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FACT SHEET for SPEC Partners & Employees

Quality & Oversight Updates for 2017 Filing Season



9/1/2016

Key Messages

- There is a new Circular 230 Federal Tax Law Updates test for attorneys, Certified Public Accountants (CPA) and Enrolled Agents (EA).
- Once volunteer data is transferred to Form 13206 or partner-created listing with the same information and received by the Territory Office, partners do not need to retain Forms 13615.
- QSR # 2 and QSR #3 are now combined into one QSR.
- New QSR #3 requires Photo ID and TIN verification at VITA/TCE sites.
- Truncated SSN's are now required on Form 14446, *Virtual VITA/TCE Site Module Taxpayer Consent*.
- Site must remain marked as "Active" in SPECTRM if open for one or more days throughout the fiscal year.
- Civil Rights posters are now available in several languages to better inform taxpayers who are Limited English Proficiency (LEP).

This fact sheet provides updates to prepare employees, partners, site coordinators and volunteers for filing season 2017. Share this document during site coordinators training.

Background: Stakeholder Partnerships, Education & Communication (SPEC) continues to encourage consistent site operations and effective communications to improve quality and oversight in the Volunteer Income Tax Assistance and Tax Counseling for the Elderly (VITA/TCE) Programs. The following updates are effective for the 2017 Filing Season.

Updates to Quality Site Requirements (QSR)

QSR #1 – Certification

New: There is a new "Circular 230 Federal Tax Law Update" test for volunteers governed by the rules and regulations under Treasury Department Circular No. 230. This new certification exam will test knowledge of new tax law provisions and updates. Only Attorneys, Certified Public Accountants (CPA) and Enrolled Agents (EA) may certify using this new test. However, they may choose to certify using the traditional certification path (i.e. Advance, Military, etc.). This IRS tax law-certification is a minimum requirement for this specific group of volunteers and some partners may have different certification expectations. Partners may require all volunteers to use the traditional certification path.

Why: *This is a National Taxpayer Advocate recommendation. After reviewing and evaluating the current certification process, SPEC agreed to provide this new annual certification option. Many of these individuals are tax professionals with annual Continuing Education (CE) requirements.*

QSR #2 – Intake/Interview & Quality Review Process:

Update: QSR #2 (Intake/Interview Process) and QSR #3 (Quality Review Process), are now combined as QSR #2, Intake/Interview & Quality Review Process.

Why: *To gain consistency in rating Quality Site Requirements by connecting the inter-relationship between Intake/Interview and Quality Review processes.*

QSR #3 – Confirming Photo Identification & Tax Identification Numbers (TIN):

Update: The new QSR#3 requires volunteers to confirm:

- Photo identification for primary and secondary taxpayers; and
- Social Security Numbers (SSN) or Individual Taxpayer Identification Numbers (ITIN) for everyone listed on the tax return.

At a minimum, volunteers will validate taxpayers' identities and identification numbers prior to preparing the tax return and before the return is electronically transmitted or before a copy of the return is given to the taxpayer. Updated exceptions for taxpayers known to the site are listed in Publications 4299, *Privacy, Confidentiality and Civil Rights – A Public Trust*.

Why: *To deter the filing of rejects and identity theft returns at our VITA/TCE sites.*

QSR #7 – Civil Rights Requirements:

Update: The English/Spanish Publication 4053 –Your Civil Rights are Protected and the AARP Tax-Aide D-143 Civil Rights Posters are required to be posted at every site. We now have this same product in Chinese, Korean, Russian, Spanish, and/or Vietnamese. Sites serving these Limited English Proficient (LEP) taxpayers should secure these posters from IRS.gov. Requirements to post these foreign products can be determined based on local demographics indicating LEP taxpayers that may be served at the site. The Site Coordinator and SPEC Partner should make this determination during the planning stages. The primary goal is to provide this critical civil rights information to all taxpayers served in our VITA/TCE sites. The number of posters are based on the type of taxpayers served at the site.

Why: *To inform all taxpayers about their civil rights in various languages.*

Other Changes and Reminders:

Change: Partners are no longer required to maintain Form 13615, *Volunteer Standards of Conduct Agreement*, once the volunteer and partner have:

- Signed the completed agreement;
- Accurately transferred all required data to the current Form 13206, *SPEC Volunteer Assistance Report*, or partner created listing (containing the same information); and
- Forwarded the Form 13206 or partner created listing, to the SPEC Territory Office.

Tax-Aide policy is to retain copies of the agreements until the end of the calendar year.

Partners can choose to give Forms 13615 back to their volunteers. However, if volunteers are requesting CE credits, the form must be completed and forwarded to the SPEC Territory Office as described in the CE credits requirements.

Why: *No longer having to maintain this form reduces the burden for partners with large numbers of volunteers.*

Change: Form 14446, *Virtual VITA/TCE Site Module Taxpayer Consent* no longer requires the full SSN. For security reasons, Form 14446 requires only the last four digits of the taxpayer's SSN.

Why: *In an effort to protect the taxpayer against ID Theft IRS requires all agencies to remove taxpayers' full SSNs from IRS forms unless necessary. Partners and volunteers are required to protect the taxpayers' data by following this same practice.*

Reminder: During Field Site Visits and QSS Return Reviews, we will continue to allow a "Tolerance Amount Level" when determining the accuracy of a tax return as long as the tax law is applied correctly, all income is listed on the correct Form 1040 line and the error does not cause a change:

- More than \$50 to "Total Income" or "AGI",
- More than \$14 to "Total Tax", "Federal Income Tax Withheld" or "Amount You Owe"
- Any of the credits shown on the return.

Why: *This is the current IRS policy for determining if a corrected return requires a new signed Form 8879, IRS e-file Signature Authorization.*

Reminder: The Protecting Americans from Tax Hikes Act of 2015 (PATH Act) contained many tax law provisions that affect the VITA/TCE programs. Some of these were previously existing provisions known as extenders.

- Those that are *permanently extended* by the PATH Act have been added to their respective lessons in Publication 4491, *VITA/TCE Training Guide*.

Scope of Service

Volunteers are trained to assist in the filing of Form 1040 and certain schedules and forms. To be covered under the Volunteer Protection Act, volunteers must stay within the scope of the VITA/TCE programs and prepare returns for which they achieved certification. This chart covers limitations or expansion of scope of service for each certification level. The check mark indicates within scope for that level of certification. The light gray areas indicate tax law topics not covered under that certification level. Form 1040 line items omitted from this chart are out of scope. Within each line item, there are specific elements that are out of scope for the VITA/TCE programs as indicated in the training. This list is not all-inclusive.

VITA/TCE Hot Line Assistor's column has been added below. For more information see Publication 5220, VITA/TCE Volunteer Site Scope & Referral Chart.

