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.
**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.

All VITA/TCE volunteers (whether paid or unpaid workers) must complete the Volunteer Standards of Conduct (VSC) certification and agree to adhere to the VSC by signing Form 13615, Volunteer Standards of Conduct Agreement, prior to working at a VITA/TCE site. In addition, return preparers, quality reviewers, and VITA/TCE tax law instructors must certify in tax law prior to signing this form. This form is not valid until the site coordinator, sponsoring partner, instructor, or IRS contact confirms the volunteer’s identity 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 knowledge you gained (their information) 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.

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**Confidentiality Statement:**

All tax information you receive from taxpayers in your volunteer capacity is strictly confidential and should not, under any circumstances, be disclosed to unauthorized individuals.
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Introduction

This supplement contains changes, revisions, and additions to the October 2019 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.

CAUTION 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.

Publication 4012

<p>| | |</p>
<table>
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<td>5</td>
<td>Text reflow.</td>
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<td>6</td>
<td>Text reflow.</td>
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<td>7</td>
<td>Text reflow.</td>
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<tr>
<td>8</td>
<td>Text reflow.</td>
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</tbody>
</table>
| 9 | **F(orm) / S(chedule) # S D, Scope Limitations**, update the second bullet under **Not in scope for**, delete: "or virtual currency (bitcoins),"  
Add a new third bullet:  
• Taxpayers who have transactions using Bitcoins or other virtual currencies  
(This box for S D is now on page 8.) |
| 10 | Text reflow. |
| 11 | **F(orm) / S(chedule) # F 1099-INT, Scope Limitations**, under the third bullet under **Not in scope for**, add a new bullet:  
• Amounts reported in the box labeled Bond premium that exceed amounts reported in the box labeled Interest  
(This box for F 1099-INT is now on page 10.)  
**F(orm) / S(chedule) # F 1099-MISC, Scope Limitations**, under **Not in scope for**, delete:  
• Box 1  
Under **Certification level**, change “Advanced certification required” to:  
Military certification required for Box 1  
Basic certification required for Box 3  
Advanced certification required for all other entries |
| 12 | Text reflow. |
| 13 | **F(orm) / S(chedule) # F 8615 Scope Limitations**, after the first bullet add:  
**Out of scope if taxpayer elects to use parent’s tax rates** |
| 14 | Text reflow. |
| 15 | After **F(orm) / S(chedule) # F 8962**, insert a new row and add:  
**F(orm) S(chedule)s # – Form 8995**  
In Scope? Y/N – Yes  
**Scope Limitation** – Qualified Business Income Deduction Simplified Computation  
Not in scope for:  
• Certain rental real estate enterprises treated as a single trade or business  
**Certification Levels** – Advanced Certification required  
For **F(orm) / S(chedule) # F 8995-A**, In Scope? Y/N, change “Yes” to: No  
Under **Certification Levels**, delete: “Advanced certification required” |
| Ext-1 | Replace the caution with the following: These provisions, which previously expired at the end of 2017, have been renewed through tax year 2020. Refer to this tab and the Legislative Extenders lesson in Publication 4491 for information about these provisions. |
| Ext-2 | No change. |
| Ext-5 | No change. |
| Ext-6 | Remove the Caution at the top of the page. |
| Ext-7 | Remove the Caution at the top of the page. |
| Ext-8 | No change. |
| D-1 | In Table B – Examples of Nontaxable Income, delete: “Qualified Medicaid waiver payments” |
| D-2 | No change. |
| D-5 | No change. |
| D-6 | Replace the information in the gray text box about Medicaid waiver payments with: Excludable Medicaid waiver payments are certain payments received for providing nonmedical support services under a plan of care to someone living in the taxpayer’s home. For more information about these payments, see Publication 17 or Publication 525. Under the heading Form W-2 Reference Guide for Common Box 12 Codes, change the description for line E to: Elective deferrals under a section 403(b) salary reduction agreement |
| D-9 | Insert a gray text box pointing to Bond Premium (Box 11), with this text: Bond Premium – If less than the amount reported as interest in Box 1 – In Scope. If greater than the amount reported as interest in Box 1 – Out of Scope. |
| D-10 | No change. |
| D-33 | No change. |
| D-34 | Under Note: Tax Law for Disaster Victims, and between the first and second sentences, add: Taxpayers impacted by federally declared disasters in 2018, 2019, or 60 days from the December 30, 2020 enactment date of Public Law 116-94 H.R. 1865, Further Consolidated Appropriations Act, 2020 are allowed to obtain tax-favored withdrawals from retirement plans, by providing an exception to the 10 percent early retirement plan withdrawal penalty for qualified disaster relief distributions, providing favorable repayment terms over 3 years, and allowing taxpayers the option of spreading out income inclusion resulting from such withdrawals over a 3-year period. |
| D-39 | Under **Explanations for Box 7 Distribution Codes**:  
1 – **Early distribution, no known exception**, add a third bullet:  
• If the IRA/SEP/SIMPLE box **IS** checked, additional reporting may be required on Form 8606, and the return is Out of Scope.  

2 – **Death**, at the end of the last sentence, add:  
and the return is Out of Scope.  

7 – **Normal distribution**, add a seventh bullet:  
• If the IRA/SEP/SIMPLE box **IS** checked, additional reporting may be required on Form 8606. In that case, the return is Out of Scope. |

| D-40 | Under **Explanations for Box 7 Distribution Codes, F – Charitable gift annuity**, replace the second and third sentence with:  
To determine the amount to enter in box 2a (taxable amount), subtract the amount in box 3 (cap gains) and box 5 (Employee Contribution) from the taxable amount (box 1). Enter the difference in Form 1099R screen box 2a. Also, navigate to Income>Capital Gains and Losses>Additional Capital Gain Distributions and enter the amount in box 3 as a long-term capital gain. |

| D-57 | No change. |

| D-58 | At the end of the heading, **Entering Medicaid Waiver Payments**, add:  
(that may be excluded from income under Notice 2014-7)  

**In Scenario A:**  
Change “listed” to: reported  
Change the second “on” to: in  
Change “it.” to: them.  

**In Scenario B:**  
Between the words “1099-MISC,” and “go” add:  
and you are not in the business of providing home care services,  

**In Scenario C:**  
Between the words “of” and “payments” add: the  
Change the first **Note** to:  
When the care provider and the care recipient do not live together in the same home, the Medicaid waiver payments are fully taxable.  
Delete the second **Note** that reads, “If the income is not reported, do not do anything. It is excludable income. A taxpayer may not choose to include in gross income difficulty of care payments that are, excludable from gross income under §131 as provided in Notice 2014-7. You cannot exclude gross receipts that are not Notice 2014-7 Medicaid waiver payments.” |

| E-3 | No change. |

| E-4 | Insert a gray text box pointing to **net profit and other earned income box** with this text:  
Enter the net profit from Schedule C in the field below the insurance payment amounts (the adjustment amount cannot be greater than the net profit from the business). TaxSlayer will automatically subtract the adjustment for ½ of SE tax. |
F-3 | Insert new page F-3, Interview Tips - Itemized Deductions
---|---
F-4 | Insert new page F-4, Interview Tips - Itemized Deduction (continued)
F-5 | No change.
F-6 | In the Note, change the medical and dental floor percentage from 10% to 7.5%.
F-9 | Above Note, delete:
See Tab EXT, Legislative Extenders for Private Mortgage Insurance (if extended)
F-10 | No change.
G-1 | No change.
G-2 | Under the last Note, add:  
**Note:** Certain taxpayers affected by a federally declared disaster area may elect to calculate their earned income credit (EIC) and additional child tax credit (ACTC) by substituting their earned income from the preceding taxable year if more than the year of the applicable qualified disaster.
G-3 | No change.
G-4 | In the Caution, change “Dependents who are residents...” to: Dependents who are not U.S. citizens or U.S. nationals, but are residents.
G-13 | Under the Caution, in the first Note, change the first sentence to: Foreign earned income and the foreign housing exclusion are subtracted from wages when figuring the credit.
G-14 | No change.
H-1 | No change.
H-2 | At the bottom of the page, add the following:  
Further Consolidated Appropriations Act, 2020 changed the tax rate used in calculation of the kiddie tax. It applies to taxable years beginning after December 31, 2019. A taxpayer may elect to apply this calculation to taxable years 2018, 2019, or both. The taxpayer may benefit from making this election. If the taxpayer makes this election, the return is out of scope.
H-3 | In Step 4 response, change “NO – Go to Step 4” to: NO – Go to Step 5
H-4 | No change.
H-5 | Under Exception for No. 05, change 10% to: 7.5%
H-6 | No change.
I-1 | In the Earned Income Table, under the Doesn't include column, delete the last bullet that reads: “• Anything else of value received from someone for services performed, if it isn’t currently taxable, which include Medicaid waiver payments that have been excluded from income.”
In the Earned Income Table, under the asterisk, add:  
**Note:** Certain taxpayers affected by a federally declared disaster area may elect to calculate their earned income credit (EIC) and additional child tax credit (ACTC) by substituting their earned income from the preceding taxable year if more than the year of the applicable qualified disaster. Search the IRS website for “Tax Relief in Disaster Situations” for more information.
I-2 | No change.
<p>| | |</p>
<table>
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<tbody>
<tr>
<td><strong>N-7</strong></td>
<td>No change.</td>
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</tbody>
</table>
| **N-8** | At the end of the heading, **Entering Medicaid Waiver Payments**, add:  
( that may be excluded from income under Notice 2014-7):  

In **Scenario A**, change the first sentence to:  
If income is reported on Form W-2, enter the amount as provided.  

In **Scenario B**, between the words “Income,” and “go”, add:  
and you are not in the business of providing home care services, |
| **O-9** | In the **Form or Topic** column, at the end of **Medicaid Waiver Payments on W-2**, add:  
( that may be excluded from income under Notice 2014-7) |
| **O-10** | No change. |
| **P-5** | Insert new page P-5, **Where Do You File? chart**. |
| **P-6** | No change. |

**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.**
This page intentionally left blank.
Scope of Service

When using the list, please note that columns 3, 4, and 5 do not stand alone. Additional information contained in columns 4 and 5 may include topics or certification levels that affect whether volunteers may or may not prepare the return under the provisions of the Volunteer Protection Act.

If no certification level is listed, the topic is in scope for all certification levels.

Many forms and schedules that are out of scope are included as reference. If a form or schedule is not listed, it is out of scope because no training has been provided. In addition, if a volunteer has not been trained on an in-scope tax law topic, that topic is out of scope for that volunteer.

