**Note:** 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.
What is excess Social Security and tier 1 RRTA tax withholding?

A taxpayer may have more than one employer and a combined income over the amount for the Social Security wage base. This means the taxpayer may have paid more in Social Security tax than is required. This excess amount is entered on the applicable line on Form 1040, Schedule 3, and is a refundable credit.

Tax Software Hint: The software will calculate this automatically based on the amount entered for each Form W-2. Therefore, be sure the information from each Form W-2 is accurately entered.

Economic Impact Payment and Recovery Rebate Credit

Eligible taxpayers who received a smaller-than-expected Economic Impact Payment (EIP) may qualify to receive an additional amount when they file their 2020 federal income tax return. EIPs are technically an advance payment of a new temporary tax credit (recovery rebate credit) that eligible taxpayers can claim on their 2020 return.

If eligible, taxpayers may claim an additional credit, for example, if a child was born or adopted in 2020. The EIP will not reduce a taxpayer’s refund or increase the amount they owe when they file a tax return. It is also not taxable and therefore should not be included in income on a 2020 return.

Who is eligible?

U.S. citizens and U.S. resident aliens will receive the EIP up to $1,200 or $2,400 if they filed Married Filing Jointly, if they are not a dependent of another taxpayer, have a work-eligible Social Security number (SSN) and adjusted gross income amounts under the threshold amounts listed in the Volunteer Resource Guide Tab H, Other Taxes, Payments, and Refundable Credits.

Who is a qualifying child?

An eligible individual may also receive up to an additional $500 per child, if the child meets the definition of a qualifying child of the individual for purposes of the child tax credit. To be a qualifying child of the individual for purposes of the payment, generally the individual must live with the child for more than half of the tax year, the child must not provide over half of his or her own support for the calendar year, and the child must not file a joint return for the tax year. The child also must be the individual’s child, stepchild, eligible foster child, sibling, grandchild, niece, or nephew.

In addition, to be claimed as a qualifying child, the child must be a U.S. citizen, permanent resident, or other qualifying resident alien. The child must be under the age of 17 at the end of the year for the tax return on which the IRS bases the payment. Also, a qualifying child must have an SSN valid for employment or an adoption taxpayer identification number (ATIN). A child who has an ITIN is not a qualifying child for this payment.

An individual who may be claimed as a dependent on another taxpayer’s tax return is not eligible for a payment.

What information is needed?

Taxpayers should keep the Notice 1444, Your Economic Impact Payment, received regarding the Economic Stimulus Payment. This notice was mailed to each recipient’s last known address within a few weeks after the payment is made. You can refer to Notice 1444 and claim additional credits on the 2020 tax return if the taxpayer is eligible for them. The IRS will provide further details on irs.gov on the action they may need to take.
Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals

The Families First Coronavirus Response Act provides to certain self-employed individuals refundable credits for sick and family leave needed as a result of the coronavirus.

Form 7202, Credits for Sick Leave and Family Leave for Certain Self-Employed Individuals, has been created to allow self-employed individuals to figure these credits. Part I of the new form figures a sick leave credit and Part II figures a family leave credit. These two credits will be included on Schedule 3 (Form 1040). Form 7202 is filed separately by each taxpayer with net self-employment earnings, so a joint tax return may have two Forms 7202 attached.

**Note:** The Consolidated Appropriations Act, 2021 allows individuals to elect to use their average daily self-employment income from 2019, rather than 2020, to compute the credits for paid sick and family leave.

**Which credit is the taxpayer entitled to claim?**

If a taxpayer is unable to work because:

- They're subject to a COVID-19 quarantine or isolation order.
- They're advised to self-quarantine because of COVID-19.
- They have COVID-19 symptoms and are seeking a medical diagnosis.

The taxpayer is entitled to the paid sick leave credit up to $5,110 in total for up to 10 days.

If the taxpayer is unable to work because:

- They're caring for someone who is subject to a COVID-19 quarantine or isolation order, or for someone who is advised to self-quarantine because of COVID-19.
- They're caring for a child whose school or place of care is closed due to COVID-19.
- They're caring for a child whose child care provider is unavailable due to COVID-19.

The taxpayer is entitled to paid sick leave credit up $2,000 in total, for up to 10 days.

If the taxpayer is unable to work because:

- They're caring for a child whose school or place of care is closed due to COVID-19.
- They're caring for a child whose child care provider is unavailable due to COVID-19.

The taxpayer is entitled to paid family leave credit up to $10,000 in total credits, up to 10 weeks. Up to 10 weeks of qualifying leave can be counted toward the Family Leave Credit. This can be combined with the sick leave credit, so a taxpayer could be entitled to a credit for pay for up to 12 weeks - 2 weeks of sick leave and 10 weeks of family leave.

These amounts are limited if the taxpayer also took Families First Coronavirus Response Act family and sick leave as an employee. Employers are required to report these amounts either on Form W-2, Box 14, or on a separate statement. See Form 7202 and instructions for information on calculations. The only days that may be taken into account in determining the qualified sick leave equivalent amount are days occurring during the period beginning on April 1, 2020 and ending on March 31, 2021. The number of days taken into account for determining the qualified sick leave equivalent amount cannot exceed 10 days over all tax years.
What is Form 1040-X?

Look at the format of Form 1040-X, page 1; there are three columns:

- Column A is used to show the original or IRS adjusted figures from the original return or previous amendment
- Column C is used to show the entries that would have been made on the original return if it had been done correctly
- The differences between the figures in columns A and C are shown in column B (Net change)

Amended returns can be prepared using tax software. However, only tax year 2019 Forms 1040 and 1040-SR returns can be amended and filed electronically using Form 1040-X if the return was originally e-filed. If the original return was paper filed, the amended return will also have to be paper filed.

Part I, Exemptions and Dependents (on page 2), is used only if the taxpayer is increasing or decreasing the number of dependents claimed on the return being amended.

Part II, Presidential Election Campaign Fund, is used to make a $3 donation to the fund for you (or your spouse) if you did not do so on your original return.

Part III, Explanation of Changes, must be used to explain specific changes being made on the return and the reasons for each change.

Explanation should be easily understood and clearly point out that the taxpayer qualifies for the change. For example, “taxpayer received another W-2 after they filed original return,” or “taxpayer qualifies to claim child care expenses of $600 for their 10-year-old dependent child, Form 2441 attached,” or “taxpayer meets the qualifications to file as Head of Household instead of Married Filing Separately.”

Taxpayers can easily check the status of a Form 1040-X, Amended U.S. Individual Income Tax Return, using the Where’s My Amended Return? tool. It's available in English and Spanish, and tracks the status of the amended return for the current year and up to three prior years.