Form 1040 Line #	Description	Information Reporting Document	Basic	Advanced	Can Hotline Assistors Address these Tax Law Topics with VITA/TCE Volunteer?*
Filing Status			See Note 1	See Note 1	
1	Single		✓	✓	Yes
2	Married filing jointly		✓	✓	Yes
3	Married filing separately		✓	✓	Yes
4	Head of household		✓	✓	Yes
5	Qualifying widow(er)		✓	✓	Yes
Exemptions					
6a - d	Exemptions		✓	✓	Yes
Income			See Note 2	See Note 2	
7	Wages, salaries, tips, etc.	W-2	✓	✓	Yes
8a - b	Taxable interest, tax-exempt interest	1099-INT	✓	✓	Yes
9a - b	Ordinary dividends, qualified dividends	1099-DIV	✓	✓	Yes
10	Taxable refunds, etc.	1099-G	✓	✓	Yes
11	Alimony received		✓	✓	Yes
12	Business income or (loss)	1099-MISC, Box 7		✓ See Note 3	No
13	Capital gain or (loss)	1099-B		✓ See Note 4	No
15a - b	IRA distributions, taxable amount	1099-R	✓ See Note 5	✓	Yes
16a - b	Pensions and annuities, taxable amount	1099-R, RRB 1099-R	✓ See Note 5	✓ See Note 5A	Yes
17	Rental real estate (Military certification only)	1099-MISC, Box 1			No
17	Royalties	1099-MISC, Box 2 & Sch K-1		✓ See Note 6	No
19	Unemployment compensation	1099-G	✓	✓	Yes
20a - b	Social Security benefit, taxable amount	SSA-1099, RRB-1099	✓	✓	Yes
21	Other income - varies	1099-MISC, Box 3	✓ See Note 7	✓ See Note 7	Yes (COD is No)

Note 1 • Limitation: Foreign Student certification only for taxpayers with F, J, M & Q visas

Note 2 • Limitation: Military certification only – Combat Zone, Incentive Pay, Re-Enlistment, Education Repayment, Recruitment Bonus

• Limitation: Advanced Certification only- Unreported Tips

• Limitation: International certification only – Foreign Pay

Note 3 • Limitation: Schedule C – Follow the Schedule C-EZ guidelines, except up to \$25,000 of expenses are allowed and more than one Schedule C can be prepared if the taxpayers have more than one business

Note 4 • Limitation: Wash sales shown on Form 1099-B or brokerage statements only

Note 5 • Limitation: If taxable amount has been determined

Note 5A • Limitation: When taxable amount cannot be determined.

Note 6 • Limitation: Only royalty income on Form 1099-MISC, Box 2 and Sch K-1

* If the VITA/TCE Hotline is unable to answer questions related to the tax law topic and you have performed your due diligence in seeking the answer, do not prepare the return. Please refer the taxpayer to a professional return preparer.

Form 1040 Line #	Description	Information Reporting Document	Basic	Advanced	Can Hotline Assistors Address these Tax Law Topics with VITA/TCE Volunteer?*
Adjusted Gross Income					
23	Educator expenses		✓	✓	Yes
24	Certain business expenses of reservists (Military certificatio only)				No
25	Health savings account deduction (HSA certificatio only)	5498-SA, 1099-SA, W-2 (Box 12, Code W)	✓ See Note 7	✓ See Note 7	No
26	Moving expenses (Military certificatio only)				Yes (Job related only)
27	Deductible part of self-employment tax			✓	Yes
30	Penalty on early withdrawal of savings	1099-INT	✓	✓	Yes
31a - b	Alimony paid, recipient's SSN		✓	✓	Yes
32	IRA deduction			✓	Yes
33	Student loan interest deduction	1098-E	✓	✓	Yes
34	Tuition and fees		✓	✓	Yes
Tax and Credits					
39a	Check if: blind/born <1/2/1952 Total boxes checked		✓	✓	Yes
39b	If your spouse itemizes on a separate return		✓	✓	Yes
40	Standard deduction		✓	✓	Yes
40	Itemized deductions		✓	✓	Yes
42-44	Exemptions, Taxable income, Tax		✓	✓	Yes
46	Excess APTC repayment	1095-A		✓	Yes
48	Foreign tax credit	1099-INT or 1099-DIV	✓ See Note 8	✓ See Note 8	No
49	Credit for child and dependent care expenses	W-2 and/or Provider Statement	✓	✓	Yes
50	Education credits	1098-T	✓	✓	Yes
51	Retirement savings contributions credit	W-2, Box 12	✓	✓	Yes
52	Child tax credit		✓	✓	Yes
53	Residential energy credit			See Note 9	No
54	Credit for the elderly or the disabled		✓	✓	Yes
Other Taxes					
57	Self-employment tax			✓	Yes
58	Unreported social security and Medicare tax from Form 4137 only			✓	No
59	Additional tax on IRAs, other qualifie retirement plans, etc.	1099-R	✓ See Note 10	✓ See Note 10	Yes
60b	First time homebuyer credit repayment			✓	Yes
61	Health care: individual responsibility		✓	✓	Yes

Note 7 • Limitation: HSA certificatio only (requires Basic certificatio or higher) – HSA Distributions / Contributions

- Limitation: COD for credit cards and home foreclosures (requires Advanced certification)
- Limitation: International certificatio only – Foreign earned income exclusion

Note 8 • Limitation: International certificatio only if Form 1116 needed

Note 9 • Limitation: Nonbusiness energy property credit is in scope (page 2 of Form 5695)

Note 10 • Basic certification automatic calculation only

- Advanced certificatio or higher: to remove addition to tax

* If the VITA/TCE Hotline is unable to answer questions related to the tax law topic and you have performed your due diligence in seeking the answer, do not prepare the return. Please refer the taxpayer to a professional return preparer.

Form 1040 Line #	Description	Information Reporting Document	Basic	Advanced	Can Hotline Assistors Address these Tax Law Topics with VITA/TCE Volunteer?*
Payments					
64	Federal income tax withheld from	W-2 and 1099	✓	✓	No
65	2016 estimated tax payments and amount applied from 2015		✓	✓	Yes
66a	Earned income credit (EIC)		✓	✓	Yes
66b	Nontaxable combat pay election (Military certificatio only)	W-2, Box 12, Code Q			No
67	Additional child tax credit		✓	✓	Yes
68	American opportunity credit	1098-T	✓	✓	Yes
69	Net premium tax credit	1095-A		✓	Yes
70	Amount paid with request for extension		✓	✓	No
71	Excess social security and tier 1 RRTA	SSA-1099, RRB-1099	✓	✓	Yes
Refund					
75	Amount overpaid		✓	✓	No
76a-d	Bank account information		✓	✓	No
77	Amount you want applied to 2017 estimated tax		✓	✓	No
Amount You Owe					
78	Amount you owe		✓	✓	No
	Third Party Designee		✓	✓	No
	Identity Protection PIN section		✓	✓	No

* If the VITA/TCE Hotline is unable to answer questions related to the tax law topic and you have performed your due diligence in seeking the answer, do not prepare the return. Please refer the taxpayer to a professional return preparer.

VITA/TCE Quality Site Requirements

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 (QSR)** is to ensure quality and accurate tax return preparation and consistent site operations. The QSR 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

Update!

2. Intake/Interview & Quality Review Process

New!

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)

Update!

10. Security

For additional information refer to [the Tax-Aide Policy and Procedures Manual](#) and [the Volunteer Policy and Procedures](#) and the [Local Coordinator presentations on the OneSupport Help Center](#).



Important Changes for 2016



Due Date of Return

The due date for filing a 2016 return is Tuesday, April 18, 2017. This is because April 15, 2017 is a Saturday and Emancipation Day is observed in Washington DC on Monday, April 17, 2017.