<table>
<thead>
<tr>
<th>F(form) S(schedule)</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 1040 1</td>
<td>Yes</td>
<td>Wages, salaries, tips, etc.</td>
<td>Advanced certification required for unreported tip income.</td>
<td></td>
</tr>
<tr>
<td>F 1040 2a, b</td>
<td>Yes</td>
<td>Tax-exempt and taxable interest See F 1099-INT for limitations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F 1040 3a, b</td>
<td>Yes</td>
<td>Qualified and taxable interest See F 1099-DIV for limitations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F 1040 4a, b, c, d</td>
<td>Yes</td>
<td>IRAs, pensions and annuities See F 1099-R for limitations • Foreign retirement arrangements that may need special reporting on FINCEN 114 or F 8938</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F 1040 5a, b</td>
<td>Yes</td>
<td>Social Security benefits Not in scope for: • Foreign social security from Canada or Germany that is treated as U.S. Social Security</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F 1040 6</td>
<td>Yes</td>
<td>Capital gain or loss. See F 8949 limitations</td>
<td>Advanced certification required.</td>
<td></td>
</tr>
<tr>
<td>F 1040 9</td>
<td>Yes</td>
<td>Standard deduction or Itemized deductions See F 1040 Schedule A limitations</td>
<td>Advanced certification required for itemized deductions.</td>
<td></td>
</tr>
<tr>
<td>F 1040 10</td>
<td>Yes</td>
<td>Qualified Business Income deduction In scope for: • The 20% deduction for sole proprietors and taxpayers with qualifying REIT dividends Not in scope for: • Taxable income over $160,700 ($321,400 if MFJ) • Publicly traded partnership income</td>
<td></td>
<td></td>
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<tr>
<td>F 1040 12a</td>
<td>Yes</td>
<td>Tax See Schedule 2 for limitations</td>
<td></td>
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<tr>
<td>F 1040 13a</td>
<td>Yes</td>
<td>Child tax credit/credit for other dependents</td>
<td></td>
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<tr>
<td>F 1040 15</td>
<td>Yes</td>
<td>Other taxes See limitations on Schedule 2</td>
<td></td>
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<tr>
<td>F 1040 17</td>
<td>Yes</td>
<td>Federal income tax withheld from Forms W-2 and 1099</td>
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<tr>
<td>F 1040 18a, b, c, d</td>
<td>Yes</td>
<td>Other payments and refundable credits (EIC, Additional child tax credit, American opportunity credit) See Schedule 3 for limitations</td>
<td></td>
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<tr>
<td>F 1040 21a, b, c, d</td>
<td>Yes</td>
<td>Direct deposit of refund See also F 8888</td>
<td></td>
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<tr>
<td>F 1040 22</td>
<td>Yes</td>
<td>Refund applied to 2020 estimated tax</td>
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<td></td>
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<tr>
<td>F 1040 23</td>
<td>Yes</td>
<td>Amount you owe</td>
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<tr>
<td>F 1040 24</td>
<td>No</td>
<td>Estimated tax penalty</td>
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<tr>
<td>F 1040-ES</td>
<td>Yes</td>
<td>Estimated Tax for Individuals</td>
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<tr>
<td>F 1040-NR F 1040-NR- EZ</td>
<td>Yes</td>
<td>U.S. Nonresident Alien Income Tax Return In scope (with Foreign Student certification only) for: • Students on F, J, M, or Q Visa • Teacher or trainee on J Visa Not in scope for: • Individuals having a dual status for the tax year • Nonresident aliens who do not meet the green card or substantial presence test and are not married to a U.S. citizen or resident alien</td>
<td>Foreign Student certification required</td>
<td></td>
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<tr>
<td>F(schedule) #</td>
<td>Line / Box #</td>
<td>In Scope?</td>
<td>Scope Limitations</td>
<td>Certification Levels</td>
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<tr>
<td>F 1040-SR</td>
<td>Yes</td>
<td>U.S. Income Tax Return for Seniors</td>
<td>See limitations for F 1040</td>
<td></td>
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<tr>
<td>F 1040-SS</td>
<td>Yes</td>
<td>U.S. Self-Employment Tax Return (including the Additional Child Tax Credit for bona fide residents of Puerto Rico)</td>
<td>Puerto Rico certification required</td>
<td></td>
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<tr>
<td>F 1040-X</td>
<td>Yes</td>
<td>Amended U.S. Individual Income Tax Return</td>
<td>Advanced certification required</td>
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<td></td>
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<td>Not in scope for:</td>
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<td></td>
<td></td>
<td>• Original return was out of scope and is not brought into scope by the amendment</td>
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<td></td>
<td></td>
<td>• Taxpayers who may qualify for an exception to the three-year time limit for filing an amended return except for applying for standard refund of tax on military disability payments</td>
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<tr>
<td>F W-2</td>
<td>Yes</td>
<td>Wage and Tax Statement</td>
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<td>See F 8615 limitations for children with unearned income</td>
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<td>Not in scope for:</td>
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<td>• Box 12 codes:</td>
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<td>- Q (Military certification required. Active duty military taxpayer returns only)</td>
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<td>- R, T</td>
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<td>- FF if premium tax credits are involved</td>
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<td>- W (HSA certification required)</td>
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<td></td>
<td></td>
<td>• Ministers</td>
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<td>• Other members of the clergy who present issues such as: parsonage/housing allowance, whether earnings are covered under FICA or Self-Employed Contributions Act (SECA) or rules for determining exemption from coverage</td>
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<tr>
<td>F W-2G</td>
<td>Yes</td>
<td>Certain Gambling Winnings</td>
<td></td>
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<td></td>
<td></td>
<td>Not in scope for:</td>
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<td>• Professional gamblers who use Schedule C</td>
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<tr>
<td>F W-7</td>
<td>Yes</td>
<td>Application for IRS Individual Taxpayer Identification Number</td>
<td></td>
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<tr>
<td>S 1</td>
<td>1</td>
<td>Taxable refunds, credits or offsets of state or local income taxes</td>
<td></td>
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<td>Not in scope for:</td>
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<td></td>
<td>• Refund for other than previous tax year</td>
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<td>S 1</td>
<td>2a, b</td>
<td>Alimony received</td>
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<td>3</td>
<td>Business income or loss</td>
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<td></td>
<td></td>
<td>See Schedule C limitations</td>
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<td>S 1</td>
<td>4</td>
<td>Other gains or (losses)</td>
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<tr>
<td>S 1</td>
<td>5</td>
<td>Rental real estate, royalties, partnerships, S corporations, trusts, etc.</td>
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<td>See Schedule E limitations</td>
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<td>S 1</td>
<td>6</td>
<td>Farm income or (loss)</td>
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<td>S 1</td>
<td>7</td>
<td>Unemployment compensation</td>
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<td>S 1</td>
<td>8</td>
<td>Other income</td>
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<td>In scope for:</td>
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<td></td>
<td></td>
<td>• Cancellation of nonbusiness credit card debt</td>
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<td></td>
<td></td>
<td>• Discharge of qualified principal residence indebtedness (if extended)</td>
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<td>Not in scope for:</td>
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<td></td>
<td>• Cancellation of other debt income</td>
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<td></td>
<td></td>
<td>• Rental, hobby or other income when &quot;not for profit&quot;</td>
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<td>• Net operating loss deduction</td>
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<td>10</td>
<td>Educator expenses</td>
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<td>S 1</td>
<td>11</td>
<td>Certain business expenses of reservists, performing artists and fee-basis government officials.</td>
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<td>See F 2106 limitations</td>
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<td>Health saving account deduction</td>
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<td>13</td>
<td>Moving expenses for members of the Armed Forces</td>
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<td>See F 3903 limitations</td>
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<td>14</td>
<td>Deductible part of self-employment tax</td>
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<td>15</td>
<td>Self-employed SEP, SIMPLE and qualified plans</td>
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<td>16</td>
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<td>Self-employed health insurance deduction</td>
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<td>• Insurance purchased through Marketplace when taxpayer is eligible for Premium Tax Credit</td>
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<td>Yes</td>
<td>Penalty on early withdrawal of savings</td>
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<td>• Pre-1985 divorces</td>
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<td>IRA deduction</td>
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<td>• Deductible IRA contributions</td>
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<td>• Nondeductible IRA contributions (except for Roth IRAs)</td>
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<td>Yes</td>
<td>Student loan interest deduction</td>
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<td>Tuition and fees deduction (if extended)</td>
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<td>Unreported Social Security and Medicare tax</td>
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<td>• F 8919</td>
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<td>Yes</td>
<td>Additional tax on IRAs, other qualified retirement plans, and other tax-favored accounts</td>
<td>Advanced certification if additional tax applies</td>
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<td>Advanced certification required if exceptions to the additional tax apply</td>
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<td>• Taxpayers subject to additional tax due to excess IRA contributions</td>
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<td>7a</td>
<td>No</td>
<td>Household employment taxes</td>
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<td>7b</td>
<td>Yes</td>
<td>Repayment of first-time homebuyer credit from Form 5405</td>
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<td>Taxes from F 8959, F 8960 (and other forms, including F 8889 HSA)</td>
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<td>Foreign tax credit</td>
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<td>Credit for child and dependent care expenses</td>
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<td>Yes</td>
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<td>• Taxpayers who must repay (recapture) part or all of an education credit claimed in a prior year</td>
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<td>Retirement savings contribution credit</td>
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<td>Yes</td>
<td>Residential energy credit (if extended)</td>
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<td>Other credits from F 3800, 8801, and (write-in)</td>
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<td>2019 estimated tax payments and amount applied from 2018 return</td>
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<td>Yes</td>
<td>Amount paid with request for extension to file</td>
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<td>Excess Social Security and tier 1 RRITA tax withheld</td>
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<td>Credit for federal tax on fuels</td>
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<td>Credits from Forms 2439, 8885 (and other tax payments)</td>
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<td>Itemized Deductions</td>
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<td>• Investment interest</td>
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<td>• Taxpayers affected by a charitable contribution carryover</td>
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<td>• Taxpayers affected by limits on charitable deductions</td>
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<td>• F 8283 (noncash contribution exceeding $500)</td>
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<td>• Form 1098-C, Contributions of Motor Vehicles, Boats and Airplanes</td>
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<td>• Donation of property previously depreciated</td>
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<td>• Donation of capital gain property (appreciable properties such as securities or art work)</td>
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<td>• Casualty or theft losses</td>
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<td>Interest and Ordinary Dividends</td>
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<td>Profit or Loss from Business (Sole Proprietorship)</td>
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<td>See F 1099-K for limitations</td>
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<td>See F 1099-MISC for limitations</td>
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<td>• Hobby income or not for profit activity</td>
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<td>• Professional gamblers</td>
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<td>• Bartering</td>
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<td>• Any transactions involving virtual currency (bitcoins)</td>
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<td>• Method of accounting other than cash</td>
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<td>• Taxpayers who do not materially participate in the business</td>
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<td>• Payments made that require F 1099 to be filed</td>
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<td>• Cost of goods sold (inventory)</td>
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<td>• Vehicle expenses reported as actual expenses</td>
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<td>• Depreciation or when F 4562 is required</td>
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<td>• Expenses for employees</td>
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<td>• Car rental or lease more than 30 days (use standard mileage rate method only)</td>
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<td>• Casualty losses, amortization</td>
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<td>Capital Gains and Losses</td>
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<td>• Taxpayers who sold any assets other than stock, mutual funds, or a personal residence</td>
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<td>• Taxpayers who trade in options, futures, or other commodities, whether or not they disposed of any during the year</td>
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<td>• Taxpayers who have transactions using Bitcoins or other virtual currencies</td>
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<td>• Determination of basis issues:</td>
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<td>• 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</td>
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<td>• 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</td>
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<td>• Like-kind exchanges and worthless securities</td>
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<td>• Reduced exclusion computations/determinations for the sale of a home</td>
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<td>• Married homeowners who do not meet all requirements to claim the maximum exclusion on the sale of a home</td>
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<td>• Decreases to basis, including deductible casualty losses and gains a taxpayer postponed from the sale of a previous home before May 7, 1997</td>
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<td>• Depreciation during the time the home was used for business purposes or as rental property</td>
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<td>• Taxpayers with “nonqualified use” issues</td>
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<td>• Sale of a home used for business purposes or as rental property</td>
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<td>S F</td>
<td>No</td>
<td>No</td>
<td>Profit or Loss From Farming</td>
<td></td>
</tr>
<tr>
<td>S H</td>
<td>No</td>
<td>No</td>
<td>Household Employment Taxes</td>
<td></td>
</tr>
<tr>
<td>S J</td>
<td>No</td>
<td>No</td>
<td>Income Averaging for Farmers and Fishermen</td>
<td></td>
</tr>
<tr>
<td>S K-1</td>
<td>Yes</td>
<td>Beneficiary, Partner or Shareholder’s Share of Income, Deductions, Credits, etc.</td>
<td></td>
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<td></td>
<td></td>
<td>In scope for:</td>
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<tr>
<td></td>
<td></td>
<td>• Schedules K-1 (Forms 1065, 1120S, and 1041)</td>
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<tr>
<td></td>
<td></td>
<td>• Taxable and tax-exempt interest income</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Dividend and Qualified dividends income</td>
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<td></td>
<td></td>
<td>• Net short- and long-term capital gains and losses</td>
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<td></td>
<td></td>
<td>• Royalty income (Schedule E) with no associated expenses</td>
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<td>Not in scope for:</td>
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<td></td>
<td></td>
<td>• Other income, deductions, and credits not listed above</td>
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<td>S Q</td>
<td>No</td>
<td>Quarterly Notice to Resident Interest Holder of REMIC Taxable Income or Net Loss Allocation</td>
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<tr>
<td>S R</td>
<td>Yes</td>
<td>Credit for the Elderly or the Disabled</td>
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<td>S SE</td>
<td>Yes</td>
<td>Self-Employment Tax</td>
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<td></td>
<td></td>
<td>Not in scope for:</td>
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<td></td>
<td></td>
<td>• Ministers or church workers if special rules apply</td>
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<td>S 8812</td>
<td>Yes</td>
<td>Additional Child Tax Credit</td>
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<tr>
<td>F T (Timber)</td>
<td>No</td>
<td>Forest Activities Schedule</td>
<td></td>
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<td>F 56</td>
<td>No</td>
<td>Notice Concerning Fiduciary Relationship</td>
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<tr>
<td>F 709</td>
<td>No</td>
<td>United States Gift (and Generation-Skipping Transfer) Tax Return</td>
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<td>F 843</td>
<td>No</td>
<td>Claim for refund and request for abatement</td>
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<td>F 982</td>
<td>Yes</td>
<td>Reduction of Tax Attributes Due to Discharge of Indebtedness</td>
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<td>In scope for:</td>
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<td></td>
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<td>• Line 1e</td>
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<td>• Line 2</td>
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<td>• Line 10b</td>
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<td>Not in scope for:</td>
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<tr>
<td></td>
<td></td>
<td>• Issues other than discharge of qualified principal residence indebtedness</td>
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<tr>
<td></td>
<td></td>
<td>• Principal residence used in business or as rental property</td>
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<tr>
<td></td>
<td></td>
<td>• Taxpayer filed bankruptcy or was insolvent immediately before the debt was canceled</td>
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<tr>
<td>F 1040-C</td>
<td>No</td>
<td>U.S. Departing Alien Income Tax Return</td>
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<td>F 1045</td>
<td>No</td>
<td>Application for Tentative Refund</td>
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<td>F 1066</td>
<td>No</td>
<td>Quarterly Notice to Resident Interest Holder of REMIC Taxable Income or Net Loss Allocation</td>
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<td>Form (Schedule) #</td>
<td>Line / Box #</td>
<td>In Scope?</td>
<td>Scope Limitations</td>
<td>Certification Levels</td>
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<td>F 1095-A</td>
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<td>Yes</td>
<td>Health Insurance Marketplace Statement</td>
<td>Advanced certification required</td>
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<td>F 1095-B</td>
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<td>Yes</td>
<td>Health Coverage</td>
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<td>F 1095-C</td>
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<td>Yes</td>
<td>Employer Provided Health Insurance Offer and Coverage</td>
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<td>F 1098</td>
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<td>Yes</td>
<td>Mortgage Interest Statement</td>
<td>Advanced certification required</td>
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<tr>
<td>F 1098-C</td>
<td></td>
<td>No</td>
<td>Contributions of Motor Vehicles, Boats, Airplanes</td>
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<tr>
<td>F 1098-E</td>
<td></td>
<td>Yes</td>
<td>Student Loan Interest Statement</td>
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<tr>
<td>F 1098-MA</td>
<td></td>
<td>No</td>
<td>Mortgage Assistance Payments</td>
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<tr>
<td>F 1098-Q</td>
<td></td>
<td>Yes</td>
<td>Qualifying Longevity Annuity Contract Information (information only)</td>
<td>No tax reporting required.</td>
</tr>
</tbody>
</table>
| F 1098-T        |              | Yes       | Tuition Statement | Not in scope for:  
|                  |              |           | • Boxes 4 and 6 (Adjustments) |                      |
| F 1099-A        |              | Yes       | Acquisition or Abandonment of Secured Property | Advanced certification required |
|                  |              |           | See F 982 for limitations  
|                  |              |           | In scope for:  
|                  |              |           | • Qualified principal residence (if extended) |                      |
| F 1099-B        |              | Yes       | Proceeds from Broker and Barter Exchange Transactions | Advanced certification required |
|                  |              |           | Not in scope for:  
|                  |              |           | • FATCA filing requirement box checked  
|                  |              |           | • Boxes 11 and 7-11, 13 |                      |
| F 1099-C        |              | Yes       | Cancellation of Debt | Advanced certification required |
|                  |              |           | See F 982 for limitations  
|                  |              |           | In scope for:  
|                  |              |           | • Nonbusiness credit card debt cancellation including interest in box 3 when taxpayer is solvent before the cancellation  
|                  |              |           | • Discharge of qualified principal residence indebtedness (if extended) |                      |
|                  |              |           | Not in scope for:  
|                  |              |           | • Cancellation of debt when Form 1099-C includes an amount for interest (exception listed above) |                      |
| F 1099-CAP      |              | Yes       | Changes in Corporate Control and Capital Structure (information only) | No tax reporting required. |
| F 1099-DIV      |              | Yes       | Dividends and Distributions | Not in scope for:  
|                  |              |           | • Boxes labeled Unrecap Sec. 1250 gain, Section 1202 gain, Cash liquidation distributions, and Noncash liquidation distributions  
|                  |              |           | • 2d Collectibles (28%) gain  
|                  |              |           | • FATCA filing requirement box checked |                      |
| F 1099-G        |              | Yes       | Certain Government Payments | In scope for:  
|                  |              |           | • Unemployment compensation  
|                  |              |           | • Refunds, credits, or offsets of state or local income tax |                      |
|                  |              |           | Not in scope for:  
|                  |              |           | • Box 3 is other than the current tax year  
|                  |              |           | • Boxes 7-9 |                      |
| F 1099-H        |              | No        | Health Coverage Tax Credit |                      |
| F 1099-INT      |              | Yes       | Interest Income | See F 8615 for limitations (children with unearned income)  
|                  |              |           | Not in scope for:  
|                  |              |           | • Taxpayer is a nominee  
|                  |              |           | • An adjustment is needed to any amount reported |                      |
|                  |              |           | • Amounts reported in the box labeled Specified private activity bond interest if AMT applies  
|                  |              |           | • Amounts reported in the box labeled Bond premium that exceed amounts reported in the box labeled Interest  
|                  |              |           | • FATCA filing requirement box checked  
|                  |              |           | • Accrued bond interest other than for savings bonds  
|                  |              |           | • Bonds bought or sold between interest payment dates other than for savings bonds |                      |
| F 1099-K        |              | Yes       | Payment Card and Third Party Network Transactions | Not in scope for:  
<p>|                  |              |           | • Any adjustment to amount reported on F 1099-K | Advanced certification required |</p>
<table>
<thead>
<tr>
<th>Form (Schedule) #</th>
<th>Line / Box #</th>
<th>In Scope?</th>
<th>Scope Limitations</th>
<th>Certification Levels</th>
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<tbody>
<tr>
<td>F 1099-LTC</td>
<td></td>
<td>Yes</td>
<td>Long-Term Care and Accelerated Death Benefits</td>
<td>Advanced certification required</td>
</tr>
<tr>
<td>F 1099-MISC</td>
<td></td>
<td>Yes</td>
<td>Miscellaneous Income Not in scope for: Box 5 Fishing boat proceeds Boxes 8-15 FATCA filing requirement box checked</td>
<td>Military certification required for Box 1 Basic certification required for Box 3 Advanced certification required for all other entries</td>
</tr>
<tr>
<td>F 1099-QID</td>
<td></td>
<td>Yes</td>
<td>Original Issue Discount Not in scope for: FATCA filing requirement box checked Box 6 Acquisition premium Adjustment needed, or no form received</td>
<td></td>
</tr>
<tr>
<td>F 1099-PATR</td>
<td></td>
<td>Yes</td>
<td>Taxable Distributions Received From Cooperatives In scope for: Box 1 for personal use only</td>
<td>Advanced certification required</td>
</tr>
<tr>
<td>F 1099-Q</td>
<td></td>
<td>Yes</td>
<td>Payment From Qualified Education Programs (under section 529 and 530) Not in scope for: Distributions from Educational Savings Accounts if: Funds were not used for qualified education expenses or Distribution was more than the amount of the qualified expenses</td>
<td></td>
</tr>
<tr>
<td>F 1099-QA</td>
<td></td>
<td>Yes</td>
<td>Distribution from ABLE Account Not in scope for: Distribution from ABLE Account that was more than the amount of the qualified expenses</td>
<td></td>
</tr>
<tr>
<td>F 1099-R</td>
<td>F CSA-1099-R</td>
<td>Yes</td>
<td>Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. Not in scope for: 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 Box 7 code 2, if the IRA/SEP/SIMPLE box is checked and there were nondeductible contributions Box 7 codes 5, 6, 8, 9, A, E, J, K, N, P, R, T, U, W</td>
<td>Basic certification if taxable amount is determined Advanced certification required if taxable amount is NOT determined</td>
</tr>
<tr>
<td>F RRB-1099</td>
<td></td>
<td>Yes</td>
<td>Payments by the Railroad Retirement Board Annuities or Pensions by the Railroad Retirement Board</td>
<td>Advanced certification required</td>
</tr>
<tr>
<td>F 1099-S</td>
<td></td>
<td>Yes</td>
<td>Proceeds from Real Estate Transactions In scope for: Personal residence Not in scope for: Home was used for rental purposes Sales of business property Installment sales income Like-kind exchanges</td>
<td>Advanced certification required</td>
</tr>
<tr>
<td>F 1099-SA</td>
<td></td>
<td>Yes</td>
<td>Distributions From an HSA, Archer MSA or Medicare Advantage MSA See F 8889 for limitations Not in scope for: Archer MSA Medicare Advantage MSA</td>
<td>HSA certification required</td>
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<tr>
<td>F SSA-1099</td>
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<td>Yes</td>
<td>Social Security Benefit Statement</td>
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<tr>
<td>F 1116</td>
<td></td>
<td>Yes</td>
<td>Foreign Tax Credit (Individual, Estate or Trust) In scope for: Taxpayers who have foreign tax paid reported on F 1099-INT, F 1099-DIV, or S K-1 and can elect to report foreign tax without filing Form 1116 (Advanced certification) Not in scope for: Taxpayers who may deduct a foreign income tax that is not allowed as a credit in certain circumstances Certain expenses deducted to reduce foreign gross income Taxpayers who must report a carryback or carryover on Form 1116 Taxpayers who must file a separate Form 1116 required for foreign income from a sanctioned country, using the &quot;Section 901(j) income&quot; category</td>
<td>International certification required for F 1116</td>
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<tr>
<td>F 1127</td>
<td></td>
<td>No</td>
<td>Extension of Time for Payment of Tax Due to Undue Hardship</td>
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<tr>
<td>Form (Schedule) #</td>
<td>Line / Box #</td>
<td>In Scope?</td>
<td>Scope Limitations</td>
<td>Certification Levels</td>
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</tbody>
</table>
| F 2106            | Yes          | Employee Business Expenses | In scope for:  
  • Reservist expenses (adjustment to gross income)  
  • U.S. Armed Forces members who were provided a commuter highway vehicle (such as a van) by their employer | Military certification required |
| F 2120            | Yes          | Multiple Support Declaration |                      |                      |
| F 2210            | No           | Underpayment of Estimated Tax by Individuals, Estates and Trusts |                      |                      |
| F 2439            | No           | Notice to Shareholder of Undistributed Long-Term Capital Gains |                      |                      |
| F 2441            | Yes          | Child and Dependent Care Expenses | Out of scope for:  
  • Taxpayers who need assistance in determining if employment taxes are owed for household employees |                      |
| F 2555            | Yes          | Foreign Earned Income |                      | International certification required |
| F 2848            | Yes          | Power of Attorney and Declaration of Representative | In scope for:  
  (Very limited uses in form instructions) |                      |
| F 3468            | No           | Investment Credit |                      |                      |
| F 3520            | No           | Foreign Trusts/Foreign Gifts |                      |                      |
| F 3800            | No           | General Business Credit |                      |                      |
| F 3903            | Yes          | Moving Expenses | In scope for:  
  • Active duty military taxpayer only | Military certification required |
| F 4136            | No           | Credit for Federal Tax Paid on Fuels |                      |                      |
| F 4137            | Yes          | Social Security and Medicare Taxes on Unreported Tip Income |                      | Advanced certification required |
| F 4562            | No           | Depreciation and Amortization (including information on listed property) |                      |                      |
| F 4684            | No           | Casualties and Thefts |                      |                      |
| F 4797            | No           | Sales of Business Property |                      |                      |
| F 4835            | No           | Farm Rental Income and Expenses |                      |                      |
| F 4852            | Yes          | Substitute for F W-2 or F 1099-R |                      |                      |
| F 4868            | Yes          | Application for Automatic Extension of Time to File U.S. Individual Income Tax Return |                      |                      |
| F 4952            | No           | Investment Interest Expense Deduction |                      |                      |
| F 4972            | No           | Tax on Lump-Sum Distributions |                      |                      |
| F 5329            | Yes          | Additional Tax on Qualified Plans (including IRAs) and Other Tax-Favored Accounts | In scope for:  
  • Part I  
  Not in scope for:  
  • IRA minimum distributions not withdrawn when required  
  • Excess contributions to an IRA that are not withdrawn by the due date of the return including extensions  
  • Parts II through IX | Advanced certification required |
| F 5405            | Yes          | Repayment of the First-Time Homebuyer Credit | Not in scope for:  
  • Taxpayers who claimed credit and their home is destroyed, condemned or disposed of under threat of condemnation  
  • Taxpayers who claimed the first-time homebuyer credit may be required to repay the credit in the year of sale. The repayment is limited to the amount of gain on the sale. This situation is out of scope for VITA/TCE. | Advanced certification required |
| F 5498            | Yes          | IRA Contribution Information | Not in scope for:  
  • SEP or SIMPLE contributions  
  • Nondeductible contributions | Advanced certification required |
<p>| F 5498-ESA        | Yes          | Coverdell ESA Contribution Information (Information only) | No tax reporting required |                      |
| F 5498-QA         | Yes          | ABLE Account Contribution Information (Information only) | No tax reporting required |                      |</p>
<table>
<thead>
<tr>
<th>F(orm) S(chedule) #</th>
<th>Line / Box #</th>
<th>In Scope? Y / N</th>
<th>Scope Limitations</th>
<th>Certification Levels</th>
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<tr>
<td>F 5498-SA</td>
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<td>Yes</td>
<td>HSA, Archer MSA or Medicare Advantage MSA Information</td>
<td>HSA certification required</td>
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<td><strong>Not in scope for:</strong></td>
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<td></td>
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<td></td>
<td>• Archer MSA</td>
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<td></td>
<td>• Medicare Advantage MSA</td>
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<td>F 5695</td>
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<td>Yes</td>
<td>Residential Energy Credit – (if extended)</td>
<td>Advanced certification required</td>
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<td><strong>Not in scope for:</strong></td>
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<td>• Resident 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>
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<td><strong>In scope for:</strong></td>
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<td></td>
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<td></td>
<td>• Interest from private activity bond on Line 12</td>
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<td><strong>Out of scope if AMT applies</strong></td>
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<td>F 6252</td>
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<td>No</td>
<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 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>Regulation Disclosure Statement</td>
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<td>F 8283</td>
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<td>No</td>
<td>Noncash Charitable Contributions</td>
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<td>Noncash contributions of $500 or less are reported on Schedule A and are in scope</td>
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<td>F 8332</td>
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<td>Yes</td>
<td>Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent</td>
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<td>F 8379</td>
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<td>Yes</td>
<td>Injured Spouse Allocation</td>
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<td>See F 8958 limitations (community property states)</td>
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<td>F 8396</td>
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<td>No</td>
<td>Mortgage Interest Credit</td>
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<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>
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<td><strong>In scope for:</strong></td>
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<td></td>
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<td></td>
<td>• Students electing to include unearned income such as scholarships/grants as income on the return</td>
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<td><strong>Out of scope if taxpayer elects to use parent's tax rates</strong></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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<tr>
<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>
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<td>S 8812</td>
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<td>Yes</td>
<td>Additional Child Tax Credit</td>
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<td>F 8814</td>
<td></td>
<td>No</td>
<td>Parent’s Election to Report Child’s Interest and Dividends</td>
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<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>
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<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>
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<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>
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<tr>
<td>F 8853</td>
<td></td>
<td>Yes</td>
<td>Archer MSAs and Long-Term Care Insurance Contracts</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td><strong>In scope for:</strong></td>
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<td>• Section C</td>
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<tr>
<td>F 8857</td>
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<td>No</td>
<td>Request for Innocent Spouse Relief</td>
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<td>F 8862</td>
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<td>Yes</td>
<td>Information to Claim Earned Income Credit After Disallowance</td>
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<tr>
<td>F 8863</td>
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<td>Yes</td>
<td>Education Credits (American Opportunity and Lifetime Learning Credits)</td>
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<td>F 8865</td>
<td></td>
<td>No</td>
<td>Return of U.S. Persons With Respect to Certain Foreign Partnerships</td>
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<td>F 8880</td>
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<td>Yes</td>
<td>Credit for Qualified Retirement Savings Contributions</td>
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<td>F 8885</td>
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<td>No</td>
<td>Health Coverage Tax Credit</td>
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<td>F 8886</td>
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<td>No</td>
<td>Reportable Transaction Disclosure Statement</td>
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<td>F 8888</td>
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<td>Yes</td>
<td>Allocation of Refund (Including Savings Bond Purchases)</td>
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12/2019
<table>
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<tr>
<th>F(orm) Schedule</th>
<th>Line / Box</th>
<th>In Scope?</th>
<th>Scope Limitations</th>
<th>Certification Levels</th>
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<tbody>
<tr>
<td>F 8889</td>
<td>Yes</td>
<td>Health Savings Accounts (HSAs)</td>
<td><strong>Not in scope for:</strong>&lt;br&gt;• Excess contributions to an HSA that are not withdrawn in a timely fashion&lt;br&gt;• Qualified HSA funding distributions from an IRA&lt;br&gt;• Death of an HSA holder (when spouse is not the designated beneficiary)&lt;br&gt;• Additional Tax for Failure to Maintain HDHP Coverage&lt;br&gt;• Deemed distributions from an HSA due to prohibited transactions, such as using an HSA as a security for a loan&lt;br&gt;• Archer Medical Saving Accounts (MSA)&lt;br&gt;• Medicare Advantage MSA&lt;br&gt;• Health Reimbursement Arrangement&lt;br&gt;• Part III, lines 16-21</td>
<td>HSA certification required</td>
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<td>F 8903</td>
<td>No</td>
<td>Domestic Production Activities Deduction</td>
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<td>F 8908</td>
<td>No</td>
<td>Energy Efficient Home Credit</td>
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<td>F 8910</td>
<td>No</td>
<td>Alternate Motor Vehicle Credit</td>
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<td>F 8911</td>
<td>No</td>
<td>Alternative Fuel Vehicle Refueling Property Credit</td>
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<td>F 8915-A</td>
<td>No</td>
<td>Qualified 2016 Disaster Retirement Plan Distributions and Repayments</td>
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<td>F 8915-B</td>
<td>No</td>
<td>Qualified 2017 Disaster Retirement Plan Distributions and Repayments</td>
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<td>F 8917</td>
<td>Yes</td>
<td>Tuition and Fees Deduction (if extended)</td>
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<td>F 8919</td>
<td>No</td>
<td>Uncollected Social Security and Medicare Tax on Wages</td>
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<td>F 8936</td>
<td>No</td>
<td>Qualified Plug-in Electric Drive Motor Vehicle Credit</td>
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<td>F 8938</td>
<td>No</td>
<td>Statement of Specified Foreign Assets</td>
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<td>F 8948</td>
<td>No</td>
<td>Preparer Explanation for Not Filing Electronically&lt;br&gt;• Not applicable to volunteers</td>
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</tr>
<tr>
<td>F 8949</td>
<td>Yes</td>
<td>Sales and other Dispositions of Capital Assets&lt;br&gt;<strong>In scope for:</strong>&lt;br&gt;• Sale of stocks, mutual fund shares and personal residences&lt;br&gt;• Bond sales reported on a brokerage statement with capital gain or loss only (no ordinary income/loss)&lt;br&gt;• Capital gains and losses reported on K-1&lt;br&gt;• Capital loss carryovers&lt;br&gt;• Inherited property of types listed above in this section and, if inherited in 2010, taxpayer provides the basis&lt;br&gt;• Wash sales if reported on brokerage or mutual fund statement&lt;br&gt;<strong>Not in scope for:</strong>&lt;br&gt;• Adjustment codes N, O, X, R, S or C&lt;br&gt;• Reduced exclusion on sale of home&lt;br&gt;• Residence inherited or received as gift and not used as personal residence. If used as personal residence, taxpayer must provide basis.&lt;br&gt;• Taxpayers who have sold any assets other than stock, mutual funds, or a personal residence&lt;br&gt;• Taxpayers who trade in options, futures, or other commodities, whether or not they disposed of any during the year&lt;br&gt;• Determination of basis issues:&lt;br&gt;  - 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&lt;br&gt;  - 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&lt;br&gt;  - Like-kind exchanges and worthless securities&lt;br&gt;  - 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&lt;br&gt;  - Reduced exclusion computations/determinations for the sale of a home&lt;br&gt;  - Married homeowners who do not meet all requirements to claim the maximum exclusion on the sale of a home&lt;br&gt;  - Decreases to basis, including: Deductible casualty losses and gains a taxpayer postponed from the sale of a previous home before May 7, 1997&lt;br&gt;  - Depreciation during the time the home was used for business purposes or as rental property&lt;br&gt;  - Taxpayers with “nonqualified use” issues&lt;br&gt;  - Sale of a home used for business purposes or as rental property</td>
<td>Advanced certification required</td>
<td></td>
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<tr>
<td>Form (Schedule)</td>
<td>Line / Box</td>
<td>In Scope?</td>
<td>Scope Limitations</td>
<td>Certification Levels</td>
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<tr>
<td>F 8958</td>
<td>Yes</td>
<td>Allocation of Tax Amounts Between Certain Individuals in Community Property States  &lt;br&gt;&lt;b&gt;In scope for:&lt;/b&gt;  &lt;br&gt;- Taxpayers who are not certain they are in a common law marriage (rules are complex and differ from state to state)  &lt;br&gt;- Applicable returns as limited by Site or Program Coordinator  &lt;br&gt;- Depending on your tax assistance program, community property tax laws for married taxpayers who file a separate return from their spouse</td>
<td>Advanced Certification required</td>
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<tr>
<td>F 8959</td>
<td>No</td>
<td>Additional Medicare Tax</td>
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<tr>
<td>F 8960</td>
<td>No</td>
<td>Net Investment Income Tax – Individuals, Estates and Trusts</td>
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<tr>
<td>F 8962</td>
<td>Yes</td>
<td>Premium Tax Credit (PTC)&lt;br&gt;&lt;b&gt;Not in scope for:&lt;/b&gt;  &lt;br&gt;- Self-employed health coverage deductions for taxpayers who are also allowed a PTC  &lt;br&gt;- Form 8962 Part IV, Allocation of Policy Amounts, and Part V, Alternative Calculation for Year of Marriage  &lt;br&gt;- Individuals eligible for the health coverage tax credit  &lt;br&gt;- If there is a code FF on Form W-2, box 12 and the employee has a Marketplace policy and is otherwise eligible for PTC</td>
<td>Advanced Certification required</td>
<td></td>
</tr>
<tr>
<td>F 8995</td>
<td>Yes</td>
<td>Qualified Business Income Deduction Simplified Computation&lt;br&gt;&lt;b&gt;Not in scope for:&lt;/b&gt;  &lt;br&gt;- Certain rental real estate enterprises treated as a single trade or business</td>
<td>Advanced Certification required</td>
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<tr>
<td>F 8995-A</td>
<td>No</td>
<td>Qualified Business Income Deduction</td>
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<tr>
<td>F 9452</td>
<td>No</td>
<td>Filing Assistance Program</td>
<td></td>
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<tr>
<td>F 9465</td>
<td>Yes</td>
<td>Installment Agreement Request (See fee schedule)</td>
<td></td>
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</tr>
<tr>
<td>F 13844</td>
<td>No</td>
<td>Application For Reduced User Fee For Installment Agreement</td>
<td></td>
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<tr>
<td>F 14039</td>
<td>Yes</td>
<td>Identity Theft Affidavit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F SS-8</td>
<td>No</td>
<td>Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding</td>
<td></td>
<td></td>
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<tr>
<td>FinCEN F 114</td>
<td>No</td>
<td>Report of Foreign Bank and Financial Accounts</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
All taxpayers using the services offered through the Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE) Programs should be confident they are receiving accurate tax return preparation and quality service. The purpose of the ten **Quality Site Requirements (QSRs)** is to ensure quality and accurate tax return preparation and consistent site operations. The QSRs are required to be communicated to all volunteers and partners to ensure IRS and partner mutual objectives are met. The 10 requirements are listed below.

1. Certification
2. Intake/Interview & Quality Review Process
3. Photo ID and Taxpayer ID Numbers
4. Reference Materials
5. Volunteer Agreement
6. Timely Filing
7. Civil Rights
8. Site Identification Number (SIDN)
9. Electronic Filing Identification Number (EFIN)
10. Security

For additional information refer to Publication 5166, VITA/TCE Quality Site Requirements.
These provisions, which previously expired at the end of 2017, have been renewed through tax year 2020. Refer to this tab and the Legislative Extenders lesson in Publication 4491 for information about these provisions.

**Discharge of Qualified Principal Residence Indebtedness**

Use the job aid on the following page to determine if the debt forgiveness on the main home is within scope.

Taxpayers may exclude from income certain debt forgiven or canceled debt on their principal residence. This exclusion is applicable to the discharge of “qualified principal residence indebtedness.” If the canceled debt qualifies for exclusion from gross income, the debtor may be required to reduce tax attributes (certain credits, losses, and basis of assets) by the amount excluded.

If a property was taken by the lender (foreclosure) or given up by the borrower (abandonment), the lender usually sends the taxpayer Form 1099-A, Acquisition or Abandonment of Secured Property. Form 1099-A will have information needed to determine the gain or loss due to the foreclosure or abandonment.

If the debt is canceled, the taxpayer will receive Form 1099-C, Cancellation of Debt. If foreclosure/abandonment and debt cancellation occur in the same calendar year, the lender may issue only Form 1099-C, including the information that would be reported on Form 1099-A.

Volunteers may assist taxpayers who meet the following requirements:

- The home was never used in a business or as rental property
- The debt was not canceled because the taxpayer filed bankruptcy
- The taxpayer isn’t in bankruptcy when he/she comes to the site for assistance
- Form 1099-C doesn’t include an amount for interest
- The debt must be a mortgage used only to buy, build, or substantially improve the taxpayer’s primary residence, i.e., this money was not used to pay off credit cards, medical/dental expenses, vacations, etc.
- The mortgage was secured by the taxpayer’s primary residence
- The mortgage was not more than $2 million ($1 million if Married Filing Separately)

**TaxSlayer Hint:** To exclude debt forgiven on principal residence, go to Other Income, Cancellation of Debt then Exclusions (Form 982).

**Note 1:** Form 1099-C, Box 3 (Interest if included in Box 2, Amount of Debt Canceled) and Box 16 Out of Scope.

**Note 2:** If a bankruptcy, Out of Scope.

**Note 3:** If personally liable for the debt, sales price is the lesser of balance of principal outstanding (Form 1099-A, box 2) or fair market value of property (Form 1099-A, box 4); if not personally liable on the debt, sales price is the balance or principal outstanding.
Publication 4731-A
Screening Sheet for Foreclosures/Abandonments and Cancellation of Debt

If the taxpayer is in bankruptcy, the tax return is Out of Scope for the VITA/TCE Programs.

**Instructions:** Use this Screening Sheet to assist taxpayers with Form(s) 1099-A and/or 1099-C with cancellation of debt issues.

- Use Part I for taxpayers with only Form 1099-A for a foreclosure or abandonment of their principal residence.
- Use Part II for taxpayers with Form 1099-C, or both Forms 1099-A and 1099-C resulting from cancellation of debt on a home mortgage loan.
- Use Publication 4731, Screening Sheet for Nonbusiness Credit Card Debt Cancellation, for taxpayers with Form 1099-C resulting from cancellation of credit card debt.