Taxpayers can obtain a free transcript of their original or amended return from the last three years using the IRS2Go phone app or completing Form 4506T or Form 4506T-EZ, Request for Transcript of Tax Return. To get a copy of the original return, complete and mail Form 4506, Request for a Copy of Tax Return, to the appropriate IRS office listed on the form. There is a charge to receive a copy of the original return.

What are the time limits to file amended returns for refunds?

There is a statute of limitations on refunds being claimed on amended returns. In general, if a refund is expected on an amended return, taxpayers must file the return within three years of the due date of the original return, or within two years after the date they paid the tax, whichever is later. An original return filed before the due date (without regard to extensions) is considered filed on the due date.

Example

Robert’s 2015 tax return was due April 15, 2016. He filed it on March 20, 2016. He amends the 2015 return, expecting the correction to result in a refund. If he gets it postmarked on or before April 15, 2019, it will be within the three-year limit, and the return will be accepted. But if the amended 2015 return is postmarked after April 15, 2019, it will fall outside the three-year period and he will not receive the refund.
Time periods for claiming a refund are suspended for a period when a taxpayer is financially disabled due to a medically determined physical or mental impairment. It is, however, very rare that a taxpayer qualifies for that status. Read the definition of financial disability in Publication 17, Filing Information chapter.

There are a few exceptions to the three-year limit. For example, a taxpayer has a longer period of time to claim a loss on a bad debt or worthless security, or for a foreign tax credit or deduction. The exceptions are explained in more detail in Publication 17 and the Form 1040-X Instructions. If you think the taxpayer may qualify for an exception to the three-year time limit, refer them to a professional tax preparer.

**What if taxpayers are due a refund on their amended return?**

If the amended return indicates the taxpayer is due a refund, be sure to advise that:

- Before mailing the amended return, the taxpayer must wait until the original return is processed.
- The taxpayer can cash the original refund check, if any, while waiting for any additional refund.
- Interest may be paid on claims not processed within 45 days of the due date of the return.
- Generally, it takes 8-16 weeks to process an amended tax return.

**What if the taxpayer owes money on the amended return?**

If the amended current year return indicates the taxpayer owes money, file Form 1040-X and instruct the taxpayer to pay the amount by the April due date to avoid interest and penalties.

Taxpayers who cannot pay the balance in full by the April due date should file the return on time anyway. Encourage taxpayers to pay as much as they can on time, because the IRS will calculate and bill for interest on the amount of tax owed. Refer to the Volunteer Resource Guide, Tab K, Finishing the Return, for more information on payment options.

**TIP**

Refer taxpayers to the Form 1040-X Instructions for information they must include on their check or money order.

**EXERCISES**

Answers are after the lesson summary.

**Question 1:** John e-filed his 2015 Form 1040 on March 29, 2016. John found an error on the 2015 return and mailed an amended 2015 return on April 15, 2019. Is this too late to qualify for the refund? □ Yes □ No

**Question 2:** Brenda discovers an error on her timely-filed 2015 tax return. Correction of this error would result in a refund. She mails an amended return on May 6, 2019. Is this too late for Brenda to claim a refund? □ Yes □ No
## Important Changes

<table>
<thead>
<tr>
<th>Page Number</th>
<th>Changes</th>
</tr>
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<tbody>
<tr>
<td>53</td>
<td>No changes.</td>
</tr>
</tbody>
</table>
| **54**      | Basic Scenario 7 Test Questions, Under Test Question 24, add:  
  **Note:** Congress enacted additional legislation for a second economic impact payment after this publication went to print. It impacts the bottom line calculation of the balance due.  
  Enter 289 as the answer for this question to score correctly, regardless of the amount calculated using the Practice Lab or other software. |
| 77          | No changes. |
| 78          | Advanced Scenario 6: Harris and Carly Franklin, Interview Notes, between the first and second sentence of the seventh bullet, add:  
  He received a scholarship and the terms require that it be used to pay tuition. |
| 87          | Advanced Scenario 6: Test Questions, Under Question 17, add:  
  **Note:** In the initial release of the Practice Lab, last year’s Federal Poverty Line amount is used to calculate Form 8962, Premium Tax Credit. Enter 1,646 as the correct answer. |
| 88          | No changes. |
| 97          | No changes. |
| 98          | Advanced Scenario 7, Test Question, Under Questions 27, add:  
  **Note:** Congress enacted additional legislation for a second economic impact payment after this publication went to print. It impacts the bottom line calculation of total payments.  
  Enter 4385 as the answer for this question to score correctly, regardless of the amount calculated using the Practice Lab or other software. |
| 99          | Advanced Scenario 8: Richard Roosevelt, Interview Notes, third sub-bullet of the seventh bullet, replace:  
| 100         | No changes. |
| 107         | No changes. |
| 108         | Advanced Scenario 8, Test Questions, Under Question 35, add:  
  **Note:** New and more specific information has been released regarding the deferral of self-employment taxes for certain Schedules H and SE filers. Taxpayers can’t defer amounts they’ve already paid.  
  Enter d. Richard does not have the option to defer half of his share or the employer share of Social Security tax, as the answer. |
| 117         | No changes. |
| 118         | Advanced Scenario 7, Retest Questions, Under Question 24, add:  
  **Note:** Congress enacted additional legislation for a second economic impact payment after this publication went to print. It impacts the bottom line calculation of total payments.  
  Enter d. $4,385 as the answer for this question to score correctly, regardless of the amount calculated using the Practice Lab or other software. |
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<tr>
<td>169</td>
<td>Military Scenario 5: Carl and Queenie Stevens, Interview Notes, on the Social Security card for Joseph Stevens, replace: 959 with 659.</td>
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<td>170</td>
<td>No changes.</td>
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<tr>
<td>217</td>
<td>No changes.</td>
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<tr>
<td>218</td>
<td>Foreign Student Test for Volunteers, under Introduction, Question 5, replace: 2018 with 2019</td>
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Print out the corrected pages that follow and replace the erroneous pages in your printed training publications. On the reverse side of each revised page is the continuing page.
### Form 1099-INT