Standard Deduction Increases

The standard deduction for taxpayers who don't itemize deductions on Schedule A (Form 1040) has increased. The standard deduction amounts for 2016 are:

- \$12,600 – Married Filing Jointly or Qualifying Widow(er) (no change)
- \$9,300 – Head of Household (increase of \$50)
- \$6,300 – Single or Married Filing Separately (no change)

Taxpayers who are 65 and Older or are Blind

For 2016, the additional standard deduction for taxpayers who are 65 and older or blind is:

- \$1,550 – Single or Head of Household (no change)
- \$1,250 for married taxpayers or Qualifying Widow(er) (no change)

Personal Exemption Amount

The amount a taxpayer can deduct for each exemption increased to \$4,050 for 2016 (increase of \$50).

Retirement Savings Contribution Credit Income Limits Increased

In order to claim this credit, the taxpayer's modified adjusted gross income (MAGI) must not be more than \$30,750 for Single, Married Filing Separately, or Qualifying Widower (increase of \$250). MAGI must not be more than \$46,125 (increase of \$350) for Head of Household, and \$61,500 (increase of \$500) for Married Filing Jointly.

Earned Income Credit (EIC)

Amount of Credit Increased

For 2016, the maximum credit is:

- \$6,269 with three or more children
- \$5,572 with two children
- \$3,373 with one child
- \$506 with no children

Earned Income Amount Increased

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

- \$47,955 (\$53,505 if Married Filing Jointly) with three or more qualifying children
- \$44,684 (\$50,198 if Married Filing Jointly) with two qualifying children
- \$39,296 (\$44,846 if Married Filing Jointly) with one qualifying child
- \$14,880 (\$20,430 if Married Filing Jointly) with no qualifying child

Investment Income

Taxpayers whose investment income is more than \$3,400 can't claim the EIC.

Standard Mileage Rate

For 2016, the following rates are in effect:

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

Education Benefits

American opportunity credit for 2016 is gradually reduced (phased out) if taxpayers' MAGI is between \$80,000 and \$90,000 (\$160,000 and \$180,000 if Married Filing Jointly). Taxpayers can't claim a credit if their MAGI is \$90,000 or more (\$180,000 or more if Married Filing Jointly). There is no change.

Lifetime learning credit for 2016 is gradually reduced (phased out) if taxpayers' MAGI is between \$55,000 and \$65,000 (\$111,000 and \$131,000 if Married Filing Jointly). Taxpayers can't claim a credit if their MAGI is \$65,000 or more (\$131,000 or more if Married Filing Jointly).

Student loan interest deduction begins to phase out for taxpayers with MAGI in excess of \$65,000 (\$130,000 for joint returns) and is completely phased out for taxpayers with MAGI of \$80,000 or more (\$160,000 or more for joint returns). There is no change.

Eligible Long-Term Care Premium Limits Increased

For 2016, the maximum amount of qualified long-term care premiums includible as medical expenses has increased. Qualified long-term care premiums up to the amounts shown below can be included as medical expenses on Schedule A (Form 1040) Itemized Deductions.

\$390: age 40 or under

\$730: age 41 to 50

\$1,460: age 51 to 60

\$3,900: age 61 to 70

\$4,870: age 71 and over

TIP

The limit on premiums is for each person.

Foreign Earned Income and Housing Exclusions

For 2016, the maximum foreign earned income exclusion will be \$101,300, up from \$100,800 for 2015. The foreign housing exclusion is \$44.28 per day or \$16,208 for the year.

Link & Learn Taxes – Optional Courses

Health Savings Account (HSA) Deduction

The annual contribution limits on deductions for HSAs for individuals with self-only coverage is \$3,350 (no change) and \$6,750 for family coverage (increase of \$100). There is an additional contribution amount of **\$1000** for taxpayers who are age 55 or older.



Deduction Amount and Modified AGI Limit for Traditional IRA Contributions Increased

For 2016, the maximum IRA deduction will remain at \$5,500 (\$6,500 if age 50 or older). For taxpayers who are covered by a retirement plan at work, the deduction for contributions to a traditional IRA is reduced (phased out) if the modified AGI is:

- More than \$98,000 but less than \$118,000 for a married couple filing a joint return or a qualifying widow(er) if both spouses are covered by a retirement plan,
- More than \$61,000 but less than \$71,000 for a single individual or head of household, or
- Less than \$10,000 for a married individual filing a separate return

For an IRA contributor who **isn't** covered by a workplace retirement plan and is married to someone who is covered, the deduction is phased out if the couple's income is between \$184,000 and \$194,000.

New IRA self-certification procedure

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

- An error was committed by the financial institution making the distribution or receiving the contribution.
- The distribution was in the form of a check and the check was misplaced and never cashed.
- The distribution was deposited into and remained in an account that I mistakenly thought was a retirement plan or IRA.
- My principal residence was severely damaged.
- One of my family members died.
- I or one of my family members was seriously ill.
- I was incarcerated.
- Restrictions were imposed by a foreign country.
- A postal error occurred.
- The distribution was made on account of an IRS levy and the proceeds of the levy have been returned to me.
- The party making the distribution delayed providing information that the receiving plan or IRA required to complete the rollover despite my reasonable efforts to obtain the information.

For more information, visit the "[Can You Move Retirement Plan Assets?](#)" section in [Publication 590-A](#) or the [Rollovers of Retirement Plan and IRA Distributions](#) page on IRS.gov.



Affordable Care Act

Exercises to illustrate scenarios involving the Affordable Care Act (ACA) are contained in Publication 5157-A.

The flat dollar amounts used in calculating the shared responsibility payment increased for 2016. See the ACA lesson for details.

Payments in Cash

Cash is a new in-person payment option for individuals to pay taxes owed. This service is provided through retail partners with a maximum of \$1,000 per day per transaction. To make a cash payment, taxpayers must first be registered online at www.officialpayments.com/fed. This cash option is only available at participating 7-Eleven locations in 34 states.

New Legislation

The Protecting Americans from Tax Hikes Act of 2015 (PATH Act) made the following tax provisions permanent:

- Adjustments for up to \$250 for educator classroom expenses. This provision was modified to include certain expenses related to professional development courses the taxpayer takes related to the curriculum they teach or to their students. The deduction amount will be indexed for inflation or future years.
- Qualified Charitable Distribution (QCD)
- State and local general sales tax deduction

The PATH Act extended the following provisions through 2016:

- Exclusion from gross income of qualified principal residence indebtedness
- Mortgage insurance premiums deductible as qualified residence interest
- Deduction for qualified tuition & fees
- Credit for nonbusiness energy property (residential energy credit)

Other provisions of the PATH Act include:

- American opportunity tax credit made permanent, replacing the Hope credit.
- Reduced earned income threshold for additional child tax credit made permanent at \$3,000.
- Earned income tax credit made permanent for 3 or more qualifying children.
- Refundable Credits Refund date – 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 (February 15) following the close of the taxable year if the taxpayer claimed the EITC or additional child tax credit (ACTC) on the tax return. The IRS will hold the entire refund. Under the new law, the IRS cannot release the part of the refund that is not associated with the EITC and ACTC. This provision does not meet TAS hardship criteria and no refunds with EITC/ACTC will be released prior to Feb 15.
- **Taxpayers can no longer make retroactive claims of the EITC after issuance of a social security number.** A taxpayer must have an SSN by the due date of the return (including extensions) in order to claim the EITC. Likewise, any qualifying child claimed for the EITC must have an SSN by the due date of the return (including extensions).
- Taxpayers claiming the American opportunity credit must now have an SSN or an ITIN by the due date of the tax return (including extensions). Further, the student claimed for the credit must have an SSN, an ITIN, or an Adoption Taxpayer Identification Number (ATIN) by the due date (including extensions). **Taxpayers can't make retroactive claims for the credit for a period that the taxpayer and student didn't have a required identification number.**
- Taxpayers claiming the **child tax credit** must now have an SSN or an ITIN by the due date of the tax return (including extensions). Further, the child claimed for the credit must have an SSN, an ITIN, or an ATIN by the due date (including extensions). **Taxpayers can't make retroactive claims for the credit for a period that the taxpayer didn't have a required identification number.**
- Employer Identification number **of the eligible institution** required for taxpayers claiming the American opportunity tax credit.
- Under the PATH Act, any ITIN that isn't used on a federal tax return for three consecutive tax years, either as the ITIN of an individual who files the return or as the ITIN of a dependent included on a return, will expire on December 31 of the third consecutive tax year of nonuse. For example, an individual applied for and received an ITIN in 2015 that is used in 2015 on the individual's 2014 federal income tax return. If the individual doesn't file or isn't claimed as dependent on a tax return in 2016, 2017, and 2018, the ITIN will expire on December 31, 2018. This rule applies to all ITINs regardless of when the ITIN was issued.
- ITINs issued prior to January 1, 2013 that have been used on a tax return in the last three consecutive years are set to expire based on a multi-year schedule. Under the PATH Act, this schedule is based on the date that an ITIN was issued. However, many ITIN holders may not know when their ITIN was issued and previously had no reason to keep a record of the date an ITIN was issued. To simplify the renewal process and allow for the effective administration of the program, the IRS will administer the renewal of ITINs on a schedule that is different from the schedule in the PATH Act. The IRS will renew ITINs based upon the fourth and fifth digits (middle digits) in the ITIN. ITINs that contain the middle digits of 78 or 79 will no longer be in effect beginning January 1, 2017. The expiration and renewal schedules for ITINs with middle digits other than 78 or 79 will be announced in future guidance. See Notice 2016-48 for more information.
- **ITINs will be renewed using the original issuance date, and taxpayer will be allowed to claim CTC and AOTC credits for any gap years that returns were not filed.**

- Adds credit disallowance period for child tax credits or American opportunity tax credits improperly claimed. Requires taxpayers to demonstrate eligibility after the CTC or AOTC is disallowed using deficiency procedures (existing requirement for EITC).
- 20% penalty on erroneous claims on refundable portion of credits.
- Higher education information reporting only include qualified tuition & related expenses actually paid. Applies to expenses paid after December 31, 2015. Following the enactment of PATH, numerous eligible educational institutions informed the IRS that implementation of the law change will require computer software reprogramming and other changes that can't be implemented in time to meet the applicable filing and furnishing due dates for Form 1098-T for calendar year 2016. In light of this, the IRS will not impose penalties with respect to 2016 Forms 1098-T solely because the eligible educational institution reports the aggregate amount billed for qualified tuition and related expenses for the 2016 calendar year. Thus, eligible educational institutions will continue to have the option of reporting either the amount of payments of qualified tuition and related expenses received or the amount of qualified tuition and related expenses billed for the 2016 calendar year without being subject to penalties.
- Expands definition of qualified higher education expenses for 529 plans to include computer equipment and technology.
- ABLE accounts to be established in any state.
- **Tax Relief available for the wrongfully incarcerated; some must amend by Dec. 2016.** Taxpayers who were wrongfully incarcerated can now take advantage of the new retroactive exclusion from civil damages, restitution, or other monetary awards received in connection with their incarceration. The retroactive exclusion is only available through **December 19, 2016** for tax years 2012 and earlier that would otherwise be barred in most cases. Eligible taxpayers must file Form 1040X for each year these payments were reported and write "Incarceration Exclusion PATH Act" at the top.
- In general, taxpayers can amend their tax returns for tax years 2013 and after by filing Form 1040X within three years after the date they file their original return. Going forward, there are no reporting requirements for receipt of an award qualifying for the wrongful-incarceration exclusion. This means for the year an award is received, recipients need not report the award on their Form 1040 tax return or submit any documentation to the IRS.
- Details on who qualifies and how to file are contained in frequently asked questions posted on [irs.gov](https://www.irs.gov/individuals/wrongful-incarceration-faqs): <https://www.irs.gov/individuals/wrongful-incarceration-faqs>

Installment Agreement Fees

Installment agreement fees are being changed. Adding a Form 9465 to the return will cost the taxpayer \$225 (\$107 with direct debit). Online payment agreement is significantly less (\$149 or \$31 with direct debit.)

The proposed schedule of user fees:

Regular installment agreement:	\$225
Regular direct debit installment agreement:	\$107
Online payment agreement:	\$149
Online payment agreement with direct debit:	\$ 31
Restructured or reinstated installment agreement:	\$ 89
Low-income rate:	\$ 43



Congress may enact additional legislation that will affect taxpayers after this publication goes to print. Any changes will be reflected in Publication 4491-X, VITA/TCE Training Supplement, available in mid-January on www.irs.gov.

AFFORDABLE CARE ACT (ACA)

Health Insurance Introduction

This is easier than the doctor's office. As part of the Affordable Care Act, we are required to verify insurance coverage for members of your household. We have made this easy for you with a series of questions.

Contact our support team if you need assistance. We are here to make it painless.

✓ Continue

Health Insurance Questionnaire

Did you or your family have health insurance at any time in 2016? *

Yes

No

Select Yes if anyone in the tax household had MEC at any time during the year (See page ACA-4)

Below are some examples of healthcare plans that may be purchased or qualify as a purchased plan under the Affordable Care Act.

- A private plan purchased from a health insurance company
- An employer-sponsored health insurance plan or insurance through your work, spouse's work or parent's work
- A university or college where you are enrolled
- Your parent's health insurance plan if you're under age 26
- A State Medicaid program
- State high-risk pools for plan or policy years
- The Children's Health Insurance Program (CHIP) in your state
- Medicare
- Veteran's Administration (VA), CHAMPVA, or Tricare
- A former employer's retirement program
- A union you belong to
- The Peace Corps
- COBRA
- Refugee Medical Assistance (RMA)
- The Nonappropriated Fund Health Benefit Program

← Back

✓ Continue

A "Yes" answer will prompt another question about health insurance purchased through the Marketplace:

Health Insurance Questionnaire

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

Yes No

← Back

✓ Continue

Verify Your Household Members



If there are additional household members that are listed as a dependent, click the "Dependents" button below. If you have additional family members that are neither a spouse nor a dependent, click "Add a New Member."

Name	SSN	Date of Birth
Sample Return	202-00- xxxx	5/15/1970

[+ Add New Household Member](#)

Do not use this button – only dependents on the tax return must be included for ACA purposes

✓ Continue

Months Insured – Select Yes if everyone in the tax household was insured for all 12 months. If No, select the number of months each individual had coverage.