**Part I – Home Mortgage Loan**

<table>
<thead>
<tr>
<th><strong>STEP</strong></th>
<th><strong>Question</strong></th>
<th><strong>Yes</strong></th>
<th><strong>No</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Did the taxpayer receive Form 1099-A, Acquisition or Abandonment of Secured Property, from their home mortgage lender?</td>
<td>Go to Step 2</td>
<td>Advise the taxpayer to get the documentation from the home mortgage lender.</td>
</tr>
<tr>
<td>2</td>
<td>Did the taxpayer ever use the home in a trade or business or as rental property?</td>
<td>Go to Step 6</td>
<td>Go to Step 3</td>
</tr>
<tr>
<td>3</td>
<td>Is box 5 of Form 1099-A checked indicating a recourse loan in which the taxpayer is personally liable?</td>
<td>The sales price is the lesser of box 2 (Balance of principal outstanding) or box 4 (Fair Market Value of Property) on Form 1099-A.</td>
<td>The sales price is the amount in box 2 (Balance of principal outstanding) on Form 1099-A. The taxpayer is not personally liable (nonrecourse loan).</td>
</tr>
</tbody>
</table>

**STEP 4**
Ask the taxpayer for the cost or basis of the home.
Refer to Publication 523, Selling your Home, for further information, if needed.

**STEP 5**
Report the sale of the personal residence on Form 8949, Sales and Other Disposition of Capital Assets, and Schedule D, Capital Gains and Losses.
If the disposition of the property results in a:

- **Gain** – The taxpayer may qualify for the Section 121 exclusion ($250,000 or $500,000 if Married Filing Jointly) of the gain on the sale of a principal residence, if all requirements are met.
- **Loss** – The taxpayer cannot claim a loss on the sale or disposition of a principal residence. Use adjustment Code L on Form 8949 to exclude this loss.

Refer to Publication 4012 (Legislative Extenders Tab), “Entering Forgiveness of Qualified Principal Residence Indebtedness” for further information.

**STEP 6**
These tax issues are outside the scope of the volunteer program.
Refer the taxpayer to:
- IRS website for the most up-to-date information.
- The Taxpayer Advocate Service (TAS): 1-877-777-4778, TTY/TDD 1-800-829-4059. TAS may help if the problem cannot be resolved through normal IRS channels.
- A professional tax preparer.

**Additional Resources:**
- Publication 523, Selling your Home
- Publication 525, Taxable and Nontaxable Income
- Publication 4681, Canceled Debts, Foreclosures, Repossessions, and Abandonments
# Entering Forgiveness of Qualified Principal Residence Indebtedness (continued)

If the taxpayer disposed of the home due to foreclosure or abandonment, and the lender canceled the remaining mortgage debt:

- No entry is made in Part II, Reduction of Tax Attributes
- Report the gain or loss from Form 1099-A in the Schedule D, Capital Gains section
  - The basis is the taxpayer’s adjusted basis in the home
  - The sale price (amount realized) is based on whether the taxpayer is personally liable (recourse loan) or not personally liable (nonrecourse loan) for the debt:
    - If the taxpayer is personally liable, the sale price is the lesser of the balance of the principal mortgage debt outstanding or the fair market value
    - If the taxpayer isn’t personally liable, then the sale price is the full amount of the outstanding debt, as reflected on Form 1099-A
    - For both recourse and nonrecourse loans, add any proceeds the taxpayer received from the foreclosure sale to the amount realized.
  - If the taxpayer ends up with a gain on the sale, some or all of the gain can be excluded under the rules for sale of main home, if the taxpayer qualifies
    - A loss on the main home **can’t** be deducted

## Foreclosure and Abandonment Key Highlights

<table>
<thead>
<tr>
<th>Basis of nondepreciable and depreciable property (line 10a)</th>
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<tbody>
<tr>
<td>$</td>
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<tr>
<td>Basis of your principal residence (line 10b)</td>
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<tr>
<td>$</td>
</tr>
<tr>
<td>Farm depreciable property used or held for use in business</td>
</tr>
<tr>
<td>$</td>
</tr>
<tr>
<td>Farm land used or held for use in business</td>
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</table>

If the taxpayer had a portion of the mortgage debt canceled but kept the home (loan modification or mortgage workout):

- Enter the amount of debt canceled in Part II, Reduction of Tax Attributes, on the line for “Basis of your principal residence” (line 10b).
### Tuition and Fees Deduction at a Glance

Don’t rely on this table alone. Refer to Publication 17 complete details.

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
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</thead>
<tbody>
<tr>
<td>What is the maximum benefit?</td>
<td>You can reduce your income subject to tax by up to $4,000.</td>
</tr>
<tr>
<td>Limit on modified adjusted gross income (MAGI)</td>
<td>$160,000 if married filing joint return; $80,000 if single, head of household, or qualifying widow(er). MFS is not eligible.</td>
</tr>
<tr>
<td>Where is the deduction taken?</td>
<td>As an adjustment to income on Schedule 1.</td>
</tr>
<tr>
<td>For whom must the expenses be paid?</td>
<td>A student enrolled in an eligible educational institution who is either: • you • your spouse, or • your dependent for whom you claim an exemption</td>
</tr>
<tr>
<td>What tuition and fees are deductible?</td>
<td>Tuition and fees required for enrollment or attendance at an eligible postsecondary educational institution, but not including personal, living or family expenses, such as room and board.</td>
</tr>
<tr>
<td>What records does the taxpayer need?</td>
<td>Beginning in tax year 2016, the tuition and fees deduction won’t be allowed unless the taxpayer possesses a valid information return (Form 1098-T, Tuition Statement) from the educational institution.</td>
</tr>
</tbody>
</table>
Residential Energy Credits

TaxSlayer Navigation: Federal Section>Deductions>Credits>Residential Energy Credit; or Keyword “5695”

Part I of Form 5695, Residential Energy Efficient Property Credit, is available for taxpayers who purchased qualified residential alternative energy equipment, such as solar hot water heaters, geothermal heat pumps and wind turbines. This part of the form is Out of Scope. Taxpayers that have these expenses should be referred to a professional tax preparer.

Part II, Form 5695 - Key points about the Nonbusiness Energy Property Credit:

- A total combined credit limit of $500 ($200 limit for windows) for all tax years after 2005.
- The maximum credit for residential energy property costs is $50 for any advanced main air circulating fan; $150 for any qualified natural gas, propane, or oil furnace, or hot water boiler; and $300 for any item of energy-efficient building property. Any of the following that meet the required efficiency rating may qualify as energy-efficient building property. See the Instructions for Form 5695 for details:
  - Electric heat pump water heater; electric heat pump; central air conditioner; natural gas, propane, or oil water heater; a stove that uses the burning of biomass fuel to heat your home or heat water for your home.
- The credit applies to:
  - Qualified energy efficiency improvements such as adding insulation, energy-efficient exterior windows and doors, and qualifying metal or asphalt roofs. (doesn’t include labor costs for onsite preparation, assembly or installation)
  - Qualified residential energy property improvements such as energy-efficient heating and air conditioning systems. For a complete list of items see Form 5695. (includes labor costs for onsite preparation, assembly, or original installation)
- The improvements must be made to the taxpayer’s main home located in the United States (must be existing home).
- Qualifying improvements must be placed into service by the taxpayer during the tax year.
- Expenditures which are made from subsidized energy financing can’t be used to figure the credit.
- The credit is taken on Part II, Form 5695. See Form 5695 and Instructions for more information.

Note: Not all ENERGY STAR products qualify for a tax credit. Since 2016, exterior doors, exterior windows, and skylights are only eligible for the nonbusiness energy property credit if they meet or exceed the specific requirements of the version 6.0 Energy Star program. For detailed information about qualifying improvements, visit the U.S. Department of Energy’s EnergyStar website.

Manufacturers must certify that their products meet new standards and they must provide a written statement to the taxpayer such as with the product packaging or in a printable format on the manufacturer’s website. Taxpayers should keep a copy of the manufacturer’s certification statement and receipts with their other important tax records.
**Income Quick Reference Guide**

This list is a quick reference and volunteers should refer to Publication 17 for more information. Don’t rely on this list alone. Some of the income items on this chart are Out of Scope for VITA/TCE. Review the Scope of Service chart to identify Out of Scope items. Refer taxpayers with Out of Scope income to a professional tax preparer. Confirm that all income received by the taxpayer has been discussed and shown on the return, if required.

**Table A – Examples of Taxable Income**

(Examples of income to consider when determining whether a return must be filed or if a person meets the gross income test for qualifying relative)

| Wages, salaries, bonuses, commissions | Military pension |
| Alimony (for divorce before 2019, see How/Where to Enter Income, later) | Nonemployee compensation |
| Annuities | Notary fees |
| Awards | Partnership, Estate and S-Corporation income (Schedule K-1s, Taxpayer’s share) |
| Back pay | Pensions |
| Breach of contract payment | Prizes |
| Business income/Self-employment income | Punitive damage award |
| Cash income | Railroad retirement—Tier I (portion may be taxable) |
| Compensation for personal services | Railroad retirement—Tier II |
| Canceled debts¹ | Recovery of prior year deduction² (medical, property taxes, etc.) |
| Director’s fees | Refunds of State and local income tax (if reportable)² |
| Disability benefits (employer-funded) | Rents (gross rent) |
| Discounts | Rewards |
| Dividends | Royalties |
| Employee awards | Severance pay |
| Employee bonuses | Self-employment (gross income) |
| Estate and trust income | Social security benefits - portion may be taxable - (See Tab D, Income, Railroad Retirement, Civil Service, and Social Security Benefits) |
| Farm income | Supplemental unemployment benefits |
| Fees | Taxable scholarships and grants |
| Gains from sale of property or securities | Tips and gratuities |
| Gambling winnings | Tribal per capita payments |
| Hobby income | Unemployment compensation |
| Interest | |
| Interest on life insurance dividends | |
| IRA distributions | |
| Jury duty fees | |
| Military pay (not exempt from taxation) | |

**Table B – Examples of Nontaxable Income**

(Examples of income items to exclude when determining whether a return must be filed)

| Aid to Families with Dependent Children (AFDC) | Payments to the beneficiary of a deceased employee |
| Child support | Payments in lieu of worker’s compensation |
| Civil damages, restitution or other monetary award paid to someone because that person was wrongfully incarcerated | Relocation payments |
| Damages for physical injury (other than punitive) | Rebate/Patronage Dividends issued by co-ops for personal use are not taxable. |
| Death payments | Rental less than 15 days³ |
| Dividends on life insurance | Rental allowance of clergyman |
| Federal Employees’ Compensation Act payments | Reverse mortgages |
| Federal income tax refunds | Sickness and injury payments |
| Gifts | Social security benefits - portion may not be taxable - (See Tab D, Income, Railroad Retirement, Civil Service, and Social Security Benefits) |
| Inheritance³ or bequest | Supplemental Security Income (SSI) |
| Insurance proceeds (Accident, Casualty, Health, Life) | Temporary Assistance for Needy Families (TANF) |
| Interest on tax-free securities | Veterans’ benefits |
| Interest on EE/I bonds redeemed for qualified higher education expenses | Welfare payments (including TANF) and food stamps |
| Meals and lodging for the convenience of employer Olympic and Paralympic Games medals and prizes⁴ | Worker’s compensation and similar payments |

**Footnotes**

¹ If the taxpayer received a Form 1099-C, Cancellation of Debt, in relation to their main home, it can be nontaxable

² If itemized in year paid and taxes were reduced because of deduction

³ An inheritance isn’t reported on the income tax return, but a distribution from an inherited pension or annuity is subject to the same tax as the original owner would have had to pay.

⁴ The exclusion does not apply to a taxpayer for any year in which the taxpayer’s AGI exceeds $1 million (or $500,000 for an individual filing a MFS return).

⁵ If you use a dwelling unit as a home and you rent it less than 15 days during the year, you are not required to report the rental income and rental expenses from this activity. See Publication 527, Residential Rental Property. (Military Certification only)

12/2019
Armed Forces Gross Income

Members of the Armed Forces receive many different types of pay and allowances. Some are included in gross income while others are excluded from gross income. Table 1 lists included items that are subject to tax and must be reported on your tax return. Table 2 lists excluded items that are not subject to tax, but may have to be shown on your tax return. See Publication 3, Armed Forces’ Tax Guide, for additional information.

### Table 1—Included Items
These items are included in gross income, unless the pay is for service in a combat zone.

<table>
<thead>
<tr>
<th>Basic pay</th>
<th>Special pay (cont.)</th>
<th>Incentive pay</th>
<th>Other pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active duty</td>
<td>Hostile fire or imminent danger</td>
<td>Submarine</td>
<td>Accrued leave</td>
</tr>
<tr>
<td>Attendance at a designated service school</td>
<td>Medical and dental officers</td>
<td>Flight</td>
<td>High deployment per diem</td>
</tr>
<tr>
<td>Back wages</td>
<td>Nuclear-qualified officers</td>
<td>Hazardous duty</td>
<td>Personal money allowances paid to high ranking officers</td>
</tr>
<tr>
<td>Drills (Inactive Duty Training)</td>
<td>Optometry</td>
<td>High altitude/Low altitude (HALO)</td>
<td>Student loan repayment from programs such as the Department of Defense Educational Loan Repayment Program when year’s service (requirement) isn’t attributable to a combat zone</td>
</tr>
<tr>
<td>Reserve training</td>
<td>Other Health Professional Special Pay (for example, nurse, physician assistant, social work, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training Duty</td>
<td>Pharmacy</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Special compensation for assistance with activities of daily living (SCAADL)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Special duty assignment pay</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Veterinarian</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Voluntary Separation Incentive</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Table 2—Excluded Items
The exclusion for certain items applies whether the item is furnished in-kind or is a reimbursement or allowance. There is no exclusion for the personal use of a government-provided vehicle.

#### Combat zone and qualified hazardous duty area pay

- Compensation for active service while in a combat zone
- Limited amount for commissioned officers
- Leave earned or accrued while performing service in a combat zone

#### Family allowances

- Certain educational expenses for dependents
- Emergencies
- Evacuation to a place of safety
- Separation

#### Travel allowances

- Annual round trip for dependent students
- Leave between consecutive overseas tours
- Reassignment in a dependent restricted status
- Transportation for you or your dependents during ship overhaul or inactivation
- Per diem

#### Other pay

- Certain amounts received under Armed Forces Health Professions Scholarship and Financial Assistance Program payments
- Disability, including payments received for injuries incurred as a direct result of a terrorist or military action
- Disability severance payments
- Group-term life insurance
- Professional education
- ROTC educational and subsistence allowances
- State bonus pay for service in a combat zone
- Survivor and retirement protection plan premiums
- Uniform allowances
- Uniforms furnished to enlisted personnel

#### Living allowances

- BAH (Basic Allowance for Housing)
- BAS (Basic Allowance for Subsistence)
- Housing and cost-of-living allowances abroad paid by the U.S. Government or by a foreign government
- OHA (Overseas Housing Allowance)

#### In-kind military benefits

- Dependent-care assistance program
- Defense Counsel Services
- Legal assistance
- Medical/dental care
- Commissary/exchange discounts
- Space-available travel on government aircraft
- Uniforms furnished to enlisted personnel

#### Death allowances

- Burial services
- Death gratuity payments to eligible survivors
- Travel of dependents to burial site

#### Moving allowances

- Dislocation benefits
- Military base realignment and closure benefit (the exclusion is limited as described above)
- Move-in housing
- Move household and personal items
- Moving trailers or mobile homes
- Storage
- Temporary lodging and temporary lodging expenses
Form W-2 Instructions (continued)

<table>
<thead>
<tr>
<th>Wages</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Wages, Tips</td>
<td>$</td>
</tr>
<tr>
<td>3 SS Wages</td>
<td>$</td>
</tr>
<tr>
<td>5 Medicare Wages</td>
<td>$</td>
</tr>
<tr>
<td>7 SS Tips</td>
<td>$</td>
</tr>
<tr>
<td>9 IRS Verification Code (if provided)</td>
<td></td>
</tr>
<tr>
<td>11 NonQual Plan</td>
<td>$</td>
</tr>
</tbody>
</table>

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2 Federal Tax Withheld</td>
<td>$</td>
</tr>
<tr>
<td>4 Soc. Sec. Tax Withheld</td>
<td>$</td>
</tr>
<tr>
<td>6 Medicare Tax</td>
<td>$</td>
</tr>
<tr>
<td>8 Allocated Tips</td>
<td>$</td>
</tr>
<tr>
<td>10 Dependent Care</td>
<td>$</td>
</tr>
</tbody>
</table>

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.

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.

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.

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 Box 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.

If Box 16 and Box 17 are both blank, leave Box 15 blank.

Excludable Medicaid waiver payments are certain payments received for providing nonmedical support services under a plan of care to someone living in the taxpayer’s home. For more information about these payments, see Publication 17 or Publication 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
- **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
- **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
- **EE** Designated Roth contributions under a governmental section 457(b) plan

Codes D, E, and G indicate elective (voluntary) contributions which qualify for Retirement Savings Credit.
Enter the amount of tax-exempt interest from Box 8 of Form 1099-INT.

The entry for “Specified Private Activity Bond” will automatically carry to Form 6251, Alternative Minimum Tax, when applicable. If the entry into Other Taxes on Form 6251 results in an alternative minimum tax (AMT), the return is out of scope.

IMPORTANT – Entries are transferred directly when a state return is added. If state tax law treats the interest differently, include the exempt interest amount and select the state from the drop down list. Generally, interest on U.S. government obligations (such as savings bonds, treasury bonds/bills/notes) is taxable on the federal return but isn't taxable on the state return.

Nominee interest – Interest transferred to another person – Out of Scope.

Accrued interest – Interest paid to seller at time of purchase – Out of Scope.

Accrued Market Discount – gain in value of discount bond - Out of Scope

Enter the state and amount and select Continue To Next Step.

TIP: Always enter tax-exempt interest or dividend income. This may affect the amount of Social Security income that is taxable.

Note: Interest on in-state municipal bonds is generally not taxable on the federal and state returns.

Note: Income from a reverse mortgage is not considered a taxable event because it is a loan.
Seller Financed Mortgage Interest

**Tax Slayer Navigation:** Federal Section > Income > Interest and Dividends > Seller Financed Interest Income; or Keyword “INT”

**CAUTION** Must have identification number of payer to e-file the return.

Schedule B Seller Financed Interest

Type of transaction
Seller Financed Interest Income

Payer's Name *

Payer's Social Security Number *

Payer's Address
Address (Number and Street)

ZIP Code

City, Town, or Post Office

State

Interest Income *

Non-interest Income

Out of scope

Out of scope
Form 1099-R

**TaxSlayer Navigation:** Federal Section>Income>IRA/Pension Distributions>Add or Edit a 1099-R; or Keyword “R”

**Box 2a** will automatically fill in with the amount in Box 1. If a different amount is shown on the document, enter that amount directly. If the taxable amount is not determined, Box 2b will be marked, and Box 2a may be blank, zero or the same as Box 1. In that case, you may need to use the Simplified Method. Make sure Box 2a reflects any changes due to Simplified Method, Public Safety Officer (PSO) health insurance, rollovers, qualified charitable contributions, return of capital, etc.

**EIN** must be entered accurately. Incorrect EIN is a common e-file reject.

If a joint return, choose who the document belongs to.

If marked, the taxable amount will not carry to Form 8880, Line 4 as a current year distribution. See Tab G, Nonrefundable Credits.

If Simplified Method is required or if the taxpayer has public safety officer health insurance deduction, click here for worksheet.

Box 2b indicates “Taxable amount not determined” and “Total distribution”. Mark exactly as shown on document.

If Box 4 has an entry, ensure that the tax withheld is entered and is correct.
Form 1099-R (continued)

Box 5 on the document may be current year’s amount of employee contributions or insurance premiums (recovery of cost basis or investment in the contract). If Box 5 is the same as Box 1, none of the distribution is taxable. If the payer has calculated the taxable amount of the pension in Box 2, generally the difference between Boxes 1 and 2 will appear in Box 5. If Box 5 is the amount of health insurance premiums, (typically only on a CSA 1099-R) you must manually carry the amount to the Schedule A, Itemized Deductions, Medical or Dental Expenses.

Box 7 is a required entry – Enter exactly as shown on document. If IRA/SEP/Simple is marked, check to enter exactly as on document. See Distribution Codes Chart in this tab.

Box 9b shows the total employee contributions and may be needed if Box 2 has no entry – usually requires Simplified Method Worksheet (see Box 2a).

Note: Tax Law for Disaster Victims

At certain times, 401(k) and similar employer-sponsored retirement plans can make loans and hardship distributions to an individual whose principal place of abode is located in a disaster area and who sustained an economic loss. Taxpayers impacted by federally declared disasters in 2018, 2019, or 60 days from the December 30, 2020 enactment date of Public Law 116-94 H.R. 1865, Further Consolidated Appropriations Act, 2020 are allowed to obtain tax-favored withdrawals from retirement plans, by providing an exception to the 10 percent early retirement plan withdrawal penalty for qualified disaster relief distributions, providing favorable repayment terms over 3 years, and allowing taxpayers the option of spreading out income inclusion resulting from such withdrawals over a 3-year period. Search the IRS website for “Tax Relief in Disaster Situations” for more information. Any options that require the completion of Forms 8915 and/or 8606 are out of scope.
<table>
<thead>
<tr>
<th>Box 7 Distribution Codes</th>
<th>Explanations</th>
</tr>
</thead>
</table>
| 1 — Early distribution, no known exception | • If this amount was rolled over within 60 days of the withdrawal and—if the distribution was from an IRA—no prior rollover was made in the same 12-month period. Check the box under Rollover or Disability on Form 1099-R, and enter the amount rolled over. Trustee to trustee transfer isn’t considered a prior rollover. If more than one rollover from an IRA in the 12-month period, return is Out of Scope.  
• If this wasn’t rolled over, a 10% additional tax will be applied unless the taxpayer qualifies for an exception. See Tab H, Other Taxes, Payments and ACA, for a list of exceptions. If the taxpayer qualifies for an exception, go to Form 5329, Additional Taxes on Qualified Plans and Other Tax-Favored Accounts, enter the amount that qualifies for an exception and select the reason for the exception from the dropdown list.  
• If the IRA/SEP/SIMPLE box IS checked, additional reporting may be required on Form 8606, and the return is Out of Scope. |
| 2 — Early distribution, exception applies | Code 2 applies if the taxpayer is under 59 ½ but the payer knows that an exception to the additional tax applies. If the IRA/SEP/SIMPLE box ISN’T checked, no further action needed. If the IRA/SEP/SIMPLE box IS checked, additional reporting may be required on Form 8606, and the return is Out of Scope. |
| 3 — Disability | Code 3 is for a disability pension.  
• If the taxpayer is under the minimum retirement age for the company he retired from, then check the box under Rollover or Disability that says, “Check here to report as wages on the Form 1040.” This will reclassify the disability income as wages. It will also include the amount in earned income for calculation of the earned income credit, the dependent care credit and the additional child tax credit.  
• If the taxpayer has reached the minimum retirement age, no further action is needed. |
| 4 — Death | Code 4 is for a survivor’s benefit or an inherited IRA. If it’s a pension, the original retiree has died, and the survivor is receiving his or her share of the pension. If the original pensioner was using the Simplified Method, continue to use it for the survivor. If it’s an inherited IRA and the original owner had a basis, the survivor takes over that basis and the return is Out of Scope. |
| 5 — Prohibited transaction | This code is Out of Scope. |
| 6 — Tax-free Section 1035 exchange | This code is Out of Scope. |
| 7 — Normal distribution | Code 7 is for normal distributions. It may occur in several different situations:  
• If the amounts in Box 1 and 2a are the same, and Box 2b isn’t checked, the pension is fully taxable.  
• If the taxpayer makes a rollover from one IRA to another and holds the money less than 60 days, enter the amount rolled over into the Rollover or Disability field.  
• If the Box 2b is checked and there is an amount in Box 9b, complete the Simplified Method. Be sure to use the taxpayer’s age at the time of retirement—not current age.  
• If there is an amount in Box 2 that is different than Box 1, no further action is needed.  
• If there is no amount (or zero) in Box 2a, check to see if there is an amount in Box 5. If this is the same amount as Box 1, the distribution is the taxpayer’s own money coming back. None of the distribution will be taxed.  
• If any portion of this distribution was sent directly from the trustee to a charity, and the taxpayer is over 70 1/2 years old, enter the net taxable amount in box 2a (which may be zero). Hit Continue and at the IRA/Pensions Distributions page, select Nontaxable Distributions and check the box to mark that there is a Qualified Charitable Distribution (QCD). No charitable deduction may be taken for the donation.  
• If the IRA/SEP/SIMPLE box IS checked, additional reporting may be required on Form 8606. In that case, the return is Out of Scope. |
<p>| 8 — Excess contributions | This code is Out of Scope. |
| 9 — Cost of current life insurance | This code is Out of Scope |</p>
<table>
<thead>
<tr>
<th>Box 7 Distribution Codes</th>
<th>Explanations</th>
</tr>
</thead>
<tbody>
<tr>
<td>A — May be eligible for 10-year tax option</td>
<td>This code is Out of Scope.</td>
</tr>
<tr>
<td>B — Designated Roth account distribution</td>
<td>Code B is for a distribution from a designated Roth account. This code is in scope only if taxable amount has been determined.</td>
</tr>
<tr>
<td>D — Annuity payments from nonqualified annuities</td>
<td>Code D is used for a distribution from a private annuity in conjunction with the regular code. The distribution is subject to the net investment income tax. If the taxpayer has AGI over a threshold amount ($200,000 for a single taxpayer or HoH; $250,000 MFJ or QW; $125,000 MFS), then this code means the return is Out of Scope. If the AGI is less than the threshold amount the return is in scope and no further action is needed.</td>
</tr>
<tr>
<td>E — Distributions under Employee Plans Compliance Resolution System (EPCRS)</td>
<td>This code is Out of Scope.</td>
</tr>
<tr>
<td>F — Charitable gift annuity</td>
<td>Code F is used for the annuity payments from a charitable gift annuity. To determine the amount to enter in box 2a (taxable amount), subtract the amount in box 3 (cap gains) and box 5 (Employee Contribution) from the taxable amount (box 1). Enter the difference in Form 1099R screen box 2a. Also, navigate to Income&gt;Capital Gains and Losses&gt;Additional Capital Gain Distributions and enter the amount in box 3 as a long-term capital gain.</td>
</tr>
<tr>
<td>G — Direct rollover of distribution and direct payment</td>
<td>Code G is for a direct rollover from a qualified plan to an eligible retirement plan. If box 2a, taxable amount, is zero or blank, it won’t be taxed. If there is an amount in box 2a, the direct rollover is fully or partially taxable. No further action is needed.</td>
</tr>
<tr>
<td>H — Direct rollover of a designated Roth account distribution to a Roth IRA</td>
<td>Code H is for a direct rollover of a distribution from a designated Roth account to a Roth IRA. It won’t be taxed. No further action is needed. Box 2a should be blank. Place check mark in box IRA/SEP/SIMPLE.</td>
</tr>
<tr>
<td>J — Early distribution from a Roth IRA</td>
<td>This code is Out of Scope.</td>
</tr>
<tr>
<td>K — Distribution of Traditional IRA assets not having a readily available FMV</td>
<td>This code is Out of Scope.</td>
</tr>
<tr>
<td>L — Loans treated as deemed distributions</td>
<td>Code L is for loans treated as deemed distributions. This code could possibly be combined with codes 1, 4, or B. For more information on how it is treated see the codes on this chart.</td>
</tr>
<tr>
<td>N — Recharacterized IRA contribution</td>
<td>This code is Out of Scope.</td>
</tr>
<tr>
<td>P — Excess contributions plus earnings/excess deferrals</td>
<td>This code is Out of Scope.</td>
</tr>
<tr>
<td>Q — Qualified distribution from a Roth IRA</td>
<td>This distribution isn’t taxable. TaxSlayer enters the distribution amount on Form 1040 on the IRAs, pensions, and annuities line. No further action is needed.</td>
</tr>
<tr>
<td>R — Recharacterized IRA contribution</td>
<td>This code is Out of Scope.</td>
</tr>
<tr>
<td>S — Early distribution from a SIMPLE IRA in the first 2 years, no known exception</td>
<td>A 25% additional tax will be applied unless the taxpayer qualifies for an exception. See Tab H for a list of exceptions. If the taxpayer qualifies for an exception, go to Form 5329 and enter the amount of the distribution not subject to the additional tax and the code for the exception and the amount that qualifies for it.</td>
</tr>
<tr>
<td>T — Roth IRA distribution, exception applies</td>
<td>This code is Out of Scope.</td>
</tr>
<tr>
<td>U — Dividends distributed from an ESOP</td>
<td>This code is Out of Scope.</td>
</tr>
<tr>
<td>W — Charges or payments for LTC contracts</td>
<td>This code is Out of Scope.</td>
</tr>
</tbody>
</table>
**TaxSlayer Navigation:** Income>Other Income>Other Income Not Reported Elsewhere

Scholarships and grants used to pay for tuition, fees and course-related expenses are not taxable. Use this link to report only amounts that were used for nonqualifying expenses. "SCH" will appear on the dotted line next to the wages line on Form 1040. Taxable scholarship is considered unearned income for most purposes but is considered earned income for determining filing requirement.

