



VITA/TCE Volunteer Tax Alert (VTA)

Thank you for volunteering and for your dedication to top QUALITY service!

VTA Number	VTA-2019-02
Date Issued	March 29, 2019
Intended Audience	Partners, Volunteers and IRS SPEC Relationship Managers
Purpose	To provide an update regarding the Qualified Business Income Deduction (QBID) on returns prepared prior to the TaxSlayer update on February 6 th , 2019.
Tax Law Clarification	<p>The 2017 Tax Cuts and Jobs Act created a new deduction – the Qualified Business Income Deduction (QBID) – which allows many sole proprietors to deduct up to 20 percent of their qualified business income. Eligible taxpayers can claim it for the first time on their 2018 Form 1040.</p> <p>Part of the QBID calculation requires that the business income be reduced by three items: deductible part of self-employment tax, the self-employed health Insurance deduction, and contributions to qualified retirement plans. Initially, many software companies (including TaxSlayer) did not include these items in the QBID calculation. As a result of final regulations issued in January, TaxSlayer updated the software on February 6, 2019.</p> <p>VITA/TCE returns with Schedule C income that were prepared prior to February 6 may include an incorrect QBID. Based on reports compiled by TaxSlayer, 3,054 returns filed by VITA and TCE sites nationwide may have an incorrect QBID. Individual sites can contact their local SPEC Relationship Manager to receive information on the number of impacted returns for their sites.</p>
Suggested Action	<p>VITA and TCE programs are encouraged to use the TaxSlayer Site Production Detail Report to identify affected returns and determine if an amended return is warranted.</p> <ul style="list-style-type: none">• Use the report to identify Schedule C returns prepared before February 6.• Notate the original refund from the report – or -• Create and save (or print) a pdf of each return from the Client Status print icon next to the accepted return.• Open each return to initiate recalculation of the QBID. <p>If the QBID changes, an amended return is warranted. Notify the taxpayer of the change, including the additional tax due, and offer to prepare a 1040-X. Note that the decision on whether to file an amendment is up to the taxpayer.</p> <p>VITA and TCE programs are encouraged to visit the TaxSlayer Blog for postings on QBID returns and on more detailed instructions on how to complete amended returns.</p>

For additional questions, please talk to your site coordinator, partner or IRS SPEC relationship manager.