Months Insured

Was your entire household insured for all 12 months of 2016? *

Yes

No

Please enter the number of months insured for each household member.

Name

Months Insured

Sample Return

- Please Select -

- Please Select -

12

11

10

9

8

7

6

5

4

3

2

1

0

← Back

✓ Continue

2016TaxSlayer Pro

Then indicate which months the individual had coverage:

Months Insured - Sample Return

Specify the 10 months that Sample Return had minimum essential coverage

January

February

March

April

May

June

July

August

September

October

November

December

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[✓ Continue](#)

Types of Minimum Essential Coverage

Minimum essential coverage means health care coverage under any of the following programs. It does not, however, include coverage consisting solely of excepted benefits. Excepted benefits include stand-alone vision and dental plans (except pediatric dental coverage), workers' compensation coverage, and coverage limited to a specified disease or illness.

<p>Employer-sponsored coverage:</p> <ul style="list-style-type: none">• Group health insurance coverage for employees under—<ul style="list-style-type: none">• A governmental plan, such as the Federal Employees Health Benefit program• A plan or coverage offered in the small or large group market within a state• A grandfathered health plan offered in a group market• A self-insured health plan for employees• COBRA coverage• Retiree coverage• Coverage under an expatriate health plan for employees
<p>Individual health coverage:</p> <ul style="list-style-type: none">• Health insurance you purchase directly from an insurance company• Health insurance you purchase through the Marketplace• Health insurance provided through a student health plan• Catastrophic plans• Coverage under an expatriate health plan for non-employees such as students and missionaries
<p>Coverage under government-sponsored programs:</p> <ul style="list-style-type: none">• Medicare Part A coverage• Medicare Advantage plans• Most Medicaid coverage*• Children's Health Insurance Program (CHIP) coverage• Most types of TRICARE coverage• Comprehensive health care programs offered by the Department of Veterans Affairs• Health coverage provided to Peace Corps volunteers• Department of Defense Nonappropriated Fund Health Benefits Program• Refugee Medical Assistance• Coverage through a Basic Health Program (BHP) standard health plan
<p>Other coverage:</p> <ul style="list-style-type: none">• Certain foreign coverage• Certain coverage for business owners• Coverage recognized by HHS as minimum essential coverage.**
<p>*Medicaid programs that provide limited benefits generally don't qualify as minimum essential coverage; however, HHS will provide a hardship exemption to individuals with certain types of limited-benefit Medicaid coverage.</p> <p>**Plans recognized as minimum essential coverage are listed at: www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Market-Reforms/minimum-essential-coverage.html, scroll down and click on the link for the list of approved plans.</p>

No proof of coverage (including Forms 1095-B or -C) is needed. Oral statement from the taxpayer is acceptable, unless normal due diligence leads you to believe the taxpayer's statement is incorrect.

Exemptions: Overview

Exemptions: Where do I start?

STEP 1

Does anyone in the tax household already have an exemption in hand from the Marketplace?

Marketplace exemptions require an application. If a person applied for an exemption through the Marketplace (or if they were granted an exemption because they were denied Medicaid coverage in a state that did not expand Medicaid), they should have received an Exemption Certificate Number (ECN) from the Marketplace. It is a 6 or 7 digit alphanumeric code.

STEP 2

Is household or gross income under the filing threshold?

If yes, everyone on the tax return is exempt from the coverage requirement, and there is no need to consider additional exemptions. Line 7 on Form 8965 is used to claim an income-based exemption. See page ACA-8 for more information about this exemption.

STEP 3

If the tax household does not qualify for an exemption under Step 2, does any individual qualify for an exemption that can be claimed directly on the tax return?

If yes, the exemption code is entered on Form 8965, Part III.

STEP 4

For any uninsured individual that does not qualify under Step 2 or 3, does any individual in the tax household qualify for an exemption from the Marketplace?

If yes, direct the person to the Marketplace for additional help. Enter “pending” as shown on the following page if the Marketplace has not processed the application for exemption before the return is filed. A tax return with a “pending” exemption can still be e-filed. The IRS may follow up with a taxpayer directly on a pending submission if the Marketplace does not approve the exemption.

Entering Exemptions in TaxSlayer

If any individual in the household qualifies for an exemption, either through the Marketplace or claimed on the tax return, select Yes:

Do you qualify for Health Care Exemptions?

Did you receive an exemption certificate from a marketplace, or qualify for exemptions due to circumstances? *

Yes

No

[Click here to determine if you can claim an affordability exemption.](#)

[Click here to determine if you can claim a health coverage exemption.](#)

[← Back](#)

[Continue →](#)

If **selected Yes for Exemptions in question above AND** if the household or gross income is under the the filing threshold (as described in Step 2, above), check this box. If not, select Continue.

Coverage Exemptions

Does the following apply to your household?

Are you claiming a hardship exemption because your gross income is below the filing threshold?

[← Back](#)

[Continue →](#)

For all other exemptions, indicate the individual, the type of exemption (and Marketplace-issued certificate number, if applicable) and the months of eligibility:

Health Insurance/Exemption

Name of Individual * Sample Return

Do you have a marketplace-issued certificate for this exemption? *

Yes

No

Exemption Type

Indicate full year or specify months for which you qualify to take the exemption.

Full Year

<input type="checkbox"/> January	<input type="checkbox"/> February
<input type="checkbox"/> May	<input type="checkbox"/> June
<input type="checkbox"/> September	<input type="checkbox"/> October

-- Please Select --

- Coverage is unaffordable
- Short gap in coverage
- Citizens living abroad and certain noncitizens
- Member of health care sharing ministry
- Member of Federally-recognized Indian tribe
- Incarceration
- Aggregate self-only coverage considered unaffordable
- Gap in coverage at the beginning of 2016
- Gap in CHIP coverage
- Resident of a state that did not expand Medicaid
- Limited benefit Medicaid and TRICARE programs that are not minimum essential coverage
- Employer coverage with non-calendar plan year beginning in 2015

Enter "Pending" if the Marketplace has not processed the application for exemption before the return is filed:

Health Insurance/Exemption

Name of Individual * Sample Return

Do you have a marketplace-issued certificate for this exemption? *

Yes

No

Exemption Certificate Number Pending

Indicate full year or specify months for which you qualify to take the exemption.

Full Year

<input type="checkbox"/> January	<input type="checkbox"/> February	<input type="checkbox"/> March	<input type="checkbox"/> April
<input type="checkbox"/> May	<input type="checkbox"/> June	<input type="checkbox"/> July	<input type="checkbox"/> August
<input type="checkbox"/> September	<input type="checkbox"/> October	<input type="checkbox"/> November	<input type="checkbox"/> December

2016 Federal Tax Filing Requirement Thresholds – Dependents

If your parent (or someone else) *can* claim you as a dependent, use this chart to see if you must file a return.

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

Single dependents. Were you **either** age 65 or older or blind?