Enter wages received as a household employee for which the taxpayer did not receive a Form W-2 because the employer paid less than $2,100 in 2019. "HSH" will appear on the dotted line next to wages on Form 1040.

Enter foreign earned income (wages, salaries, etc.) paid by a foreign employer for work performed while the taxpayer lived in a foreign country.

Enter the amount received for work while an inmate in a penal institution. For purposes of the Earned Income Credit, this isn't considered earned income. This includes amounts received for work performed while in a work release program or while in a halfway house. "PRI" will appear on the dotted line next to the line for wages on Form 1040. This entry is made in addition to entering the Form W-2 from the penal institution.
Entering Medicaid Waiver Payments
(that may be excluded from income under Notice 2014-7)

**Scenario A:**
If Medicaid waiver payments are reported on Form W-2, enter the amount reported in Box 1 and also enter the same amount reported in the unnumbered box labeled Medicaid waiver payments on the Form W-2 screen in TaxSlayer to exclude them.

**Scenario B:**
If income is reported on a Form 1099-MISC, and you are not in the business of providing home care services, go to Schedule 1 > Other income not reported elsewhere and enter Notice 2014-7 in the description field and $0 in the amount field.

**Scenario C:**
If income is reported on a Form 1099-MISC and you are in the business of providing home care services, enter the full amount of the payments under Gross Receipts in the Schedule C Income section. In Other Expenses, enter Notice 2014-7 as the description and the amount as a positive number.

**Note:** When the care provider and the care recipient do not live together in the same home, the Medicaid waiver payments are fully taxable.
## 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.</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 • Excludable U.S series EE and I savings bond interest from Form 8815 • Nontaxable qualified tuition program earnings or distributions • Nontaxable distribution of earnings from a Coverdell education savings account • 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.

**CAUTION:** The deduction amount will be indexed for inflation for future years.
Self-Employed Health Insurance Deduction

**TaxSlayer Navigation:** Federal Section>Adjustments>Self-Employment Health Insurance

Enter total amount of premiums paid here for health insurance.

Enter the net profit from Schedule C in the field below the insurance payment amounts (the adjustment amount cannot be greater than the net profit from the business). TaxSlayer will automatically subtract the adjustment for ½ of SE tax.

**Note:** Calculations with Premium Tax Credit remain Out of Scope with respect to the self-employed health insurance deduction.
These interview tips will assist you in determining whether a taxpayer’s itemized deductions are more than their standard deduction amount. It may be more advantageous for a taxpayer to itemize their deductions if the amount is larger than the allowable standard deduction amount.

**Interview Tips – Itemized Deductions**

**Step 1**
Do you have expenses in the following categories: medical and dental expenses, taxes you paid, home mortgage interest you paid, gifts to charity, gambling losses and expenses incurred in gambling activities (to the extent of gambling winnings) and work related expenses for disabled individuals that enables them to work.

**Note:** Casualty and theft losses are beyond the scope of VITA/TCE.

If **YES**, go to Step 2.
If **NO**, generally speaking, you should take the standard deduction if eligible. For further explanation see exceptions in Publication 17, Your Federal Income Tax For Individuals, Standard Deduction chapter.

**Step 2**
Were the medical and dental expenses paid by an employer under a pre-tax plan (not included in box 1 of the taxpayer’s Form W-2) or were the expenses reimbursed by an insurance company?

If **YES**, you can’t deduct reimbursed expenses. Go to Step 4.
If **NO**, you can claim these expenses. Go to Step 3.

**Step 3**
Were the medical and dental expenses more than 7.5% of your adjusted gross income?

**Note:** You can include medical and dental bills you paid for:
- Yourself and your spouse
- All dependents you claim on your return
- Your child whom you don’t claim as a dependent because of the rules for children of divorced or separated parents
- Any person you could have claimed as a dependent on your return except that person received $4,200 or more of gross income or filed a joint return
- Any person you could have claimed as a dependent except that you, or your spouse if filing jointly, can be claimed as a dependent on someone else’s 2019 return

If **YES**, you can claim qualified expenses. Go to Step 4.
If **NO**, you can’t deduct these expenses. Go to Step 4.

**Step 4**
Were the following taxes you paid imposed on you: state and local general sales tax, state or local income tax, real or personal property taxes?

**Note:** The total amount of these taxes is limited to $10,000 ($5,000 MFS) per return.

If **YES**, go to Step 5.
If **NO**, you can’t claim this expense as a deduction because you weren’t obligated to pay the taxes. Go to Step 6.

**Step 5**
Did you pay these taxes during this tax year?

If **YES**, you can claim these expenses and go to Step 6.
If **NO**, you can’t deduct taxes for this year that were paid in another year. Go to Step 6.

**Step 6**
Are you legally liable for a home mortgage loan?

If **YES**, go to Step 7.
If **NO**, you can’t take an interest expense for a mortgage for which you aren’t legally liable. Go to Step 13.
## Interview Tips – Itemized Deductions (continued)

### Step 7
**Was the mortgage a secured debt on a main or second home?**
- If **YES**, go to Step 8.
- If **NO**, you can’t take an interest expense. Go to Step 12.

### Step 8
**Did you pay the mortgage interest in this tax year?**
- If **YES**, go to Step 9.
- If **NO**, you can’t take the mortgage interest deduction. Go to Step 12.

### Step 9
**Did you take out the mortgage on or before October 13, 1987?**
- If **YES**, your mortgage interest is fully deductible. Go to Step 10.
- If **NO**, follow the flowchart, “Is My Home Mortgage Interest Fully Deductible” in Publication 17 to determine what is deductible. Go to Step 12.

### Step 10
**Did you pay premiums in 2019 for qualified mortgage insurance for a home acquisition debt that was issued after 2006?**
- If **YES**, you can take a deduction for qualified mortgage insurance as home mortgage interest with AGI limitations.
- If **NO**, you can’t take a deduction for qualified mortgage insurance as home mortgage interest. Go to Step 11.

### Step 11
**Did you pay points to obtain a home mortgage (on a main home or second home or home improvement loan or to refinance your home)?**
- If **YES**, follow the “Are My Points Fully Deductible This Year” flowchart in Publication 17 and then go to Step 12. See **Note 1**.
- If **NO**, go to Step 12.

### Step 12
**Did you have home equity interest that was used to buy, build, or improve your home?**
- If **YES**, your home equity interest is deductible.
- If **NO**, go to Step 13.

### Step 13
**Did you make a cash contribution to a qualified organization?**
- If **YES**, you must have a written record from that particular organization, and then go to Step 14.
- If **NO**, go to Step 14.

### Step 14
**Did you make a noncash donation to a qualified organization?**
- **Note:** Generally the value of a donation is the lesser of your cost or fair market value.
- If **YES**, advise the taxpayer that generally he or she must have a written receipt from that particular organization. Go to Step 15. See **Note 2**.
- If **NO**, Go to Step 15.

### Step 15
**Is the total of all noncash donations $500 or less?**
- If **YES**, see Publication 17 for more details.
- If **NO**, this is beyond the scope of VITA/TCE. Refer taxpayer to a professional tax preparer.

---

**Note 1:** If you refinanced in an earlier year, and weren’t eligible to take all the points in that year, you can add in this year’s portion of those prior year points.

**Note 2:** For noncash donations less than $250, you are not required to have a receipt where it is impractical to get one (for example if you leave property at a charity’s unattended drop site).
### Schedule A – Itemized Deductions

**TaxSlayer Navigation:** Federal Section>Deductions>Itemized Deductions>Medical and Dental Expenses

---

#### Itemized Deductions

- **Use Standard or Itemized Deduction**
- **Medical and Dental Expenses**
- **Mortgage Interest and Expenses**
- **Taxes You Paid**
- **Gifts to Charity**
- **Unreimbursed Employee Business Expenses**
- **Job-Related Travel Expenses Form 2106**
- **Miscellaneous Deductions**
- **Less Common Deductions**

Select to enter medical expenses. Do not include any medical insurance included in the Self-Employed Health Insurance Deduction.

---

#### Schedule A Deductible and Nondeductible Medical Expenses

<table>
<thead>
<tr>
<th>You can include:</th>
<th>You can’t include:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Bandages</td>
<td>• Medical insurance included in a car insurance policy covering all persons injured in or by your car</td>
</tr>
<tr>
<td>• Birth control pills prescribed by your doctor</td>
<td>• Medicine you buy without a prescription</td>
</tr>
<tr>
<td>• Body scan</td>
<td>• Nursing care for a healthy baby</td>
</tr>
<tr>
<td>• Braille books</td>
<td>• Prescription drugs you brought in (or ordered shipped) from another country, in most cases</td>
</tr>
<tr>
<td>• Breast pump and supplies</td>
<td>• Nutritional supplements, vitamins, herbal supplements, &quot;natural medicines,&quot; etc., unless recommended by a medical practitioner as a treatment for a specific medical condition diagnosed by a physician</td>
</tr>
<tr>
<td>• Capital expenses for equipment or improvements to your home needed for medical care (see Worksheet A, Capital Expense Worksheet, in Pub. 502)</td>
<td>• Surgery for purely cosmetic reasons</td>
</tr>
<tr>
<td>• Diagnostic devices</td>
<td>• Toothpaste, toiletries, cosmetics, etc.</td>
</tr>
<tr>
<td>• Expenses of an organ donor</td>
<td>• Teeth whitening</td>
</tr>
<tr>
<td>• Eye surgery (to promote the correct function of the eye)</td>
<td>• Weight-loss expenses not for the treatment of obesity or other disease</td>
</tr>
<tr>
<td>• Fertility enhancement, certain procedures</td>
<td></td>
</tr>
<tr>
<td>• Guide dogs or other animals aiding the blind, deaf, and disabled</td>
<td></td>
</tr>
<tr>
<td>• Hospital services fees (lab work, therapy, nursing services, surgery, etc.)</td>
<td></td>
</tr>
<tr>
<td>• Lead-based paint removal</td>
<td></td>
</tr>
<tr>
<td>• Legal abortion</td>
<td></td>
</tr>
<tr>
<td>• Legal operation to prevent having children such as a vasectomy or tubal ligation</td>
<td></td>
</tr>
<tr>
<td>• Long-term care contracts, qualified</td>
<td></td>
</tr>
<tr>
<td>• Meals and lodging provided by a hospital during medical treatment</td>
<td></td>
</tr>
<tr>
<td>• Medical services fees (from doctors, dentists, surgeons, specialists, and other medical practitioners)</td>
<td></td>
</tr>
<tr>
<td>• Medicare Part D premiums</td>
<td></td>
</tr>
<tr>
<td>• Medical and hospital insurance premiums</td>
<td></td>
</tr>
<tr>
<td>• Nursing services</td>
<td></td>
</tr>
<tr>
<td>• Oxygen equipment and oxygen</td>
<td></td>
</tr>
<tr>
<td>• Part of life-care fee paid to retirement home designated for medical care</td>
<td></td>
</tr>
<tr>
<td>• Physical examination</td>
<td></td>
</tr>
<tr>
<td>• Pregnancy test kit</td>
<td></td>
</tr>
<tr>
<td>• Prescription medicines (prescribed by a doctor) and insulin</td>
<td></td>
</tr>
<tr>
<td>• Psychiatric and psychological treatment</td>
<td></td>
</tr>
<tr>
<td>• Social security tax, Medicare tax, FUTA, and state employment tax for worker providing medical care (see Wages for nursing services below)</td>
<td></td>
</tr>
<tr>
<td>• Special items (artificial limbs, false teeth, eyeglasses, contact lenses, hearing aids, crutches, wheelchair, etc.)</td>
<td></td>
</tr>
<tr>
<td>• Special education for mentally or physically disabled persons</td>
<td></td>
</tr>
<tr>
<td>• Stop-smoking programs</td>
<td></td>
</tr>
<tr>
<td>• Transportation for needed medical care</td>
<td></td>
</tr>
<tr>
<td>• Treatment at a drug or alcohol center (includes meals and lodging provided by the center)</td>
<td></td>
</tr>
<tr>
<td>• Wages for nursing services</td>
<td></td>
</tr>
<tr>
<td>• Weight loss, certain expenses for obesity</td>
<td></td>
</tr>
<tr>
<td>• Baby sitting and childcare</td>
<td></td>
</tr>
<tr>
<td>• Bottled water</td>
<td></td>
</tr>
<tr>
<td>• Contributions to Archer MSAs (see Pub. 969)</td>
<td></td>
</tr>
<tr>
<td>• Diaper service</td>
<td></td>
</tr>
<tr>
<td>• Expenses for your general health (even if following your doctor's advice)</td>
<td></td>
</tr>
<tr>
<td>• Health club dues—Household help (even if recommended by a doctor)—Social activities, such as dancing or swimming lessons—Trip for general health improvement</td>
<td></td>
</tr>
<tr>
<td>• Flexible spending account reimbursements for medical expenses (if contributions were on a pre-tax basis)</td>
<td></td>
</tr>
<tr>
<td>• Funeral, burial, or cremation expenses</td>
<td></td>
</tr>
<tr>
<td>• Health savings account payments for medical expenses</td>
<td></td>
</tr>
<tr>
<td>• Operation, treatment, or medicine that is illegal under federal or state law</td>
<td></td>
</tr>
<tr>
<td>• Life insurance or income protection policies, or policies providing payment for loss of life, limb, sight, etc.</td>
<td></td>
</tr>
<tr>
<td>• Maternity clothes</td>
<td></td>
</tr>
</tbody>
</table>

**CAUTION** You can’t include in medical expenses amounts you pay for controlled substances that aren’t legal under federal law, even if such substances are legalized by state law.
Note: Medical and dental floor percentage is 7.5%. Some senior residences (nursing homes) have an amount in the monthly cost which is a medical expense. Taxpayers can include in medical expenses the cost of medical care in a nursing home, home for the aged or similar institution. This includes the cost of meals and lodging if the principal reason for being there is to get medical care.

If taxpayer has medical insurance through the Marketplace, remember to adjust the total premium after the PTC is calculated.

Note: We automatically pull over the following
- Medicare premiums paid on your SSA-1099 (Social Security) and RRB-1099.
- Self employed health insurance you have already entered.
- Do not include medical/dental premiums deducted from your pay through a cafeteria plan (pre-taxed).

To enter multiple expenses of a single type, click on the small calculator icon beside the line. Enter the first description, the amount, and Continue. Enter the next. They will be totaled on the input line and carry to Schedule A.
### Schedule A Interest

<table>
<thead>
<tr>
<th>Home Mortgage Loan(s) used to Buy/Build/Improve Home</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage interest reported on Form 1098</td>
</tr>
<tr>
<td>Mortgage interest not reported on Form 1098</td>
</tr>
<tr>
<td>POINTS NOT REPORTED ON FORM 1098</td>
</tr>
</tbody>
</table>

**Select for mortgage interest reported on Form 1098. Enter amount from Form 1098F, box 1 (and box 2, if applicable).**

**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.

---

**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

**Mortgage Interest Reported on 1098**

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

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

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

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.

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.
Nonrefundable Credits

TaxSlayer Navigation: Federal Section>Deductions>Credits Menu

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 "886". For complete education credit information refer to Tab J, Education Benefits

Schedule R

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.
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. 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 valid for employment issued before the due date of the return.

* 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.

Additional Child Tax Credit – General Eligibility

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

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

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

Schedule 8812, Additional Child Tax Credit, is used to calculate the allowable additional child tax credit.

See Tab C, Dependents, and the worksheet in the instruction booklet for additional information (including definitions and special rules relating to an adopted child, foster child, or qualifying child of more than one person).

Note: No credit or refund for an overpayment for a taxable year shall be made to a taxpayer before the 15th day of the second month following the close of the taxable year (generally February 15th) if the taxpayer claimed the EITC or additional child tax credit on the tax return.

Note: The qualifying child must have a valid social security number by the due date of the tax return (including extensions). Taxpayers may not file an amended return to retroactively claim the additional child tax credit for a qualifying child if a valid SSN for the child is issued after the due date of the tax return.

Note: You must claim the child as a dependent on your return to qualify for the child tax credit.

Note: (International Certification only) If you claim the foreign earned income exclusion, the housing exclusion, or the housing deduction on Form 2555, 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.

Note: Certain taxpayers affected by a federally declared disaster area may elect to calculate their earned income credit (EIC) and additional child tax credit (ACTC) by substituting their earned income from the preceding taxable year if more than the year of the applicable qualified disaster.
Table 1: Child Tax Credit

Remember to apply the steps for each dependent. To claim the child tax credit and/or the credit for other dependents, you can’t be a dependent of another taxpayer.

Probe/Action: Ask the taxpayer:

<table>
<thead>
<tr>
<th>Step</th>
<th>Question</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Is this person your son, daughter, adopted child, stepchild, foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them (for example, your grandchild, niece, or nephew)? A descendant is of any generation.</td>
<td>If YES, go to Step 2.</td>
<td>If NO, you can’t claim the child tax credit for this person. This person may qualify for the credit for other dependents, go to Table 2.</td>
</tr>
<tr>
<td>2</td>
<td>Did this person provide over half of his or her own support for the tax year?</td>
<td>If NO, go to Step 3.</td>
<td>If YES, you can’t claim the child tax credit or the credit for other dependents for this person. STOP if the taxpayer has no other dependents.</td>
</tr>
</tbody>
</table>
| 3    | Did this person live with you for more than half of the tax year? If the dependent didn’t live with you for the required time, see the following notes below the chart:  
  * Exception to Time Lived with You
  * Kidnapped Child
  * Children of Divorced or Separated Parents or Parents who live apart. | If YES, go to Step 4. | If NO, you can’t claim the child tax credit for this person. This person may qualify for the credit for other dependents, go to Table 2. |
| 4    | Is this person a U.S. citizen, U.S. national, or resident alien of the United States?  
Note: A national is an individual who, although not a U.S. citizen, owes his or her allegiance to the United States. U.S. nationals include American Samoans and Northern Marian Islanders who chose to become U.S. nationals instead of U.S. citizens. See Tab L, Resident/NR Alien for definition of Resident Alien. | If YES, go to Step 5. | If NO, you can’t claim the child tax credit or the credit for other dependents for this person. |
| 5    | Does this person have a Social Security Number valid for employment issued before the due date of the return (including extensions)? | If NO, you can’t claim the child tax credit for this person. This person qualifies for the credit for other dependents if he or she has an ATIN or ITIN. |
| 6    | Is this person under age 17 at the end of the tax year? | If YES, go to Step 7. | If NO, go to Step 8. |

Questions: Who Must Use Publication 972, Child Tax Credit?

<table>
<thead>
<tr>
<th>Step</th>
<th>Question</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Are you excluding income from Puerto Rico or are you filing Form 2555 (relating to foreign earned income), or Form 4563, Exclusion of Income for Bona Fide Residents of American Samoa?</td>
<td>If NO, go to Step 8.</td>
<td>If YES, you must use Publication 972 to figure the credit.</td>
</tr>
</tbody>
</table>
| 8    | Are you claiming any of the following credits?  
  * Adoption Credit, a residential energy credit, Form 5695, Part II;  
  * Mortgage Interest credit, Form 8396;  
  * District of Columbia first-time homebuyer credit, Form 8859. | If NO; use the Child Tax Credit Worksheet to figure the credit. | If YES, you must use Publication 972 to figure the credit. |

Exception to Time Lived with You
A child is considered to have lived with you for all of the current tax year if the child was born or died in 2019 and your home was this child’s home for more than half the time he or she was alive. Temporary absences for special circumstances, such as for school, vacation, medical care, military service, or detention in a juvenile facility, count as time lived at home.

Kidnapped Child
A kidnapped child is considered to have lived with you for all of the current tax year if:
- In the year the kidnapping occurred, the kidnapped child is presumed by law enforcement to have been taken by someone who isn’t a family member, and
- The kidnapped child lived with the taxpayer for more than half of the portion of the year prior to the kidnapping.

Modified Adjusted Gross Income Limits
- Married filing jointly - $400,000
- All other filing statuses - $200,000

Children of Divorced or Separated Parents
A child will be treated as being the qualifying child of his or her noncustodial parent if all of the following apply:
- The parents were divorced or legally separated or lived apart at all times during the last 6 months of the current tax year.
- The child received over half of his or her support for the current tax year from the parents.
- The child was in the custody of one or both of the parents for more than half of the current tax year.
- The custodial parent signs Form 8332, Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent, or similar statement that he or she won’t claim the child as a dependent in the current tax year and the noncustodial parent includes a copy of the form or statement with his or her return. If the divorce decree or separation agreement went into effect after 1984 and before 2009, the noncustodial parent may be able to attach certain pages of the decree or agreement instead of Form 8332. For pre-1985 divorces, see the Instructions for Form 1040.

Note: Current tax year reference applies to tax year 2019.
Credit for Other Dependents

There is a $500 credit for other dependents who do not qualify for the $2,000 child tax credit. The dependent must be a U.S. citizen, U.S. national, or resident of the U.S. The dependent must have a valid identification number (ATIN, ITIN, or SSN).

The $500 nonrefundable credit is available for dependents who don’t qualify for the child tax credit, such as children who are age 17 and above, dependents with other relationships (such as elderly parents), or children who do not have a valid SSN. Taxpayers cannot claim the credit for themselves (or a spouse if Married Filing Jointly).

⚠️ CAUTION: Dependents who are not U.S. citizens or U.S. nationals, but are residents of Canada or Mexico do not qualify for either the Child Tax Credit or the Credit for Other Dependents.

Note: If previously disallowed, see Form 8862, Information To Claim Certain Credits After Disallowance, in Tab I, Earned Income Credit.
Form 2441 Page 2:
If the taxpayer or spouse is a full-time student or disabled, enter $250 per month ($500 per month if more than one qualifying person was cared for during the year).
If the person also worked during the month, use the higher of $250 (or $500) or his or her actual earned income for that month.

Only enter dependent care benefits not reported on a Form W-2

Note: Foreign earned income and the foreign housing exclusion are subtracted from wages when figuring the credit. Subtract any amount earned while incarcerated or on work release.

Note: Both spouses must have earned income in order to claim the credit. Complete the additions to income for taxpayer if the taxpayer or spouse was either a full-time student or disabled. If the taxpayer has a filing status of surviving spouse, the amount from line 4 is entered on line 5.
Retirement Savings Contributions Credit – Screening Sheet

To determine if a taxpayer qualifies for the Credit for Qualified Retirement Savings Contributions, review the return information and ask the taxpayer the following:

<table>
<thead>
<tr>
<th>step</th>
<th>Question</th>
<th>YES – Go to Step</th>
<th>NO – Not qualified for credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Did you make a voluntary contribution or deferral to an IRA or other qualified plan for 2019?</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Is AGI $32,000 or less ($48,000 if head of household, $64,000 if married filing jointly)?</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Were you born before January 2, 2002?</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Are you being claimed as a dependent on someone else’s tax return for 2019?</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Were you a full-time student during 2019?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Footnotes
1 Plans that qualify are listed in the Other Credits chapter of Publication 17. Answer yes if the taxpayer will make a qualifying IRA contribution for tax year 2019 by the due date of the return.