<table>
<thead>
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<tr>
<td>1 Interest income</td>
<td>$785.00</td>
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<tr>
<td>2 Early withdrawal penalty</td>
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</tr>
<tr>
<td>3 Interest on U.S. Savings Bonds and Treas. obligations</td>
<td></td>
</tr>
<tr>
<td>4 Federal income tax withheld</td>
<td></td>
</tr>
<tr>
<td>5 Investment expenses</td>
<td></td>
</tr>
<tr>
<td>6 Foreign tax paid</td>
<td></td>
</tr>
<tr>
<td>7 Foreign country or U.S. possession</td>
<td></td>
</tr>
<tr>
<td>8 Tax-exempt interest</td>
<td></td>
</tr>
<tr>
<td>9 Specified private activity bond interest</td>
<td></td>
</tr>
<tr>
<td>10 Market discount</td>
<td></td>
</tr>
<tr>
<td>11 Bond premium</td>
<td></td>
</tr>
<tr>
<td>12 Bond premium or Treasury obligations</td>
<td></td>
</tr>
<tr>
<td>13 Bond premium on tax-exempt bond</td>
<td></td>
</tr>
<tr>
<td>14 Tax-exempt and tax credit bond CUSP no.</td>
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</tr>
<tr>
<td>15 State identification no.</td>
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</tr>
<tr>
<td>16 State tax withheld</td>
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FATCA filing requirement: [ ]

Account number (see instructions): $1000.00

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### Form 1099-R

<table>
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<tr>
<td>2a Taxable amount</td>
<td>$28,000.00</td>
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<tr>
<td>2b Taxable amount not determined</td>
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</tr>
<tr>
<td>3 Capital gain (included in box 2a)</td>
<td>$100.00</td>
</tr>
<tr>
<td>4 Federal income tax withheld</td>
<td>[ ]</td>
</tr>
<tr>
<td>5 Employee contributions/Designated Roth contributions or insurance premiums</td>
<td>[ ]</td>
</tr>
<tr>
<td>6 Net unrealized appreciation in employer’s securities</td>
<td>[ ]</td>
</tr>
<tr>
<td>7 Distribution code(s)</td>
<td>3</td>
</tr>
<tr>
<td>8 Other</td>
<td>[ ]</td>
</tr>
<tr>
<td>9a Your percentage of total distribution</td>
<td>[ ]</td>
</tr>
<tr>
<td>9b Total employee contributions</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

Account number (see instructions): $1000.00

---

### Basic Scenarios

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

**RECIPIENT’S name**

**PAYER’S TIN**

**RECIPIENT’S TIN**

**Street address (including apt. no.)**

**City or town, state or province, country, and ZIP or foreign postal code**

**YOUR CITY, STATE ZIP**

---

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

**RECIPIENT’S name**

**PAYER’S TIN**

**RECIPIENT’S TIN**

**Street address (including apt. no.)**

**City or town, state or province, country, and ZIP or foreign postal code**

**YOUR CITY, STATE ZIP**

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**Basic Scenarios**

53
Basic Scenario 7: Test Questions

18. Emma’s disability pension is reported as wages and considered earned income for the purposes of the earned income credit.
   a. True
   b. False

19. What is Emma’s most advantageous filing status allowable?
   a. Married Filing Separately
   b. Qualifying widow(er)
   c. Head of Household
   d. Single

20. Which of the following statements are true?
   a. Qualified dividends are ordinary dividends.
   b. Qualified dividends qualify for lower, long-term capital gains tax rates.
   c. Qualified dividends are reported on Form 1099-DIV.
   d. All of the above.

21. Poppy and Sebastian are dependents on Emma’s tax return.
   a. True
   b. False

22. What is the amount of gambling winnings Emma must report on her 2020 tax return?
   a. $0
   b. $5,800
   c. $6,500
   d. $7,200

23. Emma can prevent having a balance due next year by using the Tax Withholding Estimator at IRS.gov and then adjust her withholding.
   a. True
   b. False

24. Emma has a balance due of $________ on her 2020 tax return.

   Note: Congress enacted additional legislation for a second economic impact payment after this publication went to print. It impacts the bottom line calculation of the balance due.

   Enter 289 as the answer for this question to score correctly, regardless of the amount calculated using the Practice Lab or other software.
Advanced Scenario 5: Test Questions

11. If Robert chooses to itemize, which of the following is he eligible to claim as a deduction on Schedule A?

   a. $700 GoFundMe donation
   b. $3,500 Gambling losses
   c. $120 Homeowner’s Association fees
   d. $260 Mortgage Insurance Premiums (PMI)

12. If Robert chooses not to itemize, what is the amount that he can deduct as an above-the-line charitable contribution adjustment in 2020?

   a. $250
   b. $300
   c. $350
   d. $1,050
Advanced Scenario 6: Harris and Carly Franklin

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

Note: When entering Social Security numbers (SSNs) or Employer Identification Numbers (EINs), replace the Xs as directed, or with any four digits of your choice.

Interview Notes

- Harris and Carly Franklin are married and choose to file Married Filing Jointly on their 2020 tax return.
- Harris and Carly have one son Billy and a newborn baby Cristina born in 2020.
- Carly was a kindergarten teacher at a private school through May and decided not to return after the birth of her child.
- Carly worked a total of 800 hours in 2020 (January - May). She spent $375 on unreimbursed classroom expenses while she was employed.
- In order to work, the Franklins paid child care expenses of $1,500 through May for Billy. They also paid $750 in child care expenses for Cristina while Carly volunteered in Billy’s class in November.
- The Franklins paid $3,960 in student loan interest in 2020.
- In August of 2020, Harris enrolled in college to pursue a bachelor's degree in Accounting. He received a scholarship and the terms require that it be used to pay tuition. He provided Form 1098-T and an account statement from the college that included additional expenses.
- Harris had no previous post-secondary education. Gordon College is a qualified educational institution.
- Harris does not have a felony drug conviction.
- The Franklins received a $2,900 Economic Impact Payment (EIP) in 2020.
- Harris purchased insurance for the entire family through the Marketplace and received Form 1095-A.
- They are all U.S. citizens with valid Social Security numbers.
13. What is the amount of Carly’s student loan interest deduction on Form 1040, Schedule 1? $________.

14. How do educator expenses affect Carly’s tax return?
   a. Carly can claim these expenses as a miscellaneous itemized deduction on her Schedule A.
   b. These expenses cannot be claimed on her 2020 tax return because she does not meet the requirements to claim the educator expenses.
   c. $250 is deducted as an adjustment to income on Form 1040, Schedule 1.
   d. Carly is entitled to deduct the full $375 as an adjustment to income on Form 1040, Schedule 1.

15. What is the amount of qualified child care expenses used in the calculation of the Franklin’s Form 2441, Child and Dependent Care Expenses?
   a. $0
   b. $750
   c. $1,500
   d. $2,250

16. The refundable portion of the American opportunity credit located on Form 8863, Education Credit is $________.

17. The amount of the Franklin’s net premium tax credit on Form 8962, Premium Tax Credit is $________.

Note: In the initial release of the Practice Lab, last year’s Federal Poverty Line amount is used to calculate Form 8962, Premium Tax Credit. Enter 1,646 as the correct answer.