- No.** You must file a return if **any** of the following apply.
 1. Your unearned income was over \$1,050.
 2. Your earned income was over \$6,300.
 3. Your gross income was more than the larger of —
 - a. \$1,050, or
 - b. Your earned income (up to \$5,950) plus \$350.
- Yes.** You must file a return if any of the following apply.
 1. Your unearned income was over \$2,600 (\$4,150 if 65 or older **and** blind).
 2. Your earned income was over \$7,850 (\$9,400 if 65 or older **and** blind).
 3. Your gross income was more than the larger of —
 - a. \$2,600 (\$4,150 if 65 or older **and** blind) or
 - b. Your earned income (up to \$5,950) plus \$1,900 (\$3,450 if 65 or older and blind).

Married dependents. Were you **either** age 65 or older **or** blind?

- No.** You must file a return if **any** of the following apply.
 1. Your unearned income was over \$1,050.
 2. Your earned income was over \$6,300.
 3. Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.
 4. Your gross income was more than the **larger** of —
 - a. \$1050, or
 - b. Your earned income (up to \$5,950) plus \$350.
- Yes.** You must file a return if **any** of the following apply.
 1. Your unearned income was over \$2,300 (\$3,550 if 65 or older **and** blind).
 2. Your earned income was over \$7,550 (\$8,800 if 65 or older **and** blind).
 3. Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions.
 4. Your gross income was more than the **larger** of —
 - a. \$2,300 (\$3,550 if 65 or older **and** blind), or
 - b. Your earned income (up to \$5,950) plus \$1,600 (\$2,850 if 65 or older **and** blind).

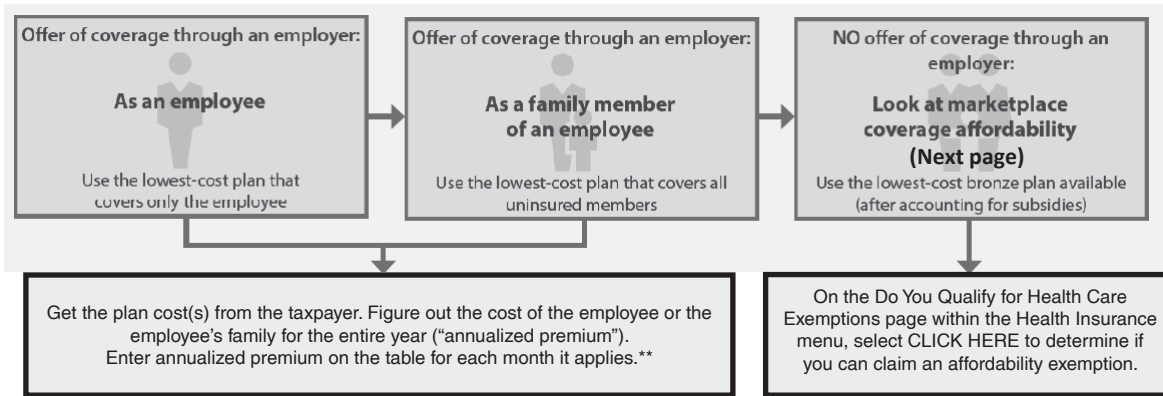
Note: For children under age 18 and certain older children, unearned income over \$2,100 is taxed at the parent's rate if the parent's rate is higher than the child's. For this purpose, "unearned income" includes all taxable income other than earned income, such as taxable interest, ordinary dividends, capital gains, rents, royalties, etc. It also includes taxable social security benefits, pension and annuity income, taxable scholarship and fellowship grants not reported on Form W-2, unemployment compensation, alimony, and income received as the beneficiary of a trust. If the child's unearned income is more than \$2,100, Form 8615 must be used to figure the child's tax. Form 8615 is out of scope.

Exemptions: Form 8965, Part III

Insurance is Unaffordable, Code A or G

Coverage is unaffordable if it costs more than 8.13% of household income. For example, Susan's household income is \$20,000. Her share of the cost of her employer's offer of self-only coverage is \$3,000. Susan is eligible for the affordability exemption.

STEP 1: Determine what type of affordability exemption each uninsured person in the household might be eligible for. There are three options offered on the ACA Affordability Worksheet. STOP at the first one that applies to each uninsured household member.



COBRA is not considered an offer of employer sponsored coverage if the individual did not enroll in the coverage. If the individual enrolled in the COBRA coverage, s/he has MEC for that month and does not need an exemption.

**If you or another member of your tax household has an offer of employer sponsored coverage for only part of the year, see Form 8965 Instructions for the Annualized Premium Worksheet.

STEP 2: Use this worksheet to determine whether coverage for each individual in your tax household is unaffordable.

(A) Affordability Threshold
Enter 8.13% of your household income (see *Household Income*). For this purpose, increase household income by the amount of any premium that is paid through a salary reduction arrangement and excluded from gross income.

(B) Required Contribution Amount
For each member of your tax household, enter in the columns provided the annual premium for the first option below that applies to that person. If the monthly premium is the same for the whole year, enter the annual premium in the space for each month. If the premiums cover only part of the year, use the *Annualized Premium Worksheet* to determine what the annualized premium would be for each month. Once you have figured the annualized premium, enter it in the space for each month.

Options (use the first that applies to each member of your tax household, including you, for each month):

- The lowest cost self-only policy offered to each member of your tax household by his or her employer.
- The lowest cost family policy* offered by your employer or your spouse's employer (if you are filing a joint return).
- The amount from the Marketplace Coverage Affordability Worksheet.

For each individual, coverage is unaffordable and the individual is exempt for any month in which (B), the Required Contribution Amount, is more than (A), the Affordability Threshold.

Members of your tax household (enter one name per column):						
Annualized premium for:						
January						
February						
March						
April						
May						
June						
July						
August						
September						
October						
November						
December						

*The policy must cover everyone in your tax household:
 • For whom a personal exemption deduction is claimed on your tax return,
 • Who isn't eligible for employer coverage, and from their own employer and is eligible for the family coverage
 • Who doesn't qualify for another coverage exemption.

TIP:
The MAGI of any dependent that is claimed and has a tax filing requirement is included in household income.

When the employer offers separate coverage for one or more members of the tax household (may be referred to as stand-alone coverage), add the cost of the offers needed to cover everyone in the tax household as appropriate and test the aggregate offer.

What is an annualized premium?
 Example:
 Wilma's employer offered both employee and family coverage:

- The employee-only premiums cost \$150/month (Annualized premium: $\$150 \times 12 = \$1,800$)
- The employee + spouse premium cost \$400/month (Annualized premium $\$400 \times 12 = \$4,800$)

Use this worksheet if the employer offer includes a partial month:

1. Enter the required contribution for the part-year period _____
2. Enter the number of full months in the part-year period _____
3. Divide line 1 by line 2 _____
4. Multiply line 3 by 12.0. This is your annualized required contribution _____

Marketplace Coverage Affordability Worksheet

This worksheet is used only if there is no offer of employee coverage

TIP

If the **lowest cost bronze plan (LCBP)** costs less than 8.13% of income (above), there is an affordable offer of coverage. No Code A exemption is available. (The Marketplace presented affordable coverage and the marketplace affordability exemption does not apply)

LCBP: Go to the taxpayer's Marketplace, such as www.healthcare.gov.

NOTE: The look up tool asks about tobacco use. **Tobacco use** is the use of a tobacco product 4 or more times per week within no longer than the past 6 months by legal users of tobacco products (generally those 18 and older).