2 You were a student if during any part of 5 calendar months of 2019 you:
   - Were enrolled as a full-time student at a school, or
   - Took a full-time, on-farm training course given by a school or a state, county, or local government agency.

* A school includes technical, trade and mechanical schools. It does not include on-the job training courses, correspondence schools, or schools offering courses only through the Internet.

Important Reminders for Retirement Savings Contributions Credit

- Be sure to look at the taxpayer’s Form(s) W-2. An entry in box 12 or an “X” in the Retirement box is an indicator that the taxpayer may be eligible for this credit. A full description of all codes used in box 12 can be found in Instructions for Forms W-2 and W-3.

- An entry in box 14 on the Form W-2 may also indicate a contribution to a state retirement system. In TaxSlayer, if the contribution qualifies, from the drop down menu in Box 14 of Form W-2, select Retirement (Not in Box 12) Carry to Form 8880. If these are treated as employer contributions they aren’t eligible for the credit. See Instructions for Form W-2.

- When using tax software, remember to key in all entries as they appear on the Form W-2.

- A contribution to a Traditional or Roth IRA qualifies for this credit, but may not appear on any taxpayer document. Remember to review the expenses section on page 2 of the Form 13614-C, Intake/Interview & Quality Review Sheet, and ask taxpayers if they made any IRA contributions.

- Some distributions reduce the eligible contributions for this credit. In addition to distributions for the current year as shown on Forms 1099-R, be sure to ask about distributions from the 2 prior years or between January 1 and the tax filing deadline.

- See a list of distributions later in this tab that don’t reduce the eligible contributions for this credit.

- Form 8880, Credit for Qualified Retirement Savings Contributions, is used to claim this credit.

- If taxpayer (or spouse if MFJ) is a full-time student, be sure to mark it in the Personal Information Section in the software. This credit is not available to full-time students.
Other Taxes and Payments

TaxSlayer provides all the forms and schedules you need in order to figure and report these taxes, and in most cases, performs the calculations.

Self-Employment Tax –
Entered automatically from Schedule SE. TaxSlayer calculates the amount using the entries from Schedule C.

Unreported Social Security and Medicare Tax –
Unreported Social Security and Medicare Tax comes from Form 4137, Social Security and Medicare Tax on Unreported Tip Income, not reported on Form W-2.

TaxSlayer Navigation: Federal Section>Income>Wages and Salaries>Unreported tips (on W-2 below line 10); or Keyword "W". If unreported because tips were less than $20 per month, Federal Section>Other Taxes>Tax on Unreported Tip Income; or Keyword "4137"
Other Taxes and Payments (continued)

Repayment of First-Time Homebuyer Credit Form 5405 – 

TaxSlayer Navigation: Federal Section>Other Taxes>First-Time Homebuyer Repayment; or Keyword “FIR”

Taxpayers who purchased a home in 2008 and received the First Time Homebuyer Credit (maximum $7,500 loan) started repayments in 2010 and must enter the repayment on Form 5405, Repayment of the First-Time Homebuyer Credit. (See 5405 instructions for when it is required.)

Use the First-Time Homebuyer Credit Account Look-up tool on irs.gov to determine the amount of the repayment.

TaxSlayer Navigation: Federal Section>Other Taxes>Tax for Children Under 18

Tax for Children who Have Unearned Income

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 will be subject to filing Form 8615, Tax for Certain Children Who Have Unearned Income (Kiddie Tax) to compute the tax. (See the following page.)

Note: This is in scope but limited to students electing to include unearned income such as scholarships/grants as income on the return.

Further Consolidated Appropriations Act, 2020 changed the tax rate used in calculation of the kiddie tax. It applies to taxable years beginning after December 31, 2019. A taxpayer may elect to apply this calculation to taxable years 2018, 2019, or both. The taxpayer may benefit from making this election. If the taxpayer makes this election, the return is out of scope.
### Other Taxes and Payments (continued)

<table>
<thead>
<tr>
<th>Step</th>
<th>Question</th>
<th>Action</th>
</tr>
</thead>
</table>
| 1    | Was the child’s unearned income more than $2,200? | YES – Go to Step 2  
NO – Don’t use Form 8615 to figure the child’s tax. |
| 2    | Is the child required to file a tax return for 2019? | YES – Go to Step 3  
NO – Don’t use Form 8615 to figure the child’s tax. |
| 3    | Was the child under age 18 at the end of 2019? | YES – Go to Step 8  
NO – Go to Step 4 |
| 4    | Was the child age 18 at the end of 2019? | YES – Go to Step 7  
NO – Go to Step 5 |
| 5    | Was the child under age 24 at the end of 2019? | YES – Go to Step 6  
NO – Don’t use Form 8615 to figure the child’s tax. |
| 6    | Was the child a full-time student in 2019? | YES – Go to Step 7  
NO – Don’t use Form 8615 to figure the child’s tax. |
| 7    | Did the child have earned income that was more than half of his or her support? | YES – Don’t use Form 8615 to figure the child’s tax.  
NO – Go to Step 8 |
| 8    | Was at least one of the child’s parents alive at the end of 2019? | YES – Go to Step 9  
NO – Don’t use Form 8615 to figure the child’s tax. |
| 9    | Is the child filing a joint return for 2019? | YES – Don’t use Form 8615 to figure the child’s tax.  
NO – Go to Step 10 |
| 10   | Use Form 8615 to figure the child’s tax. Attach it to the child’s return. |  |

**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 out of scope.
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.

**Form 5329**

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

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

  *SIMPLE* retirement distributions that are not subject to 25% Tax
  
  Enter the amount not subject to additional tax.

  Early Distributions that are not subject to 10% tax
  
  Enter the amount not subject to additional tax.

  Select the reason for exemption
  
  Select the appropriate exception from the drop down menu.

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

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

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Other Taxes and Payments (continued)

Exception codes and explanations for early distributions from IRAs or retirement plans:

(Do not rely on this list alone. See Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs), for rules and details pertaining to each exception.)

<table>
<thead>
<tr>
<th>No</th>
<th>Exception</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Qualified retirement plan distributions (doesn’t apply to IRAs) if you separated from service in or after the year you reach age 55 (age 50 for qualified public safety employees).</td>
</tr>
<tr>
<td>02</td>
<td>Distributions made as part of a series of substantially equal periodic payments (made at least annually) for your life (or life expectancy) or the joint lives (or joint life expectancies) of you and your designated beneficiary (if from an employer plan, payments must begin after separation from service).</td>
</tr>
<tr>
<td>03</td>
<td>Distributions due to total and permanent disability. Does not apply if the disability occurred after the distribution.</td>
</tr>
<tr>
<td>04</td>
<td>Distributions due to death (doesn’t apply to modified endowment contracts).</td>
</tr>
<tr>
<td>05</td>
<td>Qualified retirement plan distributions up to (1) the amount you paid for unreimbursed medical expenses during the year minus (2) 7.5% of your adjusted gross income for the year.</td>
</tr>
<tr>
<td>06</td>
<td>Qualified retirement plan distributions made to an alternate payee under a qualified domestic relations order (doesn’t apply to IRAs).</td>
</tr>
<tr>
<td>07</td>
<td>IRA distributions made to unemployed individuals for health insurance premiums.¹</td>
</tr>
<tr>
<td>08</td>
<td>IRA distributions made for qualified higher education expenses.</td>
</tr>
<tr>
<td>09</td>
<td>IRA distributions made for purchase of a first home, up to $10,000.</td>
</tr>
<tr>
<td>10</td>
<td>Distributions due to an IRS levy on the qualified retirement plan.</td>
</tr>
<tr>
<td>11</td>
<td>Qualified distributions to reservists while serving on active duty for at least 180 days.</td>
</tr>
<tr>
<td>12</td>
<td>Other ². Also, enter this code if more than one exception applies.</td>
</tr>
</tbody>
</table>

Footnotes

¹ Medical insurance for yourself, your spouse, and your dependents (no 7.5% of AGI reduction). All of the following conditions must apply:

• You lost your job.
• You received unemployment compensation paid under any federal or state law for 12 consecutive weeks because you lost your job.
• You receive the distributions during either the year you received the unemployment compensation or the following year.
• You receive the distributions no later than 60 days after you have been reemployed.

² Distributions incorrectly indicated as early distributions by code 1, J, or S in box 7 of Form 1099-R. Include on line 2 the amount you received when you were age 59 1/2 or older. See Form 5329 Instructions or Publication 590-B for additional exceptions. For additional exceptions that apply to annuities, see Publication 575, Pensions and Annuity Income.

Additional Taxes on HSAs

For those with HSA certification only. Additional taxes for HSA distributions not used for qualified medical expenses are reported on Form 1040 Schedule 2. All other taxes on this line are Out of Scope. See Instructions for Form 8889, Health Savings Accounts (HSAs).

The additional 20% tax does not apply to distributions made after the account beneficiary:

– Dies,
– Becomes disabled, or
– Turns age 65
Affordable Care Act (ACA)

Health Insurance Questionnaire

Did you purchase health insurance via HealthCare.gov or a State Marketplace? *

☐ Yes
  Answer Yes if the taxpayer received Form 1095-A for any part of the year.

☐ No
  If the taxpayer applied for coverage via the Marketplace but was instead enrolled in Medicaid, answer No.

A Yes answer will require entry of information from Form 1095-A. See Premium Tax Credit section later in this tab for help entering Form 1095-A.

TIP
If taxpayers answer No, no further action is necessary.
### Earned Income Table

**Earned Income for EIC**

<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 minimum retirement age</td>
<td>Welfare benefits</td>
</tr>
<tr>
<td>Net earnings from self-employment</td>
<td>Workfare payments</td>
</tr>
<tr>
<td>Gross income of a statutory employee</td>
<td>Pensions and annuities (except if disability pension and taxpayer is under 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>Nonemployee compensation</td>
<td>Alimony</td>
</tr>
<tr>
<td>The rental value of a home or a housing allowance provided to a minister as part of the minister’s pay (Out of Scope)</td>
<td>Child support</td>
</tr>
<tr>
<td>Interest and dividends</td>
<td>Nontaxable foster-care payments</td>
</tr>
<tr>
<td>Social Security and railroad retirement benefits</td>
<td>Unemployment compensation</td>
</tr>
<tr>
<td>Welfare benefits</td>
<td>Taxable scholarship or fellowship grants that aren’t reported on Form W-2</td>
</tr>
<tr>
<td>Workfare payments</td>
<td>Earnings for work performed while an inmate at a penal institution or on work release*</td>
</tr>
<tr>
<td>Pensions and annuities (except if disability pension and taxpayer is under minimum retirement age)</td>
<td>Salary deferrals (for example, under a 401(k) or 403(b) plan or the Federal Thrift Savings Plan)</td>
</tr>
<tr>
<td>Veteran’s benefits (including VA rehabilitation payments)</td>
<td>The value of meals or lodging provided by an employer for the convenience of the employer</td>
</tr>
<tr>
<td>Workers’ compensation benefits</td>
<td>Disability Insurance payments</td>
</tr>
<tr>
<td>Alimony</td>
<td>Excludable dependent care benefits (line 25 of Form 2441)</td>
</tr>
<tr>
<td>Child support</td>
<td>Salary reductions such as under a cafeteria plan</td>
</tr>
<tr>
<td>Nontaxable foster-care payments</td>
<td>Excludable employer-provided educational assistance benefits (may be shown 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:** Certain taxpayers affected by a federally declared disaster area may elect to calculate their earned income credit (EIC) and additional child tax credit (ACTC) by substituting their earned income from the preceding taxable year if more than the year of the applicable qualified disaster. Search the IRS website for “Tax Relief in Disaster Situations” for more information.

### 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
## 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>Rules for Everyone</td>
<td>Rules If You Have a Qualifying Child</td>
<td>Rules If You Don’t Have a Qualifying Child</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 $3,600 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:

- $50,162 ($55,952 for married filing jointly) if you have three or more qualifying children,
- $46,703 ($52,493 for married filing jointly) if you have two qualifying children,
- $41,094 ($46,884 for married filing jointly) if you have one qualifying child, or
- $15,570 ($21,370 for married filing jointly) if you don’t have a qualifying child.

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**Footnotes**

¹ If your Social Security card says “VALID FOR WORK ONLY WITH DHS AUTHORIZATION,” you can use your Social Security number to claim EIC if you otherwise qualify.

² 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.

³ 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.

⁴ 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.

⁵ 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.

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⚠️ Taxpayers cannot file an amended return to claim the credit for a year they did not originally have a valid Social Security number.
Income – Key Highlights (continued)

- To enter Taxable Scholarship, Prisoner Earned Income, or Foreign Compensation, select Other Compensation on the W-2 Menu.

- Interest/ Dividend Income will be entered from either Income Menu Option 2 or 3 depending on the amount of the income. If you start with option 3 (less than $1500) and then put any amount using option 2 (Sch B), any amounts input under option 3 are ignored and lost.

- Private activity bond interest (PAB) is entered in Other Taxes>> Alternative Minimum Tax>>Interest from specified private activity bonds exempt from the regular tax.

- The Schedule C can be accessed through Option 6 of the main Income menu. Remember to enter the Principal Business Activity Code on the Schedule C.

- When entering gross receipts, this would include income reported on Form 1099-K, Payment Card and Third-Party Network Transactions, as well as all other cash and any other income received related to the business activity.

- To enter Schedule D, Capital Gains and Losses, select Option 7 from the main Income menu and then enter the transactions. Select the Other menu button in the Edit Capital Gain/Loss Transactions screen to enter capital loss carryovers and to access the Sale of Home worksheet. See Tab D, Income, for more information on Capital Gains/Losses.

- If an adjustment to basis or net capital gain is required, enter the adjustment amount and select the adjustment code(s) from the list. For most transactions, no adjustment to gain or loss is needed. You may need to enter an adjustment if the basis provided is incorrect, another situation applies that requires a change to the basis, or if the taxpayer is able to exclude some or all of the capital gain.

- To use the Simplified Method, check the box labeled “SGR” in Box 2A of Form 1099-R, Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.

- To enter other income that is not already listed in the Other Income Menu box, select Option 1 and then enter the income.
Public Safety Exclusions

To enter the amount of the health insurance exclusion for a Public Safety Officer (PSO), from the Main Menu of the Tax Return (Form 1040)

1. Select Income Menu
2. Select IRA/Pension Distributions (Form 1099-R/RRB, SSA)
3. Select New and fill out the Payer’s Information
4. Enter the Gross Distribution in Box 1 as it is shown on the 1099-R
5. Subtract the amount of any Qualified Retired Public Safety Officer Distribution from the Gross Distribution and enter the different Taxable Amount. Exit this menu. The smaller of the amount of the premiums for health and/or long-term care (LTC) insurance or $3,000 can be excluded (subtracted) from distribution.
6. Select the Other/Roth Button
7. Select Public Safety Officers Insurance Distribution
8. Select Yes
9. Select the line on Form 1040 where Form 1099-R is reported. When you view Form 1040, the abbreviation PSO will be displayed in the left margin.

If you selected Form 1040 wages line, you will be prompted to input the amount of distribution being excluded. The exclusion and the abbreviation PSO will print on the dotted line next to the wages amount.

Note: This is a guide on entering Public Safety Officer Distributions into TaxSlayer. This is not intended as tax advice.

TIP Any amount exceeding $3,000 is entered on Schedule A, Itemized Deductions as insurance cost. The insurance can be for the taxpayer, spouse and family. When Form 1099-R, Box 7 is Code 4 (distribution due to death), the PSO deduction may no longer be used.

Entering Medicaid Waiver Payments (that may be excluded from income under Notice 2014-7):

Scenario A: If income is reported on Form W-2, enter the amount as provided. Then, enter the amount in the Medicaid Waiver Payment box on the Form W-2 entry screen to exclude it.

Scenario B: If income is reported on Form 1099-MISC, Miscellaneous Income, and you are not in the business of providing home care services, go to Other income not reported elsewhere and enter IRS Notice 2014-7 in the description field and $0 in the amount field.

Scenario C: If income is reported on Form 1099-MISC and you are in the business of providing home care services, enter the full amount of payments under Gross Receipts in the Schedule C Income section. In Other Expenses, enter Notice 2014-7 as the description and the amount as a positive number. You cannot exclude gross receipts that are not Notice 2014-7 Medicaid waiver payments.
<table>
<thead>
<tr>
<th>Form or Topic</th>
<th>Keyword</th>
<th>Navigation to Data Entry Screen</th>
<th>Pub 4012 Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITIN, Application for</td>
<td>N/A</td>
<td>Miscellaneous Forms&gt;Application for ITIN</td>
<td>L-3</td>
</tr>
<tr>
<td>IRA Contributions (Traditional IRA)</td>
<td>IRA</td>
<td>Deductions&gt;Adjustments&gt;IRA Deduction</td>
<td>E-9</td>
</tr>
<tr>
<td>IRA Contributions (ROTH IRA)</td>
<td>RETIRE</td>
<td>Deductions&gt;Credits Menu&gt;Retirement Savings Credit&gt;Enter Any Current Year Traditional or Roth IRA Contributions (Do not re-enter Traditional IRA contributions already reported in the IRA Deduction menu)</td>
<td>E-9</td>
</tr>
<tr>
<td>IRA Distributions</td>
<td>-R</td>
<td>Income&gt;IRA/Pension Distributions&gt;Add or Edit a 1099-R</td>
<td>D-32</td>
</tr>
<tr>
<td>IRA Qualified Charitable Distribution (Not a Charitable Gift Annuity)</td>
<td>-R</td>
<td>Income&gt;IRA/Pension Distribution&gt;Add or edit 1099-R&gt;Subtract distribution that was sent directly by trustee to charity from Box 1 and enter the difference in Box 2a. Click continue and navigate back to Income&gt;IRA/Pension Distribution&gt;Go to Nontaxable Distributions&gt; and check the box “Check here to mark this as a Qualified Charitable Distribution (QCD) on your return.”</td>
<td>D-32</td>
</tr>
<tr>
<td>IRA Rollover</td>
<td>-R</td>
<td>Income&gt;IRA/Pension Distributions&gt;Add or Edit a 1099-R&gt;check the box “Check here if all/part of the distribution was rolled over and enter the rollover amount.”</td>
<td>D-37</td>
</tr>
<tr>
<td>Jury Duty Pay</td>
<td>N/A</td>
<td>Income&gt;Other Income&gt;Other Income Not Reported Elsewhere</td>
<td>D-51</td>
</tr>
<tr>
<td>Jury Duty Paid to the Employer</td>
<td>J</td>
<td>Deductions&gt;Adjustments&gt;Other Adjustments&gt;Jury Duty Pay</td>
<td>E-1</td>
</tr>
<tr>
<td>Lump Sum Social Security Benefit</td>
<td>SSA</td>
<td>Income&gt;IRA/Pension Distributions&gt;Social Security Benefits/ RRB-1099&gt;Begin Worksheet</td>
<td>D-44</td>
</tr>
<tr>
<td>Medical and Dental Expenses</td>
<td>MED</td>
<td>Deductions&gt;Itemized Deductions&gt;Medical and Dental Expenses</td>
<td>F-5</td>
</tr>
<tr>
<td>Medicaid Waiver Payments on W-2 (that may be excluded from income under Notice 2014-7)</td>
<td>W</td>
<td>Income&gt;Wages and Salaries&gt;enter the amount in the box titled “Medicaid Waiver Payment in Box 1” below box 13 (this amount will be subtracted on Schedule 1.)</td>
<td>D-58</td>
</tr>
<tr>
<td>Mileage for Charitable Travel</td>
<td>CHA</td>
<td>Deductions&gt;Itemized Deductions&gt;Gifts to Charity&gt;Noncash Gifts to Charity</td>
<td>F-10</td>
</tr>
<tr>
<td>Mileage for Medical Travel</td>
<td>MED</td>
<td>Deductions&gt;Itemized Deductions&gt;Medical and Dental Expenses</td>
<td>F-6</td>
</tr>
<tr>
<td>Mortgage Interest and Points Paid</td>
<td>MORT</td>
<td>Deductions&gt;Itemized Deductions&gt;Mortgage Interest and Expenses&gt;Mortgage Interest Reported on Form 1098</td>
<td>F-9</td>
</tr>
<tr>
<td>Mortgage Interest Paid—not on Form 1098</td>
<td>MORT</td>
<td>Deductions&gt;Itemized Deductions&gt;Mortgage Interest and Expenses&gt;Mortgage Interest Not Reported on Form 1098</td>
<td>F-9</td>
</tr>
<tr>
<td>Noncash Donations that total $500 or less</td>
<td>CHA</td>
<td>Deductions&gt;Itemized Deductions&gt;Gifts to Charity&gt;Noncash Gifts to Charity</td>
<td>F-10</td>
</tr>
<tr>
<td>OLD Interest</td>
<td>INT</td>
<td>Income&gt;Interest and Dividends&gt;Interest or Dividend Income</td>
<td>D-7</td>
</tr>
<tr>
<td>Other Income (prizes, jury duty, etc.)</td>
<td>N/A</td>
<td>Income&gt;Other Income&gt;Other Income Not Reported Elsewhere</td>
<td>D-51</td>
</tr>
<tr>
<td>Form or Topic</td>
<td>Keyword</td>
<td>Navigation to Data Entry Screen</td>
<td>Pub 4012 Page</td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>---------</td>
<td>--------------------------------------------------------------------------------------------------</td>
<td>---------------</td>
</tr>
<tr>
<td>Pension Distributions</td>
<td>-R</td>
<td>Income&gt;IRA/Pension Distributions&gt; Add or Edit a 1099-R</td>
<td>D-32</td>
</tr>
<tr>
<td>Personal Property Taxes</td>
<td>Proper</td>
<td>Deductions&gt;Itemized Deductions&gt; Taxes You Paid</td>
<td>F-7</td>
</tr>
<tr>
<td>PIN, Identity Theft</td>
<td>PIN</td>
<td>Miscellaneous Forms&gt;IRS Identification Pin</td>
<td>P-2</td>
</tr>
<tr>
<td>Private Activity Bond interest</td>
<td>INT</td>
<td>Income&gt;Interest and Dividends&gt;Interest or Dividend Income</td>
<td>D-9</td>
</tr>
<tr>
<td>Prizes and Awards</td>
<td>N/A</td>
<td>Income&gt;Other Income&gt;Other Income Not Reported Elsewhere</td>
<td>D-15</td>
</tr>
<tr>
<td>Public Safety Officer Exclusion</td>
<td>-R</td>
<td>Income&gt;IRA/Pension Distributions&gt;Add or edit 1099-R&gt;Click here for options</td>
<td>D-35</td>
</tr>
<tr>
<td>Real Estate Taxes</td>
<td>MORT</td>
<td>Deductions&gt;Itemized Deductions&gt; Mortgage Interest and Expenses&gt; Mortgage Interest Reported on Form 1098</td>
<td>F-7</td>
</tr>
<tr>
<td>Refunds of State and Local Income Tax (if reportable)</td>
<td>G [box 2]</td>
<td>Income&gt;State and Local Refunds</td>
<td>D-13</td>
</tr>
<tr>
<td>Retirement Savings Credit</td>
<td>RETI</td>
<td>Deductions&gt;Credits&gt;Retirement Savings Credit</td>
<td>G-14</td>
</tr>
<tr>
<td>Roth IRA Contributions</td>
<td>IRA</td>
<td>Deductions&gt;Credits&gt;Retirement Savings Credit&gt;Any Current Year Roth IRA Contributions</td>
<td>G-15</td>
</tr>
<tr>
<td>Royalties (Simple royalties with no associated expenses)</td>
<td>SC</td>
<td>Income&gt;Rents and Royalties</td>
<td>D-49</td>
</tr>
<tr>
<td>Sale of Stock</td>
<td>CAP</td>
<td>Income&gt;Capital Gain and Losses</td>
<td>D-22</td>
</tr>
<tr>
<td>Sale of Main Home</td>
<td>CAP</td>
<td>Income&gt;Capital Gain and Losses&gt;Sale of Main Home Worksheet or use Capital Gains and Loss Items</td>
<td>D-28</td>
</tr>
<tr>
<td>Sales Tax Deduction</td>
<td>SALE or TAX</td>
<td>Deductions&gt;Itemized Deductions&gt;Taxes You Paid</td>
<td>F-8</td>
</tr>
<tr>
<td>Schedule C</td>
<td>SC</td>
<td>Income&gt;Profit or Loss from a Business</td>
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<td>OT or OTHER</td>
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</tr>
</tbody>
</table>
### Where Do You File?

Mail your return to the address shown below that applies to you. If you want to use a private delivery service, see *Private Delivery Services* under *Filing Requirements*, earlier.