18. The Franklins can claim a recovery rebate credit of $________ for Cristina on their 2020 tax return.

Note: Congress may have enacted additional legislation that will affect taxpayers after this publication went to print. Please answer questions based on the information provided in Publication 4491, VITA/TCE Training Guide and Publication 4012, VITA/TCE Resource Guide.

19. Do the Franklins qualify for the earned income credit?
   a. Yes, they meet all the qualifications to receive the credit.
   b. No, their income is too high.
Advanced Scenarios

**Advanced Scenario 7: Travis and Sylvia Kennedy**

**Directions**

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

*Note: When entering Social Security numbers (SSNs) or Employer Identification Numbers (EINs), replace the Xs as directed, or with any four digits of your choice.*

**Interview Notes**

- Travis is age 72 and blind. Sylvia is age 71. They are married and want to file a joint return.
- The Kennedys had a balance due in 2019. They made 4 timely estimated tax payments of $250 each for tax year 2020.
- Travis retired in 2013 and began receiving his pension on September 1st of that year. He explains that this is a joint survivor annuity. He has already recovered $9,551 in the cost of the plan.
- The Kennedys have a consolidated broker’s statement. Their 2019 tax return shows a $17,362 long-term carryover loss.
- Sylvia worked part-time as a greeter in a local store.
- In February, Sylvia won $2,500 gambling at a casino. She also had additional lottery winnings of $215.
- Sylvia has documented casino losses of $1,902 and she also purchased 5 lottery tickets during 2020 for $10 each.
- Travis and Sylvia received $2,400 in an Economic Stimulus Payment.
- If Travis and Sylvia have a refund, they would like to deposit it into their checking account.
- Travis and Sylvia both have full year health care coverage through Medicare.
<table>
<thead>
<tr>
<th><strong>PAYER’S name, street address, city or town, province or state, country, and ZIP or foreign postal code</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STATE CASINO</strong></td>
</tr>
<tr>
<td><strong>1 WINNER CIRCLE</strong></td>
</tr>
<tr>
<td>YOUR CITY, YS, YOUR ZIP</td>
</tr>
</tbody>
</table>

| **1 Reportable winnings** |
| **2 Date won** |
| **3 Type of wager** |
| **4 Federal income tax withheld** |
| **5 Transaction** |
| **6 Race** |
| **7 Winnings from identical wagers** |
| **8 Cashier** |
| **9 Winner’s taxpayer identification no.** |
| **10 Window** |

| **PAYER'S federal identification number** |
| **PAYER’S telephone number** |
| **35-8XXXXXX** |
| **311-00-XXXX** |

| **WINNER'S name** |
| **SYLVIA KENNEDY** |

| **11 First I.D.** |
| **12 Second I.D.** |

| **Street address (including apt. no.)** |
| **742 RED ROOSTER ROAD** |

| **City or town, province or state, country, and ZIP or foreign postal code** |
| YOUR CITY, YS, YOUR ZIP |

| **13 State/Payer's state identification no.** |
| **14 State winnings** |
| **15 State income tax withheld** |
| **16 Local winnings** |
| **17 Local income tax withheld** |
| **18 Name of locality** |

Under penalties of perjury, I declare that, to the best of my knowledge and belief, the name, address, and taxpayer identification number that I have furnished correctly identify me as the recipient of this payment and any payments from identical wagers, and that no other person is entitled to any part of these payments.

**Signature**  
**Date**

---

Form W-2G  
www.irs.gov/FormW2G  
Department of the Treasury - Internal Revenue Service

Travis and Sylvia Kennedy  
742 Red Rooster Road  
Your City, State 00000

---

PAY TO THE ORDER OF  

<table>
<thead>
<tr>
<th>DOLLARS</th>
</tr>
</thead>
</table>

Anytown Bank and Trust  
Anytown, State 00000  
For  

:111000025 : 123456789  
1234

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VOID

Advanced Scenarios 97
Advanced Scenario 7: Test Questions

20. The Kennedy’s standard deduction on their 2020 tax return is $________.

21. What is the amount of taxable interest reported on the Kennedys’ Form 1040?
   a. $0
   b. $30
   c. $110
   d. $140

22. What is the total net amount of capital gain or (loss) reported on Form 1040?
   a. ($3,000)
   b. $250
   c. $10,680
   d. $10,930

23. What is the taxable portion of Travis’ pension from Pinto Corporation using the
    Simplified Method? $________.

24. Sylvia is eligible to make a contribution to her traditional IRA by the due date of her
tax return?
   a. True
   b. False

25. What are the Kennedys’ total gambling winnings reported on their Form 1040,
    Schedule 1?
   a. $215
   b. $763
   c. $2,500
   d. $2,715

26. The taxable portion of the Social Security benefits on the Kennedys’ Form 1040 is
    $17,850.
   a. True
   b. False

27. What are the total payments reported on the Kennedys’ Form 1040? $________.

Note: Congress enacted additional legislation for a second economic impact payment
after this publication went to print. It impacts the bottom line calculation of total
payments.

Enter 4385 as the answer for this question to score correctly, regardless of the amount
calculated using the Practice Lab or other software.
Advanced Scenario 8: Richard Roosevelt

Directions

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

Note: When entering Social Security numbers (SSNs) or Employer Identification Numbers (EINs), replace the Xs as directed, or with any four digits of your choice.

Interview Notes

• Richard is age 45 and single. Richard’s tax information was stolen and the IRS issued an Identity Protection PIN 123456.

• Richard’s mother, Martha, lives in a nursing home in a neighboring state. In 2020, she received $7,800 in Social Security income. Although she uses this money for her support, Richard has records showing he provided over half of her support in 2020.

• Richard lost his job in March when the state shut down due to the coronavirus pandemic. He received unemployment compensation for June and July.

• Richard began a landscape service in April and was paid on Form 1099-NEC. He also received cash receipts of $325 from clients not reported on a tax form. Richard uses the cash method of accounting.

• He uses business code 561730.

• He has receipts for the following expenses:
  – Used lawnmower - $236
  – Business cards - $15
  – Rake - $19
  – Work gloves - $25
  – Lunches - $140
  – Work clothes suitable for everyday use - $175
  – Lunch box - $25

• Richard has a detailed mileage log reporting:
  – Mileage from his home to his 1st client’s home and mileage from his last client’s home to his home – 620 miles.
  – In addition, on the days Richard worked for multiple clients, he kept track of the mileage from the first client’s home to the second client’s home in case that mileage was also deductible. He logged 312 miles (not included in the 620 miles).
  – The total mileage on his car for tax year 2020 was 9,543 miles. Of that, 8,611 were personal miles. He placed his only vehicle, a pick-up truck, in service on 4/15/2020. He will take the standard mileage rate.