The LCBP quote will be for all individuals on the return that did not have an offer of employer coverage and who did not qualify for another exemption. That means that the LCBP would include, for example, the taxpayer and spouse who are on Medicare or Medicaid.



Do not complete this worksheet unless you were instructed to do so in the Affordability Worksheet.

1.	Enter the monthly premium for the lowest cost bronze plan that covers everyone in your tax household for whom a personal exemption deduction is claimed, who isn't eligible for employer coverage, and who doesn't qualify for another coverage exemption for the month. To find the lowest cost bronze plan go to www.HealthCare.gov/tax-tool or the Marketplace for your area. If you are married and file a separate return, enter the monthly premium here and on line 12. Don't complete lines 2-11.	
2.	Enter your household income (see <i>Household income</i>)	
3.	Enter the total of all nontaxable social security benefits received by you, your spouse, and each claimed dependent who must file a tax return*	
4.	Add lines 2 and 3	
5.	Enter the federal poverty line for the number of individuals in your tax household less any dependents not claimed. See the instructions for Form 8962, line 4	
6.	Divide line 4 by line 5. If the result (without rounding) is less than 1.0 or more than 4.0, skip lines 7 through 10 and enter -0- on line 11	
7.	Multiply line 6 by 100 and round to the nearest whole number. Enter the applicable figure for the result from the table in the instructions for Form 8962, line 7	
8.	Multiply line 4 by line 7	
9.	Divide line 8 by 12.0	
10.	Enter the monthly premium for the second lowest cost silver plan premium that covers everyone in your tax household for whom a personal exemption deduction is claimed, who isn't eligible for minimum essential coverage (other than coverage in the individual market), and who doesn't qualify for another coverage exemption for the month. To find the second lowest cost silver plan go to www.HealthCare.gov/tax-tool or the Marketplace for your area	
11.	Subtract line 9 from line 10. If zero or less, enter -0-	
12.	Subtract line 11 from line 1. If zero or less, enter -0-. This is the individual's required contribution for the month	
13.	Is the individual eligible for this coverage for every month of the year?	
	<input type="checkbox"/> Yes. Multiply line 12 by 12.0. This is the annualized premium. Enter this amount in the space for every month on the <i>Affordability Worksheet</i>	
	<input type="checkbox"/> No. Multiply line 12 by 12.0. This is the annualized premium. Enter this amount in the space on the <i>Affordability Worksheet</i> for each month the individual was eligible for the coverage being tested.	

The Affordability Calculator at cotaxaide.org/tools can be used - be sure to look up the plan cost for the individuals on line 1 and separately for line 10 as they can be different.

For this line on this worksheet, use tax household MAGI for Form 8962 purposes (adjusted gross income + tax exempt interest + excluded foreign earned income). Include MAGI of any claimed dependents with a filing requirement.

*If the individual filed Form 1040, figure the nontaxable social security benefits received by that individual by subtracting Form 1040, line 20b from Form 1040, line 20a. If the individual filed Form 1040A, figure the nontaxable social security benefits received by that individual by subtracting Form 1040A, line 14b from Form 1040A, line 14a. If the individual filed Form 1040EZ, he or she should have received a Form SSA-1099 or Form RRB-1099 showing the social security benefits received by that individual, all of which were nontaxable.

Enter the appropriate amount on the Affordability Worksheet as directed. This worksheet will compare the annualized premium to the affordability threshold.
If the annualized premium costs less than 8.13% of income, no exemption applies.
If the annualized premium costs more than 8.13% of income, Code A applies.

TIP: Note that more than one marketplace coverage affordability worksheet may be needed if circumstances changed during the year.

Second lowest cost silver plan (SLCSP): Go to the Marketplace at: <https://www.healthcare.gov/tax-tool/> or [state marketplace](#)
Do not include individuals in your tax household that are eligible for other employer sponsored or government sponsored MEC, or who are otherwise exempt.
That means that the SLCSP cost would NOT INCLUDE, for example, the taxpayer and spouse who are enrolled in or eligible for Medicare or Medicaid. (This is different from line 1).

Federal Poverty Lines

For purposes of the premium tax credit, eligibility for a certain year is based on the most recently published set of poverty lines. As a result, the tax credit for 2016 will be based on the 2015 federal poverty lines.

2015 Poverty Lines for the 48 Contiguous States and the District of Columbia			
For families/households with more than 8 persons, add \$4,160 for each additional person (100% Poverty Line)			
Persons in family/household	100% Poverty Line	138% Poverty Line	400% Poverty Line
1	\$11,770	\$16,243	\$47,080
2	\$15,930	\$21,983	\$63,720
3	\$20,090	\$27,724	\$80,360
4	\$24,250	\$33,465	\$97,000
5	\$28,410	\$39,206	\$113,640
6	\$32,570	\$44,947	\$130,280
7	\$36,730	\$50,687	\$146,920
8	\$40,890	\$56,428	\$163,560

2015 Poverty Lines for Alaska			
For families/households with more than 8 persons, add \$5,200 for each additional person (100% Poverty Line)			
Persons in family/household	100% Poverty Line	138% Poverty Line	400% Poverty Line
1	\$14,720	\$20,314	\$58,880
2	\$19,920	\$27,490	\$79,680
3	\$25,120	\$34,666	\$100,480
4	\$30,320	\$41,842	\$121,280
5	\$35,520	\$49,018	\$142,080
6	\$40,720	\$56,194	\$162,880
7	\$45,920	\$63,370	\$183,680
8	\$51,120	\$70,546	\$204,480

2015 Poverty Lines for Hawaii			
For families/households with more than 8 persons, add \$4,780 for each additional person (100% Poverty Line).			
Persons in family/household	100% Poverty Line	138% Poverty Line	400% Poverty Line
1	\$13,550	\$18,699	\$54,200
2	\$18,330	\$25,295	\$73,320
3	\$23,110	\$31,892	\$92,440
4	\$27,890	\$38,488	\$111,560
5	\$32,670	\$45,085	\$130,680
6	\$37,450	\$51,681	\$149,800
7	\$42,230	\$58,277	\$168,920
8	\$47,010	\$64,874	\$188,040

Shared Responsibility Payment

How is the Payment Calculated?

- For the year, based on the **greater** of the calculated:
 - A. percentage of income or
 - B. flat dollar amount
 - Limited to maximum of 3X per household (\$2,085 for 2016)
- Cannot exceed the national average premium for bronze level health plans
- Prorated for months without coverage/exemption

Greater of				
	2014	2015	2016	After 2016
Percentage income (annual)	1% of household income <i>above</i> filing threshold	2% of household income <i>above</i> filing threshold	2.5% of household income <i>above</i> filing threshold	2.5% of household income <i>above</i> filing threshold
Flat dollar amount (annual)	\$95 per adult 50% for individuals under 18	\$325 per adult 50% for individuals under 18	\$695 per adult 50% for individuals under 18	\$695 per adult <i>plus</i> an increase based on cost of living 50% for individuals under 18

These are the national average premium for bronze level health plans - the SRP cannot exceed this amount:

- 1 person—\$2,676
- 2 people—\$5,352
- 3 people—\$8,028
- 4 people—\$10,704
- 5 or more people—\$13,380

Premium Tax Credit: Form 1095-A Overview

A person who purchased insurance through the Marketplace will receive Form 1095-A. Anyone who received the benefit of advance payments of the premium tax credit (APTC) must complete Form 8962. **You cannot prepare the return for taxpayers who received the benefit of APTC without Form(s) 1095-A.**

Carefully examine Form 1095-A to make sure it reflects the taxpayer's account of coverage. Look for critical errors that will affect the PTC calculation, such as errors in enrollment premiums, SLCSPP premiums, or APTC. The taxpayer *should seek a corrected 1095-A if enrollment related information is incorrect.*

This includes:

- Policy issuer's name (Part I)
- Policy start or end date (Part I, Part II)
- Premium cost (Part III, Column A)
- APTC received (Part III, Column C)

Marketplace call center: 1-800-318-2596 (TTY: 1-855-889-4325) For states not using Healthcare.gov, look up state Marketplace at healthcare.gov

To obtain an original or corrected Form 1095-A the taxpayer can log into his or her online account, or call the Marketplace call center.