<table>
<thead>
<tr>
<th>IF you live in...</th>
<th>THEN use this address if you:</th>
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<tr>
<td><strong>Are requesting a refund or are not enclosing a check or money order...</strong></td>
<td><strong>Are enclosing a check or money order...</strong></td>
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<tr>
<td>Alabama, North Carolina, South Carolina</td>
<td>Department of the Treasury Internal Revenue Service Kansas City, MO 64999-0002</td>
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<tr>
<td>Alaska, California, Hawaii, Washington</td>
<td>Department of the Treasury Internal Revenue Service Fresno, CA 93888-0002</td>
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<tr>
<td>Arizona, Colorado, Idaho, Kansas, Montana, Nebraska, New Mexico, Nevada, North Dakota, Oregon, South Dakota, Utah, Wyoming</td>
<td>Department of the Treasury Internal Revenue Service Ogden, UT 84201-0002</td>
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<tr>
<td>Arkansas, Georgia, Indiana, Iowa, Kentucky, Missouri, New Jersey, Oklahoma, Tennessee, Virginia</td>
<td>Department of the Treasury Internal Revenue Service Kansas City, MO 64999-0002</td>
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<tr>
<td>Connecticut, District of Columbia, Maryland, Rhode Island, West Virginia</td>
<td>Department of the Treasury Internal Revenue Service Ogden, UT 84201-0002</td>
</tr>
<tr>
<td>Delaware, Maine, Massachusetts, New Hampshire, New York, Vermont</td>
<td>Department of the Treasury Internal Revenue Service Kansas City, MO 64999-0002</td>
</tr>
<tr>
<td>Florida, Louisiana, Mississippi, Texas</td>
<td>Department of the Treasury Internal Revenue Service Austin, TX 73301-0002</td>
</tr>
<tr>
<td>Illinois, Michigan, Minnesota, Ohio, Wisconsin</td>
<td>Department of the Treasury Internal Revenue Service Fresno, CA 93888-0002</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>Department of the Treasury Internal Revenue Service Ogden, UT 84201-0002</td>
</tr>
<tr>
<td>A foreign country, U.S. possession or territory*, or use an APO or FPO address, or file Form 2555 or 4563, or are a dual-status alien</td>
<td>Department of the Treasury Internal Revenue Service Austin, TX 73301-0215</td>
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*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.”
### Publication 4189

<p>| | |</p>
<table>
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<tbody>
<tr>
<td>6</td>
<td>On the Test Answer Key, change the answer for Advanced Scenario 5, question 10 from b. to a.</td>
</tr>
<tr>
<td>7</td>
<td>On the Retest Answer Key, change the answer for Advanced Scenario 5, question 10 from c. to b.</td>
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No corrected pages are provided for this publication. Please make note of the changes above in your printed training publication.
No corrected pages are provided for this publication. Please make note of the changes above in your printed training publication.
2019 Publication 4189-D, Volunteer Circular 230 Test/Retest Answers

<table>
<thead>
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<th>Publication 4189-D</th>
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| 2 | On the Test Answer Key, change the answer for question 7 from d. to c.  
On the Retest Answer Key, change the answer for question 7 from a. to b.  
On the Retest Answer Key, change the answer for question 8 from $18,300 to $19,800. |

No corrected pages are provided for this publication. Please make note of the changes above in your printed training publication.
No corrected pages are provided for this publication. Please make note of the changes above in your printed training publication.
In the last sentence of the last paragraph under Tax Form Changes, change "$157,500 ($315,000 if Married Filing Jointly)" to: $160,700 ($160,725 if Married Filing Separately; $321,400 if Married Filing Jointly),

Under the Itemized Deductions, change 10% to: 7.5%
Delete: “The lower 7.5% AGI threshold has expired.”

Replace the Introduction with the following:
These provisions, which previously expired at the end of 2017, have been renewed through tax year 2020. Refer to this lesson and the Legislative Extenders tab in Publication 4012 for information about these provisions.

Under the heading, What about income received by household employees?, in the first sentence of the last paragraph, change the word “with” to: reporting
Change the words “are excludable” to: may be excluded

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.

The taxpayer may file a Form 1040-X, Amended U.S. Individual Income Tax Return, if the taxpayer received payments described in Notice 2014-7 in an earlier year and the time for claiming a credit or refund is still open. Generally, for a credit or refund, the taxpayer must file Form 1040-X within three years (including extensions) after the date the taxpayer filed their original return or within two years after the date the taxpayer paid the tax, whichever is later.

Fourth paragraph – change “are excludable” to: may be excluded
### Income – Capital Gain or Loss

11-19  Under the heading, **What situations are out of scope for the VITA/TCE programs?**, in the second bullet, delete: “Bitcoin or other virtual currencies,”
Add a new third bullet:

- Taxpayers who have transactions using Bitcoins or other virtual currencies

11-20  No change.

### Income – Retirement Income

12-1  No change.

12-2  Change the heading, **Tax Law for Hurricane Victims** to:

**Tax Law for Federally Declared Disaster Area Victims**

First paragraph, change to:

Employer-sponsored retirement plans such as 401(k)s can make loans and hardship distributions to an individual whose principal place of abode is located in a federally declared disaster area and who has sustained an economic loss by reason of Hurricane Harvey, Irma, or Maria under Public Law 155, H.R. 3823 Disaster Tax Relief and Airport and Airway Extension Act of 2017, which was passed September 29, 2017 or a federally declared disaster in 2018, 2019 or 60 days from the December 30, 2020 enactment date of Public Law 116-94 H.R. 1865, Further Consolidated Appropriations Act, 2020. Provisions specified in these legislations allow impacted individuals to obtain tax-favored withdrawals from retirement plans, by providing an exception to the 10 percent early retirement plan withdrawal penalty for qualified disaster relief distributions, providing favorable repayment terms over 3 years, and allowing taxpayers the option of spreading out income inclusion resulting from such withdrawals over a 3-year period. These options require the completion of Form 8915-B, Qualified Disaster Retirement Plan Distributions and Repayments, and/or Form 8606, Nondeductible IRAs, and are out of scope for the VITA/TCE programs.
### Income – Other Income

| 16-1 | No change. |
| 16-2 | Under the heading, **Qualified Medicaid Waiver Payments**, in the second sentence of the first paragraph, change “difficulty of care payments are excludable” to:  

, as defined in the notice, may be excluded  

First paragraph, last sentence, change “the care provider” to:  
a care provider  

Second paragraph – Replace with:  
If a taxpayer received payments described in Notice 2014-7, the taxpayer may receive a Form 1099-MISC reporting these payments in box 3, Other income, in box 6, Medical and health care payments, or in box 7, Nonemployee compensation. Generally, an amount reported in one of these boxes of Form 1099-MISC is included as income on the tax return. However, qualified Medicaid waiver payments may be excluded from gross income. If a taxpayer is filing a paper return, and the amount is “Other Income,” enter “Notice 2014-7” on the dotted line next to the other income line of Form 1040, Schedule 1. Refer to the Volunteer Resource Guide for specific software instructions.  

16-3 | Second paragraph, replace third, fourth, and fifth sentences with:  

This entry will reduce adjusted gross income. If filing a paper return, enter “Notice 2014-7” on the dotted line next to the Other income line. No additional entry is needed if filing an electronic return.  

Change TIP to read:  
For more information, go to irs.gov and search “Certain Medicaid Waiver Payments.”  

16-4 | No change. |

### Standard Deduction and Tax Computation

| 20-5 | Under the first paragraph under the heading, **What is the tax for certain children who have unearned income (Kiddie Tax)?**, add:  

Further Consolidated Appropriations Act, 2020 changed the tax rate used in calculation of the kiddie tax. It applies to taxable years beginning after December 31, 2019. A taxpayer may elect to apply this calculation to taxable years 2018, 2019, or both. The taxpayer may benefit from making this election. If the taxpayer makes this election, the return is out of scope.  

20-6 | No change. |

### Itemized Deductions

| 21-13 | Under the heading, **What situations are out of scope for the VITA/TCE programs?**, in the second-to-last bullet, change “of $3,000 or more” to:  

over $3,000  

21-14 | No change. |
### Earned Income Credit (EIC)

<table>
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| 29-3 | Under the heading, **Earned income not qualifying for the EIC**, replace the paragraph with:  
One income item that is reported on Form W-2 but does not qualify as earned income for EIC purposes, is income received for work performed while an inmate in a penal institution. Generally, excluded income is not earned income for EIC purposes. Refer to the Volunteer Resource Guide, Tab I, Earned Income Credit. |
| 29-4 | No change. |

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.
Important Changes for 2019

Due Date of Return
The due date for filing a 2019 return is Wednesday, April 15, 2020

Tax Form Changes
As required by the Bipartisan Budget Act of 2018, Form 1040-SR, U.S. Income Tax Return for Seniors, is available for tax year 2019. It may be used by taxpayers who are age 65 or older at the end of the tax year. If Married Filing Jointly, one spouse must meet the age requirement. The form has an increased font size and includes a standard deduction chart.
Form 1040 has been updated:
• Income is now on page one, and the signature section is moved to page two.
• New line 6 is added to report capital gain or (loss). Subsequent lines are renumbered.
• The “Full-year health care coverage or exempt” box is eliminated from Form 1040.
• The number of associated schedules has been reduced from six to three.
Entry spaces on 2019 tax forms are shown for dollar amounts only (no cents).
Schedule C-EZ (Form 1040) and Form 2555-EZ have been made obsolete for tax year 2019 and future years.
Form 8965, Health Coverage Exemptions, and its instructions have also been made obsolete for 2019.
The 2020 Form W-4 has been redesigned and no longer uses the concept of withholding allowances. It replaces complicated worksheets with more straightforward questions that make accurate withholding easier for employees. Employees who have submitted Form W-4 in any year before 2020 are not required to submit a new form merely because of the redesign. Employers will continue to compute withholding based on the information from the employee’s most recently submitted Form W-4.
Form 8995, Qualified Business Income Deduction Simplified Computation, and Form 8995-A, Qualified Business Income Deduction, are new forms for claiming the IRC section 199A qualified business income deduction. Taxpayers whose taxable income is not more than $160,700 ($160,725 if Married Filing Separately; $321,400 if Married Filing Jointly), and who are not patrons in a specified agricultural or horticultural cooperative, may use the simplified form.

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 2016, 2017, or 2018, the ITIN will expire on December 31, 2019. 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 “83,” “84,” “85,” “86,” and “87” will expire. ITINs with middle digits (the fourth and fifth positions) “83,” “84,” “85,” “86,” or “87” will remain in effect until December 31, 2019. 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 2020.

Alimony
For any divorce or separate maintenance instrument executed after December 31, 2018, (or executed on or before December 31, 2018 and modified after that date if the modification expressly provides that the amendments made by the Tax Cuts and Jobs Act, Section 11051, apply to such modification), alimony and separate maintenance payments are no longer deductible by the payor spouse. Additionally, alimony and
separate maintenance payments are no longer included in income by the recipient of the payments.

**Personal Exemption Amount**

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

For 2019, the gross income limitation for a qualifying relative is $4,200.

**Standard Deduction**

The standard deduction for taxpayers who do not itemize deductions on Schedule A (Form 1040) has increased. The standard deduction amounts for 2019 are:

- $24,400 – Married Filing Jointly or Qualifying Widow(er) (increase of $400)
- $18,350 – Head of Household (increase of $350)
- $12,200 – Single or Married Filing Separately (increase of $200)

**Taxpayers who are 65 and Older or are Blind**

For 2019, the additional standard deduction amounts for taxpayers who are 65 and older or blind are:

- $1,650 for Single or Head of Household ($50 increase)
- $1,300 for married taxpayers or Qualifying Widow(er) (no change)

**Itemized Deductions**

The medical expense deduction threshold is 7.5% of adjusted gross income (AGI).

**Standard Mileage Rate**

For 2019, the following rates are in effect:

- 58 cents per mile for business miles driven
- 20 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 2019, the threshold amount is $321,400 for Married Filing Jointly returns, $160,725 for Married Filing Separately returns, and $160,700 for Single and Head of Household returns.

**Retirement Savings Contribution Credit**

To claim this credit, the taxpayer’s modified adjusted gross income (MAGI) must not be more than $32,000 for Single, Married Filing Separately, or Qualifying Widower (increase of $500). MAGI must not be more than $48,000 (increase of $750) for Head of Household, and $64,000 (increase of $1,000) for Married Filing Jointly.
Introduction
These provisions, which previously expired at the end of 2017, have been renewed through tax year 2020.
Refer to this lesson and the Legislative Extenders tab in Publication 4012 for information about these provisions.

How do I handle tuition and fees?

What is the deduction?
Taxpayers can deduct up to $4,000 in qualified tuition and related expenses paid during the tax year. The amount of the deduction is determined by the taxpayer’s filing status, modified adjusted gross income (MAGI), and other factors. For the amount of the allowable deduction see the Tuition and Fees Deduction at a Glance chart in the Legislative Extenders tab of the Volunteer Resource Guide.

example
Leonard, a single taxpayer who had a total income of $24,000, meets all the requirements to take the deduction. He paid $4,427 in tuition and fees. Because his gross income is well below the MAGI limit, he would be able to deduct the maximum amount ($4,000) for his tuition and fees payments.

Who is eligible for this deduction?
The deduction can be claimed for the taxpayer, the taxpayer’s spouse (if filing a joint return), and any dependent who attended an eligible educational institution during the tax year.
The tuition and fees deduction cannot be claimed by married taxpayers who file as Married Filing Separately or by an individual who is a dependent of another taxpayer.

example
Juanita is married but uses the Married Filing Separately status. She cannot deduct tuition and fees.

In order to claim a deduction for expenses paid for a dependent who is the eligible student, the taxpayer must have paid the qualified expenses and claim the dependent on his or her income tax return. If the student is eligible to be claimed as a dependent (even if not actually claimed) and paid his or her own expenses, no one can take the adjustment. However, if the student would not qualify as a dependent, he or she can claim the deduction even if tuition and fees were paid by another person. In that case, the student can treat the amounts paid for tuition and fees as a gift.
Taxpayers who are not eligible for the tuition and fees adjustment because of the dependency issue may be eligible for an education tax credit, covered in the Education Credits lesson.

**example**

Joseph is 30. Although he lives at home and goes to school full time, he earns about $15,000 each year, so his parents cannot claim him as a dependent. Only Joseph can take the tuition and fees adjustment, even if his parents pay his education expenses.

**example**

Carly is 18 and claimed by her parents as a dependent. She took out student loans and paid all of her own tuition and fees. Carly cannot take the deduction because she is a dependent. Carly’s parents can’t claim the deduction either because they did not pay the education expenses. Carly’s parents should look into the education credits.

**What are qualified tuition and fees expenses?**

Generally, qualified education expenses are amounts paid for tuition and fees required for the student’s enrollment or attendance at an eligible educational institution. Required fees include amounts for books, supplies, and equipment used in a course of study if required to be paid to the institution as a condition of enrollment or attendance. It does not matter whether the expenses were paid in cash, by check, credit card, or with borrowed funds.

Qualified education expenses do not include payments for:

- Insurance, room and board, medical expenses (including health fees), transportation, or similar personal, living, or family expenses
- Course-related books, supplies, nonacademic activities and equipment unless it is paid as a condition of enrollment or attendance
- Any course or other education involving sports, games, hobbies, and noncredit courses unless the course or other education is part of the student’s degree program

Ask the taxpayer if the qualified tuition and expenses were offset by distributions from qualified state tuition programs, Coverdell Education Savings Accounts (ESA), or interest from savings bonds used for higher education expenses. Subtract these from the total payments for tuition and fees.

To help you figure the tuition and fees deduction, the taxpayer should have received Form 1098-T, Tuition Statement. Generally, an eligible education institution must send Form 1098-T or a substitute to each enrolled student by January 31.

The deduction for qualified tuition and related expenses is not allowed unless the taxpayer receives a statement (Form 1098-T) from the educational institution (if required to issue one). The receipt of the statement by a dependent is treated as received by the taxpayer.

⚠️ Form 1098-T may have incomplete information. You must question the taxpayer to determine the amount of qualified expenses actually paid and adjust this amount by any non-taxable items, such as scholarships or tuition program distributions.

**What is an eligible educational institution?**

An eligible educational institution is generally any accredited public, nonprofit, or private post-secondary institution eligible to participate in the student aid programs administered by the Department of Education. It includes virtually all accredited public, nonprofit, and privately owned profit-making post-secondary institutions. Taxpayers who do not know if an educational institution is an eligible institution should contact the school or the U.S. Department of Education website.
How do I get started?

To determine a taxpayer’s income, discuss and review the Income section of the intake and interview sheet with the taxpayer.

Income is reported on a variety of forms depending on its source. Ask the taxpayer to show you all Forms W-2, Forms 1099, and other statements reporting income. (Do not confuse Form 1099 with Form 1098. Generally, Form 1098 reports expenses the taxpayers have paid, not income they have received.)

**Tax Software Hint:** After you have collected all the income statements, review the pages on Income Documents and How/Where to Enter Income in the Volunteer Resource Guide, Income tab. These pages will show you where to correctly report income items.

How do I report wages, salaries, tips, etc.?

**What is Form W-2?**

Employers must report wages and other employee compensation on Form W-2. Employers are not required to mail Forms W-2, but they must make them available to employees by January 31. Employees may need to pick up Form W-2 from their employers or obtain it electronically. Most employers issue a standardized version of Form W-2, Wage and Tax Statement. Go to www.irs.gov to view Form W-2.

**TIP** Additional Medicare Tax applies to an individual’s wages, Railroad Retirement Tax Act compensation, and self-employment income that exceeds a threshold amount based on the individual’s filing status. This topic is out of scope for the VITA/TCE programs. Taxpayers affected by the Additional Medicare Tax should be referred to a professional tax preparer. Additional information can be found on www.irs.gov.

**TIP** A Form W-2 with code Q in box 12, indicating combat pay, requires Military certification to complete the return.

**Tax Software Hint:** Refer to the Volunteer Resource Guide, Income tab, for instructions on entering income. Once you enter all Forms W-2 into the software, it carries the total to Form 1040 and transfers necessary information for credits, deductions, withholding, etc., to other sections of the tax return.

**What if the taxpayer does not receive Form W-2 by January 31?**

Taxpayers who do not receive Form W-2 by January 31 should first contact the employer and find out if, or when, the form was mailed, or if it can be picked up or accessed online.

If Form W-2 is still not received after allowing a reasonable amount of time for the employer to issue or reissue it, then the taxpayer should contact the IRS for assistance after February 15.

If taxpayers do not receive Form W-2 before the filing deadline, they should file their tax return with Form 4852, Substitute for Form W-2, Wage and Tax Statement, or Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc. Taxpayers should keep a copy of Form 4852 for their records. Usually, Form 4852 can be filed with a state return as well.
If the taxpayer eventually receives the employer’s Form W-2, and the numbers differ from those on Form 4852, the taxpayer will need to amend the return to report the correct amounts.

If the earnings reported on Form 4852 are not reflected on the taxpayer’s Social Security Statement, the taxpayer should contact the Social Security Administration at the number shown on the statement.

**example**

During the tax year, Tina earned income from both a full-time and a part-time job. She received two Forms W-2, each listing different employers. Her return will list her wages as the total of the amounts in box 1, but each Form W-2 must be entered into the tax software separately.

**What if the taxpayer has an ITIN, but a Form W-2 is showing a different SSN?**

Use the taxpayer’s ITIN when starting the return. Enter the Social Security number as shown on the Form W-2 when prompted by the tax software. Refer to the Volunteer Resource Guide for instructions.

**What is Box 10, Dependent Care Benefits?**

Box 10 is used by employers to report dependent care benefits paid to the taxpayer or incurred on behalf of the taxpayer. Complete Form 2441 to determine if any part of this benefit is taxable to the taxpayer and the allowable amount of dependent care credit. Some employer plans provide a carryover or forfeiture of benefits that are not used by year end. This may require part III of Form 2441 to be completed.

**What do Box 12 codes mean?**

There are numerous code letters that the employer can use to designate certain items, such as employee contributions to the company retirement plan. Refer to the list of codes in the Volunteer Resource Guide.

The tax software will automatically transfer qualified voluntary retirement contributions to Form 8880 for the retirement savings credit. Refer to the Volunteer Resource Guide for instructions on how to enter these amounts. Also see the Miscellaneous Credits lesson.

**Other W-2 Income**

**Can a disability pension be treated as wages?**

An individual who has not reached their employer’s minimum retirement age and is receiving a disability pension may report the disability pension as wages for tax purposes, such as the earned income credit. This is discussed in the Retirement Income lesson.

**What about income received by household employees?**

The term “household employee” refers to an individual who works in someone’s home performing household duties such as caring for children, cleaning, or cooking. Generally, an employer is not required to provide Form W-2 to a household employee who earns less than the threshold amount for that year. In this situation, neither the employer nor the employee will owe Social Security or Medicare tax on those wages. However, employers who withhold federal income taxes from their employee’s wages must issue Form W-2. Regardless of whether Form W-2 is issued, the income must be included on Form 1040.

In-home care providers may receive a Form W-2 reporting Medicaid waiver payments that may be excluded from gross income. Medicare waiver payments are discussed in more detail in the business income and other income lessons. See the Volunteer Resource Guide, Income Tab, for software entries.

**Tip**

For further information and a definition of who is a household employee, see Publication 926, Household Employers Tax Guide.
Income – Business

Introduction

This lesson will help you prepare an accurate return for taxpayers who have business income, including self-employment income. Form 1040 is used to report income from a business or profession operated as a sole proprietor or independent contractor.

Preparation of tax returns with Schedule C, Profit or Loss From Business (Sole Proprietorship), are in scope for VITA/TCE under certain limited conditions and with expenses of $25,000 or less.

This lesson covers recordkeeping requirements for taxpayers with business income and expenses. Refer to Publication 583, Starting a Business and Keeping Records, for more information. You will learn how business income affects eligibility for certain tax credits.

Objectives

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

- Determine how to report business income
- Determine what business expenses are within the scope for the VITA/TCE programs
- Identify “red flags” when preparing a Schedule C return with earned income credit (EIC)
- Determine what records to maintain

Where do I get business income information?

Business income information may come from the following:

- Forms 1099-MISC, Miscellaneous Income, box 7, Nonemployee Compensation
- Forms W-2, Wage and Tax Statement, with Statutory Employee checked in box 13
- Taxpayer’s books and records
- Forms 1099-K, Payment Card and Third Party Network Transactions

Based on your interview and the completion of the taxpayer’s intake and interview sheet, you may discover that the taxpayer or spouse had business income from being self-employed or working as an independent contractor. Taxpayers are self-employed if they carry on an unincorporated trade or business as a sole proprietor or independent contractor. These taxpayers may not have income statements for their business income and expenses. The information to prepare their tax return comes from their records.

Carefully review the intake and interview sheet and ask follow-up questions to determine if the taxpayer or spouse had business income. Taxpayers may not think of themselves as “self-employed” if they have a small home business or work part-time as an independent contractor.
Income received from all sources in a self-employed taxpayer’s business must be reported, unless excluded by law.

**Cash Income**

Some taxpayers may indicate that they received cash income for self-employment activity. This income must be reported, unless excluded by law.

If taxpayers do not have adequate records of the cash income they received, you may be able to assist them with simple record reconstruction. See the section on reconstructing records later in this lesson.

**Form 1099-MISC, Miscellaneous Income**

Taxpayers who are independent contractors should receive Form 1099-MISC showing the income they earned from payers who are required to file Forms 1099. The amount from Form(s) 1099-MISC, along with any other business income payments, are reported on their tax return.

A taxpayer does not have to conduct regular full-time business activities to be self-employed. Having a part-time business in addition to a regular job or business may be self-employment. Ask for any Form(s) 1099-MISC that document this income. Subcontractors or individuals (including for-hire drivers) who receive less than $600 may not receive Form 1099-MISC, but still must report all cash income. Also ask for documentation of any business income that was not reported on Form W-2 or Form 1099-MISC (e.g., payments received from individual clients who do not need to file Form 1099).

**Example**

Tim works as an independent contractor for ABC Construction Company. The company sent Tim a Form 1099-MISC that shows he received $15,000 for the work he did for them. He also received cash payments of $4,000 from several different individuals for the work he completed. He did not receive Forms 1099-MISC for the $4,000. Tim must include the $4,000 cash payments as self-employment income along with the $15,000 from Form 1099-MISC.

**Form 1099-K Income**

Form 1099-K may be used to report income for taxpayers who use their automobiles for hire or ride share services such as Uber, Lyft, Sidecar, etc. Taxpayers may not receive the Form 1099-K if the amount is less than $600, but the amount received must still be reported.

**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.
If the taxpayer received payments described in Notice 2014-7 on or after January 3, 2014, then the taxpayer may exclude the income as provided in Notice 2014-7 for 2014 and later years.

The taxpayer may file a Form 1040X, Amended U.S. Individual Income Tax Return, if the taxpayer received payments described in Notice 2014-7 in an earlier year and the time for claiming a credit or refund is still open. Generally, for a credit or refund, the taxpayer must file Form 1040X within three years (including extensions) after the date the taxpayer filed their original return or within two years after the date the taxpayer paid the tax, whichever is later.

In Part III of Form 1040X, the taxpayer should explain that the payments may be excluded under Notice 2014-7. Excluding payments described in the notice in an earlier year may affect deductions or credits that were claimed for the earlier year, as well as other tax items for the earlier year.

For more information, go to irs.gov and search “Certain Medicaid Waiver Payments.”

**How is business income reported?**

**Form 1040**

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

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

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

<table>
<thead>
<tr>
<th>Definition of Terms</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business expenses</td>
<td>Business expenses are amounts that are ordinary and necessary to carry on</td>
</tr>
<tr>
<td></td>
<td>the business.</td>
</tr>
<tr>
<td>Cash method of accounting</td>
<td>The cash method of accounting reports all income when received and deducts</td>
</tr>
<tr>
<td></td>
<td>all expenses when paid.</td>
</tr>
<tr>
<td>Inventory</td>
<td>Inventory is the items the taxpayer buys or makes for resale to others.</td>
</tr>
<tr>
<td></td>
<td>Taxpayers with inventories should be referred to a professional tax preparer.</td>
</tr>
<tr>
<td>Depreciation</td>
<td>The cost of items that are expected to last more than a year should be spread</td>
</tr>
<tr>
<td></td>
<td>over a period of years rather than deducted in the year of purchase.</td>
</tr>
<tr>
<td></td>
<td>If the taxpayers have such a cost, they should be referred to a professional tax preparer.</td>
</tr>
<tr>
<td>Election to expense business assets</td>
<td>An election is available to immediately expense qualifying business assets.</td>
</tr>
<tr>
<td></td>
<td>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 $25,000 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, or paid 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
- Do not have prior year unallowed passive activity losses from this business

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:
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 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
- Taxpayers who have transactions using Bitcoins or other virtual currencies
- 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

TAX LAW APPLICATION

To gain a better understanding of the tax law, complete the comprehensive problem or practice exercise(s) for your course of study on TaxSlayer.

For practice using the tax preparation software, complete the scenarios 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.
Answer 1: A. Never change the sales price.