• Richard took an early distribution from his IRA in April to help pay his living expenses while he was out of work due to COVID-19. Richard did not repay this distribution by the due date of his 2020 tax return.
• Richard settled with his credit card company on an outstanding bill and brought the Form 1099-C to the site. He isn’t sure how it will impact his tax return for tax year 2020. Richard determined he was solvent as of the date of the canceled debt.
• Richard went back to work in July and received a Form W-2.
• Richard doesn’t have enough to itemize this year and will take the standard deduction.
• Richard received a $1,200 Economic Impact Payment (EIP) in April 2020.
• Richard didn’t have any health insurance in 2020.
Advanced Scenarios

**Advanced Scenario 8: Test Questions**

**Directions**

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

*Note: When entering Social Security numbers (SSNs) or Employer Identification Numbers (EINs), replace the Xs as directed, or with any four digits of your choice.*

29. Richard’s most beneficial filing status allowable is Head of Household.
   a. True
   b. False

30. Which item(s) can be deducted by Richard as a business expense?
   a. Work gloves
   b. Work clothes (suitable for everyday use)
   c. Rake
   d. Both a and c

31. What is the qualified business income (QBI) deduction on the Richard’s tax return?
   a. $0
   b. $648
   c. $718
   d. $3,857

32. Richard must report $________ of his canceled debt on his 2020 tax return.

33. Richard is required to pay a 10% additional tax on the early distribution from his IRA account in 2020.
   a. True
   b. False

34. Richard has been assigned an Identity Protection PIN by the IRS. How does this affect preparation of Richard’s tax return?
   a. The PIN must be entered during tax return preparation.
   b. The PIN will appear on Richard’s Form 1040.
   c. Failure to enter the PIN will cause Richard’s e-filed return to be rejected by the IRS.
   d. All of the above.
35. Which of the following statements is true?

a. Richard is able to defer half the taxpayer and employer share of Social Security tax until December 31, 2021 and the other half until December 31, 2022.

b. Richard is able to defer half of the taxpayer share of Social Security tax until December 31, 2021 and the other half until December 31, 2022.

c. Richard is able to defer half of the employer share of Social Security tax until December 31, 2021 and the other half until December 31, 2022.

d. Richard does not have the option to defer half of his share or the employer share of Social Security tax.

**Note:** New and more specific information has been released regarding the deferral of self-employment taxes for certain Schedules H and SE filers. Taxpayers can’t defer amounts they’ve already paid.

Enter d. Richard does not have the option to defer half of his share or the employer share of Social Security tax, as the answer.
Directions

Refer to the scenario information for Travis and Sylvia Kennedy, beginning on page 88.

20. The Kennedys’ standard deduction for tax year 2020 is:
   a. $24,800
   b. $26,100
   c. $27,400
   d. $28,700

21. The total taxable interest on Form 1040 is $____________.

22. The total amount of capital gains reported on the Kennedys’ 2020 tax return is $250.
   a. True
   b. False

23. What is the taxable portion of Travis’ pension from Pinto Corporation using the Simplified Method?
   a. $0
   b. $19,987
   c. $20,277
   d. $21,785

24. Individuals over age 70½ who are still working or running a business can choose to contribute to a traditional IRA beginning in 2020.
   a. True
   b. False

25. The Kennedys’ will report their net gambling winning of $763 on Form 1040, Schedule 1.
   a. True
   b. False

26. What is the taxable portion of the Social Security benefits on the Kennedy’s Form 1040?
   a. $0
   b. $3,148
   c. $17,850
   d. $21,000
27. The Kennedys’ total payments reported on Form 1040 are $_______
   a. $500
   b. $1,000
   c. $3,635
   d. $4,385

   Note: Congress enacted additional legislation for a second economic impact payment after this publication went to print. It impacts the bottom line calculation of total payments.

   Enter d. $4,385 as the answer for this question to score correctly, regardless of the amount calculated using the Practice Lab or other software.

28. The CARES Act temporarily waived the required minimum distribution rules for traditional IRAs for 2020.
   a. True
   b. False
• Carl and Queenie received a $2,900 Economic Impact Payment (EIP) in April 2020.
• The Stevens did not itemize last year and do not have enough deductions to itemize this year.
### Intake/Interview & Quality Review Sheet

**Part I – Your Personal Information**

<table>
<thead>
<tr>
<th>1. Your first name</th>
<th>M.I.</th>
<th>Last name</th>
<th>Daytime telephone number</th>
<th>Are you a U.S. citizen?</th>
</tr>
</thead>
<tbody>
<tr>
<td>CARL</td>
<td></td>
<td>STEVENS</td>
<td>YOUR PHONE #</td>
<td>X Yes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Your spouse’s first name</th>
<th>M.I.</th>
<th>Last name</th>
<th>Daytime telephone number</th>
<th>Is your spouse a U.S. citizen?</th>
</tr>
</thead>
<tbody>
<tr>
<td>QUEENIE</td>
<td></td>
<td>STEVENS</td>
<td></td>
<td>X Yes</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3. Mailing address</th>
<th>Apt #</th>
<th>City</th>
<th>State</th>
<th>ZIP code</th>
</tr>
</thead>
<tbody>
<tr>
<td>825 BROADWAY CT.</td>
<td></td>
<td></td>
<td>YES</td>
<td>YOUR ZIP</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4. Your Date of Birth</th>
<th>5. Your job title</th>
<th>6. Last year, were you:</th>
</tr>
</thead>
<tbody>
<tr>
<td>03/20/1978</td>
<td>SOLDIER</td>
<td>a. Full-time student</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b. Legally blind</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>7. Your spouse’s Date of Birth</th>
<th>8. Your spouse’s job title</th>
<th>9. Last year, was your spouse:</th>
</tr>
</thead>
<tbody>
<tr>
<td>10/25/1976</td>
<td>CUSTOMER SERVICE REP.</td>
<td>a. Full-time student</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b. Legally blind</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>10. Can anyone claim you or your spouse as a dependent?</th>
<th>11. Have you, your spouse, or dependents been a victim of tax related identity theft or been issued an Identity Protection PIN?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>X No</td>
</tr>
</tbody>
</table>