Answer 2: A. Only Marriah sold stock and received Form 1099-B.

Answer 3: Yes. Emily meets the ownership and use test because she owned and lived in the home for at least two years of the five-year period ending on the date of the sale.

Answer 4: C. The only circumstance that will allow John to exclude the gain is if he can extend the five-year period due to official extended military duty.
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.
Employer-sponsored retirement plans such as 401(k)s can make loans and hardship distributions to an individual whose principal place of abode is located in a federally declared disaster area and who has sustained an economic loss by reason of Hurricane Harvey, Irma, or Maria under Public Law 155, H.R. 3823 Disaster Tax Relief and Airport and Airway Extension Act of 2017, which was passed September 29, 2017 or a federally declared disaster in 2018, 2019 or 60 days from the December 30, 2020 enactment date of Public Law 116-94 H.R. 1865, Further Consolidated Appropriations Act, 2020. Provisions specified in these legislations allow impacted individuals to obtain tax-favored withdrawals from retirement plans, by providing an exception to the 10 percent early retirement plan withdrawal penalty for qualified disaster relief distributions, providing favorable repayment terms over 3 years, and allowing taxpayers the option of spreading out income inclusion resulting from such withdrawals over a 3-year period. These options require the completion of Form 8915-B, Qualified Disaster Retirement Plan Distributions and Repayments, and/or Form 8606, Nondeductible IRAs, and are out of scope for the VITA/TCE programs.

For more information about other tax relief related to Hurricane Harvey, Hurricane Irma, and other disasters, see the IRS disaster relief page. For information on government-wide relief efforts, visit usa.gov.

**Form 1099-R Series**

Retirement income can be reported on:

- 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,
- 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.

**CAUTION** 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.

**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.

**Tax Software Hint:** Refer to the Volunteer Resource Guide, Tab D, Income, Form 1099-R Pension and Annuity Income.

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
Income – Other Income

Introduction

This lesson will help you determine other forms of income and how to report other sources of income. Part of the lesson is for all course levels and part is only for the International level.

The International part of this lesson will help you report income earned from worldwide sources. To do this, you need to be able to identify the type of income and, if reportable, convert it to the equivalent U.S. dollar value of the foreign currency.

This lesson will cover the foreign earned income exclusion reported on Form 2555, Foreign Earned Income.

Objectives

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

• Other types of income and how to report other sources of income
• Determine the requirements for the cancellation of debt on nonbusiness credit card debt when preparing tax returns
• Determine when canceled credit card debt is included in gross income on Form 1040
• How to properly report income earned from worldwide sources
• Who is eligible for the foreign income exclusion and how to calculate the excludable amount using Form 2555, Foreign Earned Income

How do I handle other income?

Income that does not have its own line on Form 1040 is generally reported on the Form 1040, Schedule 1. Here are examples:

• Prizes and awards
• Gambling winnings, including lotteries and raffles
• Jury duty pay
• Alaska Permanent Fund dividends
• Nonbusiness credit card debt cancellation

Even if the taxpayer does not receive an income document from the payer, the taxpayer is required to report the income.

If you are unsure about sources of other income, consult the Volunteer Resource Guide, Tab D, Income, and Publication 17, Other Income, or discuss the income item with your Site Coordinator.

Use the interview techniques and tools discussed in earlier lessons to ensure that all taxable income has been included.
Health Savings Accounts (HSA)

HSA distributions not used to pay or reimburse the taxpayer for qualified medical expenses are generally reported as additional income on Form 1040, Schedule 1. This topic is not covered in this lesson. It is covered in a specialty course on Link & Learn taxes for volunteers with a Basic or higher certification. This online course is optional. Check with your Site Coordinator to determine if you should be certified in this topic. To access this course and earn a certification, go to irs.gov and use the keyword/search “Link & Learn.”

What are some examples of other income?

Gambling Winnings

The taxpayer may receive one or more Forms W-2G reporting gambling winnings. Total gambling winnings must be reported as other income. If the taxpayer also had gambling losses, the losses can only be deducted on Schedule A. See the Itemized Deductions lesson for more details.


Cash for Keys Program

Cash for Keys Program income, which is taxable, is income from a financial institution, offered to taxpayers to expedite the foreclosure process. The taxpayers should receive Form 1099-MISC with the income in box 3.

Inmate's Income

Amounts received for work performed while an inmate is in a penal institution aren’t earned income for the earned income credit. This includes amounts received for work performed while in a work release program or while in a halfway house. Any amount received for work done while an inmate in a penal institution is included in wages. See the Volunteer Resource Guide, Tab D, Income, for instructions on entering penal income in the software.

Under the PATH Act, a wrongfully incarcerated individual does not include in income any civil damages, restitution, or other monetary award received that relates to his or her incarceration.

Qualified Medicaid Waiver Payments

IRS Notice 2014-7 addresses the income tax treatment of certain payments to an individual care provider under a state Home and Community-Based Services Waiver (Medicaid waiver) program. The notice provides that “qualified Medicaid waiver payments,” as defined in the notice, may be excluded from gross income. Qualified Medicaid waiver payments are payments by a state, a political subdivision of a state, or a certified Medicaid provider under a Medicaid waiver program to an individual care provider for nonmedical support services provided under a plan of care to an individual (whether related or unrelated) living in the individual care provider’s home. Payments to a care provider who did not live in the same home as the care recipient are fully taxable.

If a taxpayer received payments described in Notice 2014-7, the taxpayer may receive a Form 1099-MISC reporting these payments in box 3, Other income, in box 6, Medical and health care payments, or in box 7, Nonemployee compensation. Generally, an amount reported in one of these boxes of Form 1099-MISC is included as income on the tax return. However, qualified Medicaid waiver payments may be excluded from gross income. If a taxpayer is filing a paper return, and the amount is “Other Income,” enter “Notice 2014-7” on the dotted line next to the other income line of Form 1040, Schedule 1. Refer to the Volunteer Resource Guide for specific software instructions.
If the taxpayer is in the business of providing care services, refer to the business income lesson earlier in this publication.

If the taxpayer received a Form W-2 with the amount of the payments reported in box 1, include the full amount of those payments on Form 1040 on the wages line. Enter the excludable portion of the payments as a negative amount on the other income line on Form 1040, Schedule 1. This entry will reduce adjusted gross income. If filing a paper return, enter “Notice 2014-7” on the dotted line next to the Other income line. No additional entry is needed if filing an electronic return. Refer to the Volunteer Resource Guide, Tab D, Income, for specific software instructions.

For more information, go to irs.gov and search “Certain Medicaid Waiver Payments.”

**Are distributions from ABLE accounts taxable?**

A qualified ABLE program is a program established and maintained by a state agency under which a person may make cash contributions to an ABLE account to pay for the qualified disability expenses of an eligible individual (the designated beneficiary). Qualified beneficiaries can have only one ABLE account. Contributions are made in after-tax dollars and can be made by any person. Contributions must be made in cash and are not deductible for federal income tax purposes.

Distributions from an ABLE account that do not exceed the qualified disability expenses of the beneficiary during the taxable year are excluded from gross income. A distribution from an ABLE account that exceeds the qualified disability expenses of the beneficiary is included in the beneficiary’s gross income and is subject to an additional tax of 10% imposed on the amount not used for qualified disability expenses. Taxable distributions from ABLE accounts are out of scope.

Qualified disability expenses include: education, housing, transportation, employment training and support, assistive technology and personal support services, health, prevention and wellness, financial management and administrative services, legal fees, expenses for oversight and monitoring, funeral and burial expenses.

Form 1099-QA, Distributions from ABLE Accounts, is used to report distributions from an ABLE Account.

**Are distributions from an Educational Savings Account (ESA), such as a Coverdell ESA and a 529 plan, taxable?**

Distributions from Coverdell ESAs and Qualified Tuition Plans (QTPs) are reported on Form 1099-Q, Payments From Qualified Education Programs (Under Sections 529 and 530). Coverdell ESA distributions can be used to pay for qualified elementary, secondary, and postsecondary expenses. QTP distributions now include qualified educational expenses for elementary and secondary public, private, and religious schools of up to $10,000 per year for each qualified beneficiary.

A portion of the distributions is generally taxable to the beneficiary if the total distributions are more than the beneficiary's adjusted qualified education expenses for the year. Qualified education expenses are discussed in more detail in the Education Credits lesson.

The taxable portion is the amount of the excess distribution that represents earnings that have accumulated tax free in the account. The taxable amount must be reported as other income on the tax return. Taxable distributions from ESAs and QTPs are out of scope.

For additional information about educational savings accounts, distributions, and qualified education expenses, refer taxpayers to Publication 970, Tax Benefits for Education.
An American opportunity credit or lifetime learning credit or tuition and fees deduction (if extended) can be claimed in the same year the beneficiary takes a tax-free distribution from a QTP or Coverdell ESA, as long as the same expenses are not used for both benefits. See Publication 17 and Publication 970, Tax Benefits for Education, for more details.

Cancellation of Debt – Nonbusiness Credit Card Debt

Generally, if a taxpayer receives Form 1099-C for canceled credit card debt and was solvent (assets greater than liabilities) immediately before the debt was canceled, all the canceled debt will be included on the tax return as other income.

Sometimes, Form 1099-C will show an interest amount in box 3. Because only nonbusiness credit card debt income is in scope, any interest on the account would not have been deductible. The amount shown in box 3 is included in box 2; therefore, the full amount shown in box 2 should be reported as other income.

**example**

John made a deal with his credit card company to pay $2,000 on his $7,000 balance, and the company agreed to take it as payment in full. In January of the current year, John received a Form 1099-C from his credit card company reporting $5,000 (the amount of debt canceled). John was solvent immediately before the debt was canceled. John must include the entire $5,000 as other income on his tax return.

Lenders and creditors are required to issue Form 1099-C if they cancel a debt of $600 or more. If the debt canceled is less than $600, some lenders or creditors may send a letter or some other form of notification to the taxpayer. Generally, taxpayers must include all canceled amounts (even if less than $600) in income.

Insolvency (Out of Scope for VITA/TCE)

Insolvency is a condition in which the fair market value (FMV) of all assets is less than one’s liabilities. The amount or level of insolvency is expressed as a negative net worth.

For purposes of determining insolvency, assets include the value of everything owned (including assets that serve as collateral for debt and exempt assets which are beyond the reach of creditors under the law, such as an interest in a pension plan and the value of a retirement account).

Liabilities are amounts owed and include:

- The entire amount of recourse debts
- The amount of nonrecourse debt that is not in excess of the FMV of the property and is security for the debt

Use the Insolvency Determination Worksheet as a resource to determine whether a taxpayer is considered insolvent.
Tax Software Hint: Tax is automatically calculated based on previous entries. It is important to enter all income, deduction, and credit information correctly for the tax to be computed accurately. The tax software also calculates the standard deduction amount and applies any limitations in determining the tax.

Please see the Affordable Care Act (ACA) lesson contained in this publication for additional information on calculating the Excess Advanced Premium Tax Credit.

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 the tax rates applicable to trusts and estates. For this purpose, “unearned income” includes all taxable income other than earned income, such as taxable interest, ordinary dividends, capital gains, rents, royalties, etc. It also includes taxable Social Security benefits, pension and annuity income, taxable scholarship and fellowship grants not reported on Form W-2, unemployment compensation, alimony, and income received as the beneficiary of a trust. If the child’s unearned income is more than the ceiling amount, and the child is required to file a tax return, Form 8615, Tax for Certain Children Who Have Unearned Income, must be used to figure the child’s tax. (See the Volunteer Resource Guide for the ceiling amount.)

Further Consolidated Appropriations Act, 2020 changed the tax rate used in calculation of the kiddie tax. It applies to taxable years beginning after December 31, 2019. A taxpayer may elect to apply this calculation to taxable years 2018, 2019, or both. The taxpayer may benefit from making this election. If the taxpayer makes this election, the return is out of scope.

example

Morgan (age 19) is a full-time student and earned $2,000 working at the local mall. She also had $1,100 of interest income. She received a scholarship of $4,000. Her tuition and fees for the year were $4,000. She decides to include $4,000 of the scholarship as income on her return allowing her education expenses to be used for one of the education credits. Since Morgan included the scholarship as income on her return, she will be required to complete Form 8615 to figure her tax because the $4,000 scholarship income is unearned income for the Kiddie Tax and more than ceiling amount.

When must Form 8615 be filed?

Form 8615 must be filed for the child 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.
4. At least one of the child's parents was alive at the end of the tax year.
5. The child does not file a joint return for the tax year.

What is the deduction for qualified business income (QBI)?

For taxable years beginning after December 31, 2017 and before January 1, 2026, there is a deduction for
"pass through" businesses. Sole proprietors are categorized as "pass through" businesses.

- A sole proprietor will be able to take up to 20% of qualified business income (QBI) as a deduction on the tax return
- The calculations on Schedule C and Schedule SE are not affected by the deduction
- Taxable income is not reduced below zero by the 20% deduction
- The 20% deduction is limited for higher incomes
- 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) 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.

**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. 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 required to complete Form 8615 to compute the tax. This is in scope, but limited to students who include unearned income such as scholarships/grants as income on the return.

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 comprehensive problem or practice exercise(s) for your course of study on TaxSlayer.

For practice using the tax preparation software, complete the scenarios 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
Miscellaneous Deductions

Only gambling losses to the extent of gambling winnings and certain other items are in scope as miscellaneous deductions.

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

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

- Casualty and theft losses
- Investment interest
- Form 1098-C, Contributions of Motor Vehicles, Boats and Airplanes
- Taxpayers affected by limits on charitable deductions
- Taxpayers that file Form 8283 to report noncash contributions of more than $500
- If the taxpayer is donating property that was previously depreciated
- If the taxpayer is donating capital gain property such as appreciated stock or artwork
- Repayment of income over $3,000. Note there is also a credit that may be better – see Publication 525, Taxable and Nontaxable Income
- Loss or termination of an annuity by a deceased annuitant – see Publication 575, Pension and Annuity Income

TAX LAW APPLICATION

To gain a better understanding of the tax law, complete the comprehensive problem or practice exercise(s) for your course of study on TaxSlayer

For practice using the tax preparation software, complete the scenarios using the Practice Lab on L&LT.

EXERCISE ANSWERS

Answer 1: The total of qualified medical and dental expenses is $3,250, which does not include life insurance premiums, vitamins, or reimbursed hospital expenses.

Answer 2: B. State, local, foreign income tax, and real estate taxes are all deductible on Schedule A.

Answer 3: B, C, and D. Taxpayers cannot deduct a tax they did not owe, did not pay, or that they paid during another year. However, the tax may have been imposed in a prior year.

Answer 4: $2,180. The only interest that is fully deductible for the tax year is Joe and Angela’s home mortgage interest. The points they paid to refinance are not deductible because they don’t qualify as interest, and the other interest paid was personal interest and is not deductible.

Answer 5: The amount that Julia can claim as deductible cash contributions is $632 (donations to her church and to the Girl Scouts). Bingo, lottery tickets, and donations to individuals in need are not deductible.

Answer 6: Zero. None of these expenses are qualified miscellaneous itemized deductions.
What about self-employment income?

Net earnings from self-employment are considered earned income. For most taxpayers within the scope of the VITA/TCE programs, “net earnings” for EIC purposes will be the amount reported as business income minus the deductible portion of the self-employment tax that is reported on Form 1040, Schedule 1.

**Example**

Jeff’s self-employment income reported on Form 1040 is $2,000. The deductible portion of his self-employment tax, which is recorded on Schedule 1 of Form 1040, is $142.

His income for EIC purposes is $2,000 – $142 = $1,858.

**Reminder:** Nonwage income received for doing work (such as for side jobs or contract labor) is self-employment income, even for taxpayers who do not think of themselves as “self-employed.” **All self-employment income and expenses are required** to be reported on Schedule C, Profit or Loss from Business. Taxpayers not meeting the VITA/TCE programs’ requirements for filing Schedule C will need to seek the assistance of a professional tax preparer.

**TIP** An IRS certified volunteer tax preparer must exercise due diligence when preparing or assisting in the preparation of, approving, and filing tax returns. Although a volunteer tax preparer may rely on good faith on information provided by the taxpayer without requiring documentation as verification, the tax preparer must ask questions if the information furnished appears to be incorrect, inconsistent, or incomplete.

What about household employee income?

Domestic employees such as housekeepers are only issued Form W-2 if their earnings are more than a certain amount. Refer to Publication 926, Household Employer’s Guide, for tax year amounts. The income should be added to wages on Form 1040. This income should also be included when calculating the EIC.

**Earned income not qualifying for the EIC**

One income item that is reported on Form W-2 but does not qualify as earned income for EIC purposes, is income received for work performed while an inmate in a penal institution. Generally, excluded income is not earned income for EIC purposes. Refer to the Volunteer Resource Guide, Tab I, Earned Income Credit.

**Tax Software Hint:** Income received for work while an inmate is in a penal institution must be entered in the Other Income section, Other Compensation, then Prisoner Earned Income line.

**EXERCISES**

Use the Summary of EIC Eligibility Requirements Chart in the Volunteer Resource Guide, Tab I, Earned Income Credit, to answer the following questions. Answers follow the lesson summary.

**Question 1:** A taxpayer is filing as Married Filing Separately. Does this taxpayer qualify for the EIC?

- Yes
- No

**Question 2:** A taxpayer has interest income of $4,500. His earned income is only $7,000. He is single, has a valid Social Security number and is not the qualifying child of anyone else. Does he qualify for the EIC?

- Yes
- No
What are the rules for taxpayers with qualifying children?

The taxpayer can file Form 1040 to claim the EIC with a qualifying child. The taxpayer has a qualifying child for EIC purposes if the child meets all the tests outlined in the Volunteer Resource Guide, Tab I, Earned Income Credit. A short version of the rules is shown in Part B, Rules If You Have a Qualifying Child. A detailed version is on the next page of the Volunteer Resource Guide.

example

Jane, 31, and Todd, 33, have an 8-year-old daughter, Amanda. All are U.S. citizens and have valid SSNs. Jane and Todd have never been married. Jane and Amanda lived together all year in an apartment. Todd lived alone. Jane earned $15,000 working as a clerk in a clothing store. Todd is an assistant manager of a hardware store and earned $48,000. He paid over half Jane’s rent and utilities, and also gave Jane extra money for groceries.

Todd does not pay any expenses or support for any other family member. Although Todd provided over half the cost of a home for Jane and Amanda, he cannot file Head of Household and he cannot claim the child for EIC, since Amanda did not live with him more than half the year. Jane cannot file as Head of Household either. Review the Filing Status for Head of Household rules in the Volunteer Resource Guide, Filing Status tab.

Jane is the only one who can claim Amanda as a qualifying child for EIC. Review the Earned Income Credit rules in the Volunteer Resource Guide, Tab I, Earned Income Credit.

TIP

For EIC purposes, a qualifying child does not have to be the taxpayer’s dependent (unless the child is married). In the case of divorced or separated parents, the custodial parent (with whom the child lived for more than half the year) can qualify for the EIC regardless of whether or not they claim the child as a dependent. The noncustodial parent cannot qualify for EIC because the child did not live with them for more than half the year.

What are the rules for a qualifying child of more than one person?

A child who meets the conditions to be a qualifying child of more than one person can only be claimed by one taxpayer for the EIC.

Using the EIC With a Qualifying Child Chart from the Volunteer Resource Guide, Tab I, Earned Income Credit, based on what we have learned so far about Robyn and her family:

example

Robyn is 25 years old. She and her 2-year-old son, Aiden, lived with Robyn’s mother all year. Aiden has a valid Social Security number.

Step 1 is YES
Step 2 is YES
Step 3 is YES
Step 4 is NO
Step 5 is YES

TIP

Taxpayers have the option to choose which taxpayer will claim the child. Tiebreaker rules apply when the child is claimed by multiple taxpayers.

For Step 6, check to see if Aiden can be anyone else’s qualifying child, for EIC purposes.

Who else lived in the house that is related to Aiden? Robyn’s mother also lives with them. Go through the steps to see if Aiden can be a qualifying child for Robyn’s mother.
### 2019 Form 4704-FS, VITA/TCE Foreign Student Test

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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.
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Introduction

This segment of the VITA/TCE certification test includes 7 true/false and 14 scenario-based multiple choice questions on taxability of income, ITINs, and credits.

Allow approximately 45 minutes to complete this segment.

18. Stefan, who is a nonresident alien and is in the United States in J-1 immigration status, spent $4,000 on qualifying tuition and educational expenses. He is eligible to claim an education credit on his tax return.
   a. True
   b. False

19. Ian received $492 of interest on his personal bank account. He is an international student from Ireland in F-1 immigration status. He arrived in the United States in 2017. Ian’s interest income is taxable in the U.S.
   a. True
   b. False

20. Siobhan and Liam are a married nonresident alien couple from Ireland. Both are in the U.S. in F-1 immigration status and arrived in 2019. They paid $1,500 in child care expenses for their child who was born in the United States and is a U.S. citizen. They will be able to claim these expenses on a U.S. tax return.
   a. True
   b. False

21. Fei is in J-1 student immigration status from the Republic of China. She earned $4,995 in wages in 2019. Her wages are reported to her on Form 1042-S (box 1, Income Code 20). Fei will have to report these as taxable wages.
   a. True
   b. False

22. Ron is here in J-1 student immigration status as of August 1, 2019. Under the terms of his visa, he is permitted to work in the U.S. Ron qualifies for a Social Security number and should not apply for an ITIN.
   a. True
   b. False
23. Vlad, in F-1 student immigration status from Ukraine, is on the basketball team. He arrived in the U.S. on June 18, 2019 on a full athletic scholarship that includes payments for his room and board. The amount of his scholarship for room and board is taxable.

Note: Please select b. False as the correct answer. There is a treaty benefit/exemption with Ukraine that allows the student to exempt the scholarship income.

a. True
b. False

24. Seiko is in the U.S. in F-1 immigration status. She arrived from Japan on August 6, 2016. Seiko worked in the library and earned $900 in wages and had federal income tax withholding of $50. Seiko needs to file Form 1040-NR-EZ and Form 8843.

a. True
b. False

Scenario 2: Rachel Bell

Use the following information to prepare Form 1040-NR-EZ.

Rachel Bell, a citizen of Israel, came to the United States in F-1 immigration status (number 3344123344) on August 1, 2017.

She has remained in the country since then and is a full-time student at the local university. Rachel, born September 25, 1999, is single. She began working at the university on January 10, 2019. She filed the proper withholding and treaty forms with the university payroll office before beginning her job. Rachel has not filed a U.S. tax return in any prior year.

Rachel's address in Israel is 240 Main St., Tel Aviv, Israel. If she is entitled to a refund, she wants a direct deposit to her checking account. The routing number is 123456789 and the account number is 98765432100. She doesn’t want to designate anyone to discuss her return with the IRS. She did not take any affirmative steps to apply for permanent residence in the U.S. Rachel’s U.S. income will not be taxed in her home country.

Using the following information (Form 1042-S and Form W-2), complete Rachel's federal income tax return. (Rachel would also need to file Form 8843, but assume that she has already completed that on her own.)

After completing the required tax form, review the scenario and resource materials, and answer each of the test questions.
## 2019 Form 6744, VITA/TCE Volunteer Assistor’s Test/Retest

### Form 6744

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| 63 | Add the following to question 10:  
**Note:** Please select a. True as the correct answer. Year-end legislation changed the medical expense deduction floor to 7.5%.  
| 64 | No change.  
| 85 | No change.  
| 86 | Under **Directions** and before **Interview Notes**, add:  
For the purpose of these scenario questions only, ignore the VITA/TCE total business expense limitation for Schedule C.  
| 97 | No change.  
| 98 | Add the following to question 10:  
**Note:** Please select b. 7.5% as the correct answer. Year-end legislation changed the medical expense deduction floor to 7.5%.  
| 119 | No change.  
| 120 | **Military Scenario 3: Retest**, Question 8, change answer selection d. from “285” to: 286  
| 125 | No change.  
| 126 | **International Scenario 3: Interview Notes**, third bullet under Income, change the amount of foreign taxes paid on Michelle’s part time wages from $500 to: $150  
| 141 | Under **Interview Notes**, in the sixth bullet, change “rollover” to: transfer  
| 142 | No change.  
| 151 | Under **Interview Notes**, in the sixth bullet, change “rollover” to: transfer  
| 152 | No change.  
| 155 | No change.  
| 156 | Add the following to question 7:  
**Note:** Please select c. 7.5% as the correct answer. Year-end legislation changed the medical expense deduction floor to 7.5%.  
| 157 | Add the following to question 8:  
**Note:** Please use the updated 7.5% medical expense deduction floor to calculate this answer.  
Change answer b. from $18,300 to $19,800.  
| 158 | Under **Directions** and before **Interview Notes**, add:  
For the purpose of these scenario questions only, ignore the VITA/TCE total business expense limitation for Schedule C.  
| 165 | Add the following to question 7:  
**Note:** Please select b. False as the correct answer. Year-end legislation changed the medical expense deduction floor to 7.5%.  
Add the following to question 8:  
**Note:** Please use the updated 7.5% medical expense deduction floor to calculate this answer.  
| 166 | No change.  
| 175 | Add this disclaimer for question 23:  
**Note:** Please select b. False as the correct answer. There is a treaty benefit/exemption with Ukraine that allows the student to exempt the scholarship income.  
| 176 | No change.  

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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.
Advanced Scenario 5: Test Questions

10. Archie can claim total deductible medical expenses that exceed 7.5% of his adjusted gross income.
   
   **Note:** Please select A. True as the correct answer. Year-end legislation changed the medical expense deduction floor to 7.5%.
   
   a. True
   b. False

11. What is the total amount of state income and real estate taxes deductible on Archie’s Form 1040, Schedule A?
   
   a. $14,597
   b. $14,547
   c. $10,000
   d. $9,507

12. Which of the following is Archie able to claim as a deduction on his Form 1040, Schedule A?
   
   a. Investment expense
   b. Tax preparation fee
   c. Gambling losses
   d. None of the above
Advanced Scenario 6: Jennifer Morrison

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

• Jennifer was divorced from her husband in 2014 and has not remarried.