### Part II – Marital Status and Household Information

<table>
<thead>
<tr>
<th>1. As of December 31, 2020, what was your marital status?</th>
</tr>
</thead>
<tbody>
<tr>
<td>X Married (This includes registered domestic partnerships, civil unions, or other formal relationships under state law)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. List the names below of:</th>
</tr>
</thead>
<tbody>
<tr>
<td>everyone who lived with you last year (other than your spouse)</td>
</tr>
<tr>
<td>anyone you supported but did not live with you last year</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name (first, last) Do not enter your name or spouse’s name below</th>
<th>Date of Birth (mm/dd/yyyy)</th>
<th>Relationship to you (for example: son, daughter, parent, name, etc.)</th>
<th>Number of months lived in your home last year</th>
<th>US Citizen (yes/no)</th>
<th>Resident of US, Canada, or Mexico last year (yes/no)</th>
<th>Single or Married as of 12/31/2019 (yes/no)</th>
<th>Full-time Student last year (yes/no)</th>
<th>Totally and Permanently Disabled (yes/no)</th>
</tr>
</thead>
<tbody>
<tr>
<td>JOSEPH STEVENS</td>
<td>10/03/2004</td>
<td>SON</td>
<td>12</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>NO</td>
</tr>
</tbody>
</table>

### To be completed by a Certified Volunteer Preparer

- Is this person a qualifying child/relative of any other person? (yes/no) [ ]
- Did this person provide more than 50% of his/her own support? (yes/no) [ ]
- Did this person have less than $4,300 of income? (yes, no, r/a) [ ]
- Did the taxpayer(s) provide more than 50% of support for this person? (yes/no, r/a) [ ]
- Did the taxpayer(s) pay more than half the cost of maintaining a home for this person? (yes/no) [ ]
Welcome to the Link & Learn Taxes Foreign Student Test. The test requires you to prepare four tax returns using Form 1040-NR and/or Form 8843 and then answer 50 online questions. You must successfully complete the test at an overall 80% proficiency to earn VITA/TCE certification.

Please complete this test on your own for an accurate assessment of your skills and knowledge. You may use any reference materials available to you as a volunteer to complete this test.

*Volunteers who use tax preparation software to complete the test need to make sure they are using the final 2020 version.*
Introduction

This section of the VITA/TCE certification Foreign Student test covers determining residency status, the use of Form 8843, and filing status. It consists of 13 true/false questions and 4 scenario-based multiple choice questions.

Allow approximately 20 minutes to complete this segment.

1. Hiep entered the U.S. on August 20, 2017 in F-1 immigration status. He had never been to the United States before and he did not change immigration status during 2020. For federal income tax purposes, Hiep is a resident alien for 2020.
   a. True
   b. False

2. Lisa is a visiting professor at the local university. Lisa was a graduate student from August 2016 to May 2018 in F-1 immigration status. She re-entered the United States as a teacher on December 20, 2019 in J-1 immigration status. For federal income tax purposes, Lisa is a nonresident alien for 2020.
   a. True
   b. False

3. Thomas served as a visiting scholar in F-1 immigration status from December 2015 through June 2017. In January of 2020, Thomas returned to the United States as a graduate student. For federal income tax purposes, Thomas is a resident alien for 2020.
   a. True
   b. False

4. Harry came to the United States in F-2 immigration status with his wife on August 20, 2018. He has not changed his immigration status. For federal income tax purposes, Harry is a resident alien for 2020.
   a. True
   b. False

5. Alice lived with her parents in F-2 immigration status in the United States from August 2010 to June 2012. She returned to the U.S. to attend college in F-1 immigration status on May 1, 2019. Alice does not need to file Form 8843 for 2020.
   a. True
   b. False
<table>
<thead>
<tr>
<th>Page Number</th>
<th>Important Changes for 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Advanced Scenario 8, Question 35, change the answer to d.</td>
</tr>
<tr>
<td>Page Number</td>
<td>Important Changes for 2020</td>
</tr>
<tr>
<td>-------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td>5</td>
<td>Foreign Student Test for Volunteers, under Introduction, Question 5, replace: 2018 with 2019</td>
</tr>
<tr>
<td>6</td>
<td>No changes.</td>
</tr>
</tbody>
</table>
Residency Status, Form 8843, and Filing Status

Introduction

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Allow approximately 20 minutes to complete this segment.

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   a. True
   b. False

2. Lisa is a visiting professor at the local university. Lisa was a graduate student from August 2016 to May 2018 in F-1 immigration status. She re-entered the United States as a teacher on December 20, 2019 in J-1 immigration status. For federal income tax purposes, Lisa is a nonresident alien for 2020.
   a. True
   b. False

3. Thomas served as a visiting scholar in F-1 immigration status from December 2015 through June 2017. In January of 2020, Thomas returned to the United States as a graduate student. For federal income tax purposes, Thomas is a resident alien for 2020.
   a. True
   b. False

4. Harry came to the United States in F-2 immigration status with his wife on August 20, 2018. He has not changed his immigration status. For federal income tax purposes, Harry is a resident alien for 2020.
   a. True
   b. False

5. Alice lived with her parents in F-2 immigration status in the United States from August 2010 to June 2012. She returned to the U.S. to attend college in F-1 immigration status on May 1, 2019. Alice does not need to file Form 8843 for 2020.
   a. True
   b. False
   a. True
   b. False

7. Rajaa and Aarav from Question 6 had a child while here in the U.S. on July 4, 2020. Rajaa and Aarav need to file Form 8843 for their child for 2020.
   a. True
   b. False

8. Maria and Raul have been in the U.S. in F-1 immigration status, since August 2015. Their 8-year-old son, José, joined them under F-2 status in May 2020. Maria and Raul must file Form 8843 for José for 2020.
   a. True
   b. False

9. Lorene is from North Macedonia and is a Ph.D. student in neurobiology who is going to defend her dissertation in June. She arrived in the U.S. as a student on May 28, 2019. Lorene is a nonresident alien for tax purposes in 2020.
   a. True
   b. False

10. Vito is a junior majoring in public health administration. He is in the U.S. in F-1 immigration status from India. He transferred from an Indian school and arrived in the U.S. on September 1, 2017. Vito worked in a lab on campus and as a summer intern for a company in New York. He will graduate in May, 2021. The company issued him a Form 1099-NEC.
    
    For tax purposes, Vito is still considered a nonresident alien even though the company issued him a Form 1099-NEC.
    a. True
    b. False

11. Juan is a nursing student from Peru who first arrived in F-1 immigration status on September 1, 2019. He does not have a tax identification number and he did not work or receive a scholarship in 2020, but had $90 interest income from his U.S. savings account his parents set up for him to pay for school and his living expenses.
    