• Jennifer provided the entire cost of maintaining the household and over half of the support for her children, Carla and Ollie, in 2019.

• Jennifer claimed earned income credit (EIC) for Ollie and Carla in 2016, but they lived with their father for 8 months that year. Jennifer received a letter from Internal Revenue Service disallowing EIC for tax years 2017 and 2018.

• Jennifer is a full-time kindergarten teacher and spent $350 to buy books and supplies for her class.

• Ollie attended daycare while Jennifer worked.

• In August 2019, Jennifer’s daughter, Carla, enrolled in college to pursue a bachelor’s degree. She had no previous post-secondary education. Yuma College is a qualified educational institution.

• Carla does not have a felony drug conviction.

• Jennifer brought a Form 1098-T and an account statement from the college. Carla’s purchases at the college bookstore were for course-related books.

• The terms of Carla’s scholarship require that it be used to pay for tuition.

• Jennifer received a Form 1099-C for canceled credit card debt. Using the insolvency determination worksheet in Publication 4012, Jennifer determined the value of her assets exceeded her liabilities and that she was solvent at the time the credit card debt was canceled.

• Jennifer purchased her own health insurance through the Marketplace. She received Form 1095-A. Carla and Ollie were on their father’s health insurance plan through his employer all year.
27. What is the total federal income tax withholding reported on the Matthews' Form 1040?
   a. $2,803
   b. $3,974
   c. $5,056
   d. $6,778
Advanced Scenarios

Advanced Scenario 8: Ramon Torrez

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.

For the purpose of these scenario questions only, ignore the VITA/TCE total business expense limitation for Schedule C.

Interview Notes

• Ramon works as a self-employed ride share driver.
  – Ramon is a cash-basis taxpayer who materially participates in the operation of his business. He did not make any payments that would require him to file Form 1099.
  – Ramon uses business code 485990.
  – Ramon had no prior year unallowed losses.
• He received Form 1099-MISC and Form 1099-K from the ride share company. He had an additional $2,745 in cash tip income from individual customers NOT included on the Forms 1099.
• Ramon provided a statement from the ride share company that indicated the amount of mileage driven and fees paid for the year. These fees are considered ordinary and necessary for the ride share business.
  – 30,200 miles driven while transporting customers.
  – Ride share fee: $4,800
  – Safe driver fee: $140
  – Airport fee: $515
  – GPS device fee: $320
• Ramon’s recordkeeping application shows he drove 5,830 miles between rides; 2,700 miles driven between his home and his first and last customer of the day. He had the following miscellaneous expenses:
  – Snacks for customers: $280
  – Auto deodorizers: $15
  – Phone chargers for customer use only: $120
  – Meals eaten while waiting for customers: $1,200
• The total mileage on his car for 2019 was 44,730 miles, of that 6,000 was personal miles. He placed his car, a 2016 sedan, in service on January 6, 2017. He always takes the standard mileage rate. This is Ramon’s only car and it was available for personal use.
• Ramon found his Form 1098-E online stating he paid $3,600 in student loan interest in 2019.
• Ramon did not have any health insurance for the year.
• Ramon received a CP01-A Notice assigning him an identity protection personal identification number (IP PIN). His IP PIN is 357900.
Advanced Scenario 4: Ramon Torrez

Interview Notes

- Ramon works as a self-employed ride share driver.
  - Ramon is a cash-basis taxpayer who materially participates in the operation of his business. He did not make any payments that would require him to file Form 1099.
  - Ramon uses business code 485990.
  - Ramon had no prior year unallowed losses.
- He received Form 1099-MISC and Form 1099-K from the ride share company. He had an additional $2,745 in cash tip income from individual customers NOT included on the Forms 1099.
- Ramon provided a statement from the ride share company that indicated the amount of mileage driven and fees paid for the year. These fees are considered ordinary and necessary for the ride share business.
  - 30,200 miles driven while transporting customers.
  - Ride share fee: $4,800
  - Safe driver fee: $140
  - Airport fee: $515
  - GPS device fee: $320
- Ramon’s recordkeeping application shows he drove 5,830 miles between rides; 2,700 miles driven between his home and his first and last customer of the day. He had the following miscellaneous expenses:
  - Snacks for customers: $280
  - Auto deodorizers: $15
  - Phone chargers for customer use only: $120
  - Meals eaten while waiting for customers: $1,200
- The total mileage on his car for 2019 was 44,730 miles, of that 6,000 was personal miles. He placed his car, a 2016 sedan, in service on January 6, 2017. He always takes the standard mileage rate. This is Ramon’s only car and it was available for personal use.
- Ramon found his Form 1098-E online stating he paid $3,600 in student loan interest in 2019.
- Ramon did not have any health insurance for the year.
- Ramon received a CP01-A Notice assigning him an identity protection personal identification number (IP PIN). His IP PIN is 357900.

Advanced Scenario 4: Sandra Clark

Interview Notes

- Sandra Clark is 45 years old.
- Sandra works as a clerk and earned $27,500 in 2019.
- Sandra’s daughter, Debbie, is 26 years old and she is not disabled.
- Debbie lived with Sandra as a member of her household for all of 2019.
- Debbie works as a receptionist and earned $18,250 in 2019.
- Sandra purchased health insurance coverage for herself and Debbie on the same policy from the Marketplace for all of 2019.
- Sandra received Form 1095-A from the Marketplace showing that she and Debbie are both covered individuals for all of 2019.

Advanced Scenario 4: Retest Questions

8. Debbie qualifies as Sandra’s dependent.
   a. True
   b. False

9. Sandra and Debbie have a shared policy. Information on the Form 1095-A must be allocated between their two tax returns. Both of their returns are out of scope.
   a. True
   b. False
Advanced Scenario 5: Archie Hamilton

Interview Notes

- Archie Hamilton is 45 years old and single.
- Archie had wage income of $55,000. He also had gambling winnings of $1,000.
- He is not sure if he should itemize or take the standard deduction.
- Archie paid the following:
  - $5,200 qualifying home mortgage interest.
  - $9,507 for real estate taxes.
  - $5,040 for state income taxes withheld in 2019.
  - Unreimbursed doctor and dentist bills in the amount of $7,000.
  - Unreimbursed prescription drugs for $14.
  - Vitamins for $120.
  - A statement received from his church showing donations made throughout the year totaling $1,200.
  - Receipts for donations of furniture and clothing in good, used condition to Goodwill. The total estimated fair market value is $100.
  - Tax preparation fee of $315 for his 2018 tax return.
  - $50 paid in 2019 on his 2018 balance due state income tax return.
  - $45 investment expense
  - $250 in gambling losses

Advanced Scenario 5: Retest Questions

10. Archie can claim total deductible medical expenses that exceed what percentage of his adjusted gross income?

   Note: Please select b. 7.5% as the correct answer. Year-end legislation changed the medical expense deduction floor to 7.5%.

   a. 2.0%
   b. 7.5%
   c. 10%
   d. No limit

11. What is the total amount of state income and real estate taxes that Archie is allowed to deduct on his Form 1040, Schedule A? $________.

12. Archie can claim his 2018 tax preparation fee as a miscellaneous deduction on Form 1040, Schedule A.

   a. True
   b. False
Military Scenario 2: Alfred Booker

Interview Notes

- Alfred Booker is a retired member of the U.S. Armed Forces.
- He received Form 1099-R from the Defense Finance & Accounting Service.
- Form 1099-R indicates $22,000 in box 1 and box 2a.
- Alfred is considered 100% disabled and received a letter of determination from the Department of Veterans Affairs (VA).
- He received a payment in the amount of $8,500 from the VA for disability.

Military Scenario 2: Retest Questions

5. Which of the following documents are issued by the VA for disability payments?
   a. Forms W-2 or 1099-R, depending on the type of disability.
   b. Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
   c. Form W-2, Wage and Tax Statement.
   d. No tax form is required to be issued. However, Alfred may receive a statement.

6. Is the $8,500 Alfred received from the VA taxable?
   a. Yes
   b. No
Military Scenario 3: Jacob and Anne Todd

Interview Notes

- Jacob and Anne Todd are married and have a five-year-old child who lived with Anne all year. The entire family lives in the U.S.
- Jacob, Anne and their child are all U.S. citizens and have valid Social Security numbers.
- Jacob was deployed to Afghanistan on June 5, 2019. His last day in the combat zone is scheduled for May 10, 2020.
- Jacob’s Form W-2 shows:
  - Box 1 = $9,000
  - Box 12a = $27,000, Code Q
- Anne's Form W-2 shows $15,300 in Box 1. This is her only income.

Military Scenario 3: Retest Questions

7. Married Filing Jointly is the most advantageous filing status for Jacob and Anne.
   a. True
   b. False

8. Jacob and Anne have ________ days to file their 2019 tax return after he returns from the combat zone.
   a. 90
   b. 120
   c. 180
   d. 286
International Scenario 2: Bob and Carol Jackson

**Interview Notes**

- Bob and Carol currently live in Wellington, New Zealand.
- They moved there on March 3, 2018 and currently rent a 2-bedroom house in Wellington. Bob was transferred there for an indefinite period of time. Bob and Carol intend to eventually return to the United States.
- Bob is employed by a U.S.-based Fortune 500 company and Carol is a freelance photographer.
- Bob and Carol returned to the U.S. for five days to attend a work conference in July of 2019. They also took a 10-day vacation throughout Fiji scuba diving, snorkeling, and kayaking in August 2019.
- Bob and Carol are U.S. citizens and have valid Social Security numbers.
- Neither Bob nor Carol work for the U.S. government.
- Bob and Carol own a home in the U.S. It is vacant while they are overseas, but their neighbor checks on it for them.

**International Scenario 2: Test Questions**

5. In order for Bob and Carol to exclude their foreign earned income, they must __________.
   a. Demonstrate that their tax home is in a foreign country.
   b. Meet either the bona fide residence test or the physical presence test.
   c. Have income that qualifies as foreign earned income.
   d. All of the above.

6. When calculating the 330 full days in a foreign country for the physical presence test, how is the 10-day vacation treated?
   a. The first and last days of the trip do not count as days spent in a foreign country.
   b. Only 5 of the 10 days count as days spent in a foreign country.
   c. None of the days are counted as days spent in a foreign country.
   d. All of the days are counted as days spent in a foreign country.
International Scenario 3: Michelle Rock

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

- Michelle is a U.S. citizen, single and has no children. She has lived and worked in Italy since February 1, 2017. She loves her life in Italy and has not returned to the U.S. since she moved there. She has no intentions of returning to the U.S. Therefore, she does not maintain an address in the U.S.
- She considers herself a resident of Italy. She rents an apartment at 725 Vineyard Lane, 48125 Rome, Italy.
- Income:
  - Michelle’s visa type: Unlimited.
    - Michelle works at the U.S. Consulate and has a Form W-2 for her salary.
    - In 2019, Michelle decided to get a part time job at a local gelato stand, Piazza Gelato, located at 618 Piazza Lane, 72519 Rome, Italy. Michelle earned an equivalent of $2,500 in wages and paid taxes totaling $150 when converted to U.S. dollars. Her taxes were paid to Italy as she earned her income.
    - Michelle opened a checking and savings account at an Italian bank. She earned $215 of interest (converted to U.S. dollars) at Banco de Italia. She paid foreign tax to Italy on this interest income in the amount of 43.0 Euro. The exchange rate on the date she paid the tax was 1 U.S. Dollar (USD) = 1.12 Euro.
    - Michelle was not required to file FinCen Form 114 and she did not receive a distribution, was not a grantor of, nor was she a transferor to a foreign trust.
  - Michelle did not itemize in 2018 and does not have enough deductions to itemize in 2019.
Interview Notes

- Judy Young is 58 years old.
- Judy is single, is not disabled, and has no dependents.
- In 2019, she had earnings from her job of $24,300.
- Judy has participated in her employer’s self-only HDHP coverage since June 1, when she started a new job.
- Judy was an eligible individual all year.
- Judy asked the HSA trustee from her previous job to transfer the balance of $2,000 into the HSA at her new job.
- In 2019, Judy contributed $975 to her HSA.
- In 2019, Judy took distributions from her HSA to pay the following expenses:
  - Insulin: $275
  - Doctor visit: $185
  - Yoga classes: $480
  - Prescription medicine: $225
  - Premiums for COBRA coverage: $1,425
- Judy is a U.S. citizen and has a valid Social Security number.

HSA Scenario 3: Test Questions

6. The amount of Judy’s HSA contribution made in 2019 and reported on Form 8889, line 2 is $975.
   a. True
   b. False

7. The amount of total distributions reported on Form 8889, line 14a is:
   a. $685
   b. $1,165
   c. $2,110
   d. $2,590

8. What is the amount reported on Form 8889, line 15?
   a. $460
   b. $685
   c. $2,110
   d. $2,590
HSA Scenario 4: Carl and Monica Smith

Interview Notes

- Carl, age 46, and Monica, age 42, are married and will file a joint return.
- They have two children, Adriane and Robert, whom they will claim as dependents on their joint return.
- Monica’s cousin, Michael (age 29), came to live with them in July 2019. Michael pays more than half of his support and does not qualify as their dependent, but they paid $500 of Michael’s medical bills in November 2019.
- Carl was enrolled all year in an HDHP with family coverage.
- Carl has had an HSA for four years. He has no other health insurance.
- In 2019, Carl made regular contributions to his HSA totaling $4,000.
- In 2019, Carl took $1,800 from his HSA to pay the following expenses:
  - $300 to purchase Monica’s eyeglasses (needed for medical reasons).
  - $725 health club membership for Carl.
  - $250 for over-the-counter eye medicine for their son, Robert (no prescription from doctor).
  - $525 for Adriane’s physical therapy sessions.
- Carl, Monica, Adriane, Robert, and cousin Michael are all U.S. citizens and have valid Social Security numbers.

HSA Scenario 4: Test Questions

9. The adjustment to income on Form 1040 for Carl’s HSA deduction is:
   a. $1,800
   b. $3,400
   c. $4,000
   d. $6,750

10. Whose qualified medical expenses can Carl include for HSA purposes?
    a. Carl
    b. Adriane and Robert
    c. Carl, Monica, Adriane, and Robert
    d. Carl, Monica, Adriane, Robert, and Michael

11. On his Form 8889, Carl can include the $300 to purchase Monica’s eyeglasses as a qualifying medical expense for HSA purposes.
    a. True
    b. False
HSA Scenario 3: Judy Young

Interview Notes

- Judy Young is 58 years old.
- Judy is single, is not disabled, and has no dependents.
- In 2019, she had earnings from her job of $24,300.
- Judy has participated in her employer’s self-only HDHP coverage since June 1, when she started a new job.
- Judy was an eligible individual all year.
- Judy asked the HSA trustee from her previous job to transfer the balance of $2,000 into the HSA at her new job.
- In 2019, Judy contributed $975 to her HSA.
- In 2019, Judy took distributions from her HSA to pay the following expenses:
  - Insulin: $275
  - Doctor visit: $185
  - Yoga classes: $480
  - Prescription medicine: $225
  - Premiums for COBRA coverage: $1,425
- Judy is a U.S. citizen and has a valid Social Security number.

HSA Scenario 3: Retest Questions

6. Judy will report her HSA contribution on Form 8889, line 2.
   a. True
   b. False

7. Judy will receive Form 1099-SA that reports her HSA distribution.
   a. True
   b. False

8. Which of the following expenses will not be included on Judy’s Form 8889, line 15?
   a. Insulin
   b. Doctor visit
   c. Premiums for COBRA coverage
   d. Yoga classes
HSA Scenario 4: Carl and Monica Smith

Interview Notes

- Carl, age 46, and Monica, age 42, are married and will file a joint return.
- They have two children, Adriane and Robert, whom they will claim as dependents on their joint return.
- Monica’s cousin, Michael (age 29), came to live with them in July 2019. Michael pays more than half of his support and does not qualify as their dependent, but they paid $500 of Michael’s medical bills in November 2019.
- Carl was enrolled all year in an HDHP with family coverage.
- Carl has had an HSA for four years. He has no other health insurance.
- In 2019, Carl made regular contributions to his HSA totaling $4,000.
- In 2019, Carl took $1,800 from his HSA to pay the following expenses:
  - $300 to purchase Monica’s eyeglasses (needed for medical reasons).
  - $725 health club membership for Carl.
  - $250 for over-the-counter eye medicine for their son, Robert (no prescription from doctor).
  - $525 for Adriane’s physical therapy sessions.
- Carl, Monica, Adriane, Robert, and cousin Michael are all U.S. citizens and have valid Social Security numbers.

HSA Scenario 4: Retest Questions

9. Carl's HSA deduction amount on Form 1040 is $4,000.
   a. True
   b. False

10. The amount Carl paid for his health club membership is a qualified medical expense for HSA purposes.
    a. True
    b. False

11. What is the total amount of unqualified medical expenses paid by Carl for HSA purposes?
    a. $250
    b. $975
    c. $1,075
    d. $1,325
Directions

Read each question carefully and use your training and resource materials to answer the questions. All questions are based on calendar-year taxpayers.

Test Questions

1. Pete and Shirley are filing a joint return. They have two dependent children. What is the total amount of their exemptions for tax year 2019?
   a. $0
   b. $4,200
   c. $8,400
   d. $16,800

2. Bill and Martha are filing a joint return. They are both over 65 years old. Neither of them are blind. What is their standard deduction?
   a. $0
   b. $24,400
   c. $27,000
   d. $27,700

3. Sarah’s divorce was finalized on March 4, 2019. As ordered in the divorce decree, Sarah received $14,000 in alimony for the year. Sarah is not required to include any of the alimony income on her tax return.
   a. True
   b. False

4. ITINs that have not been used on a federal tax return at least once in the last _____ consecutive years will expire.
   a. Two
   b. Three
   c. Four
   d. Five
5. Which of the following statements is **false** regarding the deduction for qualified business income (QBI)?
   a. The deduction changes the calculation of self-employment tax.
   b. Taxable income is not reduced below zero by the deduction.
   c. The deduction is limited for higher incomes and for specified service trades or businesses.
   d. A sole proprietor may be able to deduct up to 20% of QBI.

6. Curtis, age 29, did not have health care coverage all year. His AGI is $35,000. What is the maximum Shared Responsibility Payment (SRP) he is required to pay?
   a. $0
   b. $347.50
   c. $570
   d. $695

7. Taxpayers who itemize their deductions for tax year 2019 are subject to a _____ AGI threshold for medical and dental expenses.
   **Note:** Please select c. 7.5% as the correct answer. Year-end legislation changed the medical expense deduction floor to 7.5%.
   a. 0%
   b. 2%
   c. 7.5%
   d. 10%
8. Ed is single with no dependents. He has receipts for the expenses listed below that he paid in 2019. His AGI is $60,000. What are his total itemized deductions for 2019?

   **Note: Please use the updated 7.5% medical expense deduction floor to calculate this answer.**
   - $8,000 in unreimbursed medical expenses
   - $5,400 in state and local income taxes
   - $6,000 in real estate taxes
   - $400 in ad valorem personal property taxes
   - $4,300 in mortgage interest
   - $1,800 in interest from a home equity loan used to pay credit card debt
   - $2,000 in charitable contributions
   - $600 in dues to professional organizations
   - $180 for a safe deposit box rental
   - $200 for subscriptions to professional journals
   - $225 in tax preparation fees
   - $1,000 in union dues

   a. $16,300
   b. $19,800
   c. $20,100
   d. $21,105

9. Which of the following statements is **false**?

   a. The maximum nonrefundable amount of the child tax credit is $2,000 per qualifying child.
   b. The maximum nonrefundable amount of the credit for other dependents is $500 per qualifying dependent.
   c. The amount of the refundable additional child tax credit is limited to $1,400 per qualifying child.
   d. Children with an ITIN qualify for the child tax credit and the additional child tax credit.
Return Preparation: Ramon Taos

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.*

For the purpose of these scenario questions only, ignore the VITA/TCE total business expense limitation for Schedule C.

Interview Notes

- Ramon works as a self-employed ride share driver.
  - Ramon is a cash-basis taxpayer who materially participates in the operation of his business. He did not make any payments that would require him to file Form 1099. Ramon uses business code 485990.
  - Ramon had no prior year unallowed losses.
- He received Form 1099-MISC and Form 1099-K from the ride share company. He had an additional $2,745 in cash tip income from individual customers NOT included on the Forms 1099.
- Ramon provided a statement from the ride share company that indicated the amount of mileage driven and fees paid for the year. These fees are considered ordinary and necessary for the ride share business.
  - 30,200 miles driven while transporting customers.
  - Ride share fee: $4,800
  - Safe driver fee: $140
  - Airport fee: $515
  - GPS device fee: $320
- Ramon’s recordkeeping application shows he drove 5,830 miles between rides; 2,700 miles driven between his home and his first and last customer of the day. He had the following miscellaneous expenses:
  - Snacks for customers: $280
  - Auto deodorizers: $15
  - Phone chargers for customer use only: $120
  - Meals eaten while waiting for customers: $1,200
- The total mileage on his car for 2019 was 44,730 miles, of that 6,000 was personal miles. He placed his car, a 2016 sedan, in service on January 6, 2017. He always takes the standard mileage rate. This is Ramon’s only car and it was available for personal use.
- Ramon found his Form 1098-E online stating he paid $3,600 in student loan interest in 2019.
6. Curtis, age 29, did not have health care coverage all year. His AGI is $35,000. What is the maximum Shared Responsibility Payment (SRP) he will be required to pay? $________.

7. When itemizing deductions for tax year 2019, the 7.5% threshold for medical and dental expenses for taxpayers who have attained the age of 65 has expired, and all taxpayers are now subject to a 10% AGI threshold.

   Note: Please select b. False as the correct answer. Year-end legislation changed the medical expense deduction floor to 7.5%.
   a. True
   b. False

8. Ed is single with no dependents. He has receipts for the expenses listed below that he paid in 2019. His AGI is $60,000. What are his total itemized deductions? $________.

   Note: Please use the updated 7.5% medical expense deduction floor to calculate this answer.
   • $8,000 in unreimbursed medical expenses
   • $5,400 in state and local income taxes
   • $6,000 in real estate taxes
   • $400 in ad valorem personal property taxes
   • $4,300 in mortgage interest
   • $1,800 in interest from a home equity loan used to pay credit card debt
   • $2,000 in charitable contributions
   • $600 in dues to professional organizations
   • $180 for a safe deposit box rental
   • $200 for subscriptions to professional journals
   • $225 in tax preparation fees
   • $1,000 in union dues

9. Which of the following statements is true?
   a. The maximum nonrefundable amount of the child tax credit is $1,000 per qualifying child.
   b. The credit for other dependents is a refundable credit.
   c. The amount of the refundable additional child tax credit is limited to $2,000 per qualifying child.
   d. Children with an ITIN do not qualify for the child tax credit and the additional child tax credit.
Directions

Read the information for Ramon Taos beginning on page 158.

10. What income must Ramon report on Schedule C, Profit or Loss From Business?
   a. Only income reported on Form 1099-MISC and Form 1099-K from the ride share company.
   b. Only cash tip income from individual customers.
   c. None. He must report all income from his ride share company as Other Income.
   d. His income reported on Form 1099-MISC, Form 1099-K, and the cash tip income from his customers.

11. What is Ramon’s mileage expense deduction (at the standard mileage rate) for his business as a ride share driver? (Round to the nearest dollar.)
   a. $25,943
   b. $22,463
   c. $20,897
   d. $17,516

12. What is the amount that Ramon can deduct as student loan interest on Form 1040, Schedule 1?
   a. $0
   b. $1,800
   c. $2,500
   d. $3,600

13. Ramon’s self employment tax is added to his other taxes on Form 1040, Schedule 2, and one half of the self employment tax is shown as an adjustment to income on Schedule 1.
   a. True
   b. False

14. Ramon’s Qualified Business Income (QBI) deduction is $0 because he has no taxable income before the QBI deduction.
   a. True
   b. False

15. Ramon is too young to qualify for the earned income credit without having a qualifying child.
   a. True
   b. False
23. Vlad, in F-1 student immigration status from Ukraine, is on the basketball team. He arrived in the U.S. on June 18, 2019 on a full athletic scholarship that includes payments for his room and board. The amount of his scholarship for room and board is taxable.

Note: Please select b. False as the correct answer. There is a treaty benefit/exemption with Ukraine that allows the student to exempt the scholarship income.

a. True
b. False

24. Seiko is in the U.S. in F-1 immigration status. She arrived from Japan on August 6, 2016. Seiko worked in the library and earned $900 in wages and had federal income tax withholding of $50. Seiko needs to file Form 1040-NR-EZ and Form 8843.

a. True
b. False

Scenario 2: Rachel Bell

Use the following information to prepare Form 1040-NR-EZ.

Rachel Bell, a citizen of Israel, came to the United States in F-1 immigration status (number 3344123344) on August 1, 2017. She has remained in the country since then and is a full-time student at the local university. Rachel, born September 25, 1999, is single. She began working at the university on January 10, 2019. She filed the proper withholding and treaty forms with the university payroll office before beginning her job. Rachel has not filed a U.S. tax return in any prior year.

Rachel's address in Israel is 240 Main St., Tel Aviv, Israel. If she is entitled to a refund, she wants a direct deposit to her checking account. The routing number is 123456789 and the account number is 98765432100. She doesn’t want to designate anyone to discuss her return with the IRS. She did not take any affirmative steps to apply for permanent residence in the U.S. Rachel’s U.S. income will not be taxed in her home country.

Using the following information (Form 1042-S and Form W-2), complete Rachel’s federal income tax return. (Rachel would also need to file Form 8843, but assume that she has already completed that on her own.)

After completing the required tax form, review the scenario and resource materials, and answer each of the test questions.
**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 2019 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

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?

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

Manage Your Tax Info
  • Get Transcript
  • View your tax account
  • Protect your identity
  • IRS2Go mobile app

Was your refund what you expected?
  • Do a Paycheck Checkup
  • Use the IRS Tax Withholding Estimator

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.

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