    Juan must file a Form 1040-NR and Form 8843 by April 15, 2021.
    a. True
    b. False
<table>
<thead>
<tr>
<th>Page Number</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Under the heading <strong>Countries With Treaty Benefits for Teaching (Income Code 19)</strong>, between <strong>Turkey and Venezuela</strong>, insert a row and add the following content under the applicable column: <strong>Country</strong>: United Kingdom; <strong>Maximum years in US</strong>: 2; <strong>Maximum Dollar Amounts</strong>: No; <strong>Limit Treaty Article</strong>: 20A</td>
</tr>
<tr>
<td>7</td>
<td>No changes.</td>
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</tbody>
</table>
## Countries With Treaty Benefits for Teaching (Income Code 19)

_Caution_: The following is a quick-reference summary of treaty benefits. For more information about the application of these treaty benefits, see Publication 901, U.S. Tax Treaties.

<table>
<thead>
<tr>
<th>Country</th>
<th>Maximum Years in U.S</th>
<th>Maximum Dollar Amounts</th>
<th>Treaty Article</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>2</td>
<td>No Limit*</td>
<td>21(1)</td>
</tr>
<tr>
<td>Belgium</td>
<td>2</td>
<td>No Limit</td>
<td>19(2)</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>2</td>
<td>No Limit</td>
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</tr>
<tr>
<td>China</td>
<td>3</td>
<td>No Limit</td>
<td>19</td>
</tr>
<tr>
<td>Commonwealth of Independent States**</td>
<td>2</td>
<td>No Limit</td>
<td>VI(1)</td>
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<tr>
<td>Czech Republic</td>
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<td>Egypt</td>
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<tr>
<td>Germany</td>
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<td>Greece</td>
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<td>Hungary</td>
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<tr>
<td>India</td>
<td>2&lt;sup&gt;1&lt;/sup&gt;</td>
<td>No Limit</td>
<td>22</td>
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<tr>
<td>Indonesia</td>
<td>2</td>
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<td>Israel</td>
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<td>Italy</td>
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<tr>
<td>Jamaica</td>
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<td>Japan</td>
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<td>No Limit</td>
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<tr>
<td>Korea, South</td>
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<td>No Limit</td>
<td>20</td>
</tr>
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<td>Luxembourg</td>
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<tr>
<td>Netherlands</td>
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<tr>
<td>Norway</td>
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<tr>
<td>Pakistan</td>
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<td>Philippines</td>
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<td>Poland</td>
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<td>Portugal</td>
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<tr>
<td>Romania</td>
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<td>Slovenia</td>
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</tr>
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<td>Thailand</td>
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<td>23</td>
</tr>
<tr>
<td>Trinidad and Tobago</td>
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<td>No Limit</td>
<td>18</td>
</tr>
<tr>
<td>Turkey</td>
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<td>No Limit</td>
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</tr>
<tr>
<td>United Kingdom</td>
<td>2&lt;sup&gt;1&lt;/sup&gt;</td>
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<td>20A</td>
</tr>
<tr>
<td>Venezuela</td>
<td>2</td>
<td>No Limit</td>
<td>21(3)</td>
</tr>
</tbody>
</table>

* 2-year limit applies to business or technical apprentices.

** Commonwealth of Independent States
(Armenia, Azerbaijan, Belarus, Georgia, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan and Uzbekistan.)

<sup>1</sup> Treaty contains provisions that retroactively eliminates benefits if the allowable period in the U.S. or income amounts are exceeded as defined in the treaty.
Countries With Treaty Benefits for Studying and Training (Income Code 20)

Caution: The following is a quick-reference summary of treaty benefits. For more information about the application of these treaty benefits, see Publication 901, U.S. Tax Treaties.

<table>
<thead>
<tr>
<th>Country</th>
<th>Maximum Years in U.S</th>
<th>Maximum Dollar Amounts</th>
<th>Treaty Article</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>No Limit*</td>
<td>$8,000</td>
<td>21(2)</td>
</tr>
<tr>
<td>Belgium</td>
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<td>9,000</td>
<td>19(1)(b)</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>No Limit</td>
<td>9,000</td>
<td>19(1)(b)</td>
</tr>
<tr>
<td>China</td>
<td>No Limit</td>
<td>5,000</td>
<td>20(c)</td>
</tr>
<tr>
<td>Cyprus</td>
<td>5</td>
<td>2,000</td>
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<tr>
<td>Czech Republic</td>
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<td>5,000</td>
<td>20(1)</td>
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<td>France</td>
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<td>5,000</td>
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<td>Iceland</td>
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<td>2,000</td>
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<td>2,000</td>
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<tr>
<td>Venezuela</td>
<td>5</td>
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<td>21(1)</td>
</tr>
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</table>

* 2-year limit applies to business or technical apprentices.

\[\text{Treaty contains provisions that retroactively eliminates benefits if the allowable period in the U.S. or income amounts are exceeded as defined in the treaty.}\]

**NOTE:** Tax Treaty provisions allowed federally may not be honored by some states. Contact your state to see if treaty provisions are honored on the state return.
Amended and Prior Year Returns

On the landing page of the **Student Tab**, under **skills check**, above the answer selections,

**Question 1**, add:
Is this too late to qualify for the refund?

**Question 2**, add:
Is it too late for Brenda to claim a refund?

Foreign Student and Scholar, Comprehensive Practice

**Comprehensive Practice**, page 30, in the link, completed **F 8843, Line 4a** for 2019, replace:
14 with 21
Amended and Prior Year Returns

This lesson covers how to amend a current year tax return and provides guidance on preparing prior year returns.

Click the Skills Workout button to learn more about Amended and Prior Year Returns.

**training toolkit**

- Skills Workout
- Certification Warm Up
- Media Videos & Audio
- TaxSlayer Tutorial
- Job Aids
- Practice Lab

**skill check**

Check your understanding of amended and prior year returns. To check your answers, click the Check My Answers button at the bottom of the page.

1. John e-filed his 2015 Form 1040 on March 20, 2016. This year, while preparing his current year tax return, John discovered an error in his 2015 return, which resulted in a higher refund. John mailed an amended 2015 return on April 15, 2019. Is this too late to qualify for the refund?
   - [ ] A. Yes
   - [ ] B. No

2. Brenda discovered an error on her 2015 tax return, which had been filed on time. Correction of this error would result in a refund. She mailed an amended return on May 6, 2019. Is it too late for Brenda to claim a refund?
   - [ ] A. Yes
   - [ ] B. No

[Check My Answers]
Topic Summary

You have completed Form 8843 for foreign student Charlotte Wilson. Click here to review her correctly completed Form 8843.
Form 8843

Statement for Exempt Individuals and Individuals
With a Medical Condition

For use by alien individuals only.

Go to www.irs.gov/Form8843 for the latest information.

For the year January 1—December 31, 2020, or other tax year beginning __________, 20__, and ending __________, 20__.  

Your first name and initial: CHARLOTTE  

Your last name: WILSON  

Your U.S. taxpayer identification number, if any: XXX-XX-XXXX  

Address in country of residence: 21 GREENS ROAD RD 2 RUAWAI 0592  

Address in the United States: STATE COLLEGE 2302 STATE AVE, ROOM 3200 ATLANTA, GA 30331  

F-1, DEC. 11, 2019  

Part I General Information  

1a Type of U.S. visa (for example, F, J, M, Q, etc.) and date you entered the United States: F-1, DEC. 11, 2019  

b Current nonimmigrant status. If your status has changed, also enter date of change and previous status. See instructions: F-1  

2 Of what country or countries were you a citizen during the tax year? NEW ZEALAND  

3a What country or countries issued you a passport? NEW ZEALAND  

b Enter your passport number(s): 7839267  

4a Enter the actual number of days you were present in the United States during:  

2020   286  

2019   21  

2018   21  

b Enter the number of days in 2020 you claim you can exclude for purposes of the substantial presence test: 286  

Part II Teachers and Trainees  

5 For teachers, enter the name, address, and telephone number of the academic institution where you taught in 2020: 

State College, 2302 State Ave  

ATLANTA, GA 30331 (404) 338-98XX  

6 For trainees, enter the name, address, and telephone number of the director of the academic or other specialized program you participated in during 2020:  

Dr. B J OJHNS, SCHOOL OF ENGINEERING  

2302 STATE AVE  

ATLANTA, GA 30331 (404) 338-99XX  

7 Enter the type of U.S. visa (J or Q) you held during:  

2014  

2015  

2016  

2017  

2018  

2019  

. If the type of visa you held during any of these years changed, attach a statement showing the new visa type and the date it was acquired.  

8 Were you present in the United States as a teacher, trainee, or student for any part of 2 of the 6 prior calendar years (2014 through 2019)?:  

. If you checked the “Yes” box on line 8, you cannot exclude days of presence as a teacher or trainee unless you meet the Exception explained in the instructions.  

Part III Students  

9 Enter the name, address, and telephone number of the academic institution you attended during 2020:  

STATE COLLEGE, 2302 STATE AVE  

ATLANTA, GA 30331 (404) 338-98XX  

10 Enter the name, address, and telephone number of the director of the academic or other specialized program you participated in during 2020: DR. B J OJHNS, SCHOOL OF ENGINEERING  

2302 STATE AVE  

ATLANTA, GA 30331 (404) 338-99XX  

11 Enter the type of U.S. visa (F, J, M, or Q) you held during:  

2014  

2015  

2016  

2017  

2018  

2019  

. If the type of visa you held during any of these years changed, attach a statement showing the new visa type and the date it was acquired.  

12 Were you present in the United States as a teacher, trainee, or student for any part of more than 5 calendar years:  

. If you checked the “Yes” box on line 12, you must provide sufficient facts on an attached statement to establish that you do not intend to reside permanently in the United States.  

13 During 2020, did you apply for, or take other affirmative steps to apply for, lawful permanent resident status in the United States or have an application pending to change your status to that of a lawful permanent resident of the United States:  

. If you checked the “Yes” box on line 13, explain:  

For Paperwork Reduction Act Notice, see instructions.
Link & Learn Taxes is web-based training designed specifically for VITA/TCE volunteers. Each volunteer’s ability to prepare complete and accurate returns is vital to the credibility and integrity of the program. Link & Learn Taxes, as part of the complete volunteer training kit, provides the path to achieving this high level of quality service.


Link & Learn Taxes for 2020 includes:

- Access to all VITA/TCE courses
- Easy identification of the VITA/TCE courses with the course icons
  - As you progress through a lesson, the content for Basic, Advanced, Military, or International will display, depending on the level of certification you selected
- PowerPoint presentations that can be customized to fit your classroom needs
- VITA/TCE Central to provide centralized access for training materials and reference links
- The Practice Lab
  - Gives volunteers practice with an early version of the IRS-provided tax preparation software
  - Lets volunteers complete test practice problems
  - Lets volunteers prepare test scenario returns for the test/retest

Go to www.irs.gov, type “Link & Learn” in the Keyword field and click Search. You’ll find a detailed overview and links to the courses.

FSA (Facilitated Self Assistance) empowers taxpayers to prepare their own returns with the assistance of a certified volunteer. Taxpayers complete their own returns using interview-based software supplied by leaders in the tax preparation industry. Volunteers assist taxpayers with tax law questions.

Virtual VITA allows partners to initiate the intake process for taxpayers in one location, while utilizing a certified volunteer to prepare the return in an entirely different location. By incorporating this flexibility, partners can provide taxpayers with more convenient locations to file their taxes.

For more information contact your SPEC Relationship Manager to see if you should start a FSA or Virtual VITA site in your community.
Your online resource for volunteer and taxpayer assistance

Partner and Volunteer Resource Center
https://www.irs.gov/Individuals/Partner-and-Volunteer-Resource-Center
  • What’s Hot!
  • Site Coordinator’s Corner
Quality and Tax Alerts for IRS Volunteer Programs
  • Volunteer Tax Alerts
Volunteer Training Resources
https://www.irs.gov/Individuals/Volunteer-Training-Resources
Outreach Corner
https://www.irs.gov/Individuals/Outreach-Corner
Tax Trails for Answers to Common Tax Questions
Online Services and Tax Information for Individuals
https://www.irs.gov/Individuals

After You File
  • Where’s My Refund?
  • Refund reductions
  • Understanding Your IRS Notice or Letter
  • Keep a copy of your return
  • Changing your name or address
File Your Return
  • Validating your electronically filed return
  • Need to renew your ITIN?
  • Answers to your tax questions
  • Find a mailing address for paper returns
  • Tax relief in disaster situations
Was your refund what you expected?
  • Do a Paycheck Checkup
  • Use the IRS Tax Withholding Estimator
Make a Payment
  • IRS Direct Pay – pay online directly from your bank account
  • Other ways you can pay
  • Can’t pay? Set up a payment agreement
  • Do I have to pay estimated taxes?
Manage Your Tax Info
  • Get Transcript
  • View your tax account
  • Protect your identity
  • IRS2Go mobile app
Get Help Right Now
  • Let us help you
  • The “what ifs” for struggling taxpayers

eBooks
Want to view our training products on your mobile or tablet devices? Click here to access our eBooks: https://www.irs.gov/Individuals/Site-Coordinator-Corner.

Mobile App
Another device to use for additional information is IRS2Go. Click here to download IRS2Go mobile app: https://www.irs.gov/newsroom/irs2goapp.

and much more!
Your direct link to tax information 24/7: www.irs.gov