Form 1095-A
Health Insurance Marketplace Statement VOID CORRECTED
 OMB No. 1545-2232
 2016
 Department of the Treasury Internal Revenue Service
 Information about Form 1095-A and its separate instructions is at www.irs.gov/form1095a.

Part I Recipient Information

1 Marketplace identifier	2 Marketplace-assigned policy number	3 Policy issuer's name
4 Recipient's name	5 Recipient's SSN	6 Recipient's date of birth
7 Recipient's spouse's name	8 Recipient's spouse's SSN	9 Recipient's spouse's date of birth
10 Policy start date	11 Policy termination date	12 Street address (including apartment no.)
13 City or town	14 State or province	15 Country and ZIP or foreign postal code

Part II Covered Individuals

Part III Coverage Information

Month	A. Monthly enrollment premiums	B. Monthly second lowest cost silver plan (SLCSPP) premium	C. Monthly advance payment of premium tax credit
21 January			
22 February	Column A	Column B	Column C
23 March			
24 April			
25 May			
26 June			

Column A - Monthly Premium: These are the total monthly enrollment premiums for the policy in which the individuals are covered. **This is the full premium, including the amount paid by APTC but it includes only the premiums for essential health benefits. The amount does not include the cost of certain "extra" benefits such as adult dental coverage.**

Column B - Monthly SLCSPP premium: If this column is blank and the individuals enrolled in a plan through a Federally-facilitated Marketplace, go to www.Healthcare.gov and use the tax tool to find the SLCSPP premium to enter in Column B. If the individuals enrolled through a State-based Marketplace, go to the state's website to determine the SLCSPP premium. In some cases, the state will send a table with the information. If the State-based Marketplace does not have a look-up tool to find the SLCSPP premium, call the Marketplace to obtain a correct SLCSPP premium. The SLCSPP premium is the premium for the second lowest cost silver-level plan that covers all the members of the coverage family.

Column C - Advance payment of PTC

You may need to look up the SLCSPP premium if:

- It is incorrect, perhaps because a change in family size was not reported.
- It is missing. This happens when someone paid the full premium because he or she did not request advance payment of the premium tax credit. Marketplaces routinely leave this space blank.
- There are multiple Forms 1095-A with conflicting information or the taxpayer otherwise thinks it's incorrect.

See healthcare.gov/tax-tool or your state's tax tool.

TIP: A person may be entitled to PTC even if no APTC was paid for the coverage. Do not assume someone is ineligible for PTC just because Columns B and C of Form 1095-A are blank. If an individual meets all the eligibility rules in the Form 8962 instructions but only the enrollment premium amounts in Column A appear on Form 1095-A and Columns B and C are blank, look up the person's SLCSPP premiums and enter them on the Advanced Premium Tax Credit (1095-A) screen in the Premium Amount of SLCSPP section.

For taxpayers who purchased insurance through the Marketplace, complete the screen below using their Form 1095-A

Advanced Premium Tax Credit (1095-A)

Did you receive a 1095-A statement or any Premium Tax Credits to assist you in paying for your health care for 2015? Yes No

Do all Forms 1095-A include coverage for January through December, with no changes in monthly amounts? Yes No

Please enter your monthly Advance Premium Tax Credit information

Month	Monthly Premium Amount (Form 1095-A, Part III, Column A)	Monthly Premium Amount of SLCSP (Form 1095-A, Part III, Column B)	Monthly Advance Payment of PTC (Form 1095-A, Part III, Column C)
January	\$	\$	\$
February	\$	\$	\$
March	\$	\$	\$
April	\$	\$	\$
May	\$	\$	\$
June	\$	\$	\$
July	\$	\$	\$
August	\$	\$	\$
September	\$	\$	\$
October	\$	\$	\$
November	\$	\$	\$
December	\$	\$	\$

Caution: Enter dependent's MAGI only if the dependent has a tax filing requirement. Do not enter the MAGI of taxpayer or spouse as it is already included.

Dependents' Modified AGI (if filing requirement)

Enter the AGI for your dependents from Form 1040, line 38; Form 1040A, line 22; Form 1040EZ, line 4; ~~and~~ ^{or} Form 1040NR, line 37

Enter any tax-exempt interest for your dependents from Form 1040, line 8b; Form 1040A, line 8b; Form 1040EZ, the amount written to the left of the line 2 entry space; ~~and~~ ^{or} Form 1040NR, line 9b

Enter any amounts for your dependents from Form 2555, lines 45 and 50, ~~and~~ ^{or} Form 2555-EZ, line 18

Enter for each of your dependents the difference, if any, between Form 1040, lines 20a and 20b; ~~and~~ ^{or} Form 1040A, lines 14a and 14b

Interpret each of these questions as "or" rather than "and"

Premium Tax Credit: Form 8962

See Form 8962 Instructions for line-by-line directions

Check here if taxpayer is Married Filing Separately but cannot file a joint return because of spousal abuse or abandonment in the last year. See Form 8962 Instructions for details. If a taxpayer is Married Filing Separately and is not eligible for relief, he/she must repay APTC, subject to the repayment limitation. Enter the APTC amounts in column F.

Line 2b: Enter dependents' MAGI ONLY (not taxpayer or spouse) **IF dependents' gross income is above the filing threshold.** See page ACA-9 for dependents' filing threshold chart.

For purposes of Form 8962, MAGI includes dependents' AGI, Social Security benefits not included in income, tax-exempt interest, and excluded foreign earned income.

Line 6: If income is below 100% FPL, check NO if:
 (1) Taxpayer or an individual in taxpayer's tax family enrolled in a qualified health plan through the Marketplace and
 (2) APTC was paid for coverage for one or more months, and
 (3) The Marketplace estimated at the time of enrollment that the taxpayer's household income would be between 100%-400% of the FPL for the family size for year of coverage. (Note: Advance payments are evidence that the Marketplace estimates meets this criteria)

—OR—
 (1) Taxpayer or an individual in taxpayer's tax family enrolled in a qualified health plan through the Marketplace, and the enrolled individual is a lawfully present individual ineligible for Medicaid due to immigration status.

Line 9: If the following situations apply, a shared policy allocation may be required and the return is out of scope:

- The 1095-A lists a covered person who is not on this tax return or,
- A person on the tax return was enrolled in another taxpayer's Marketplace coverage. (The person is listed on someone else's Form 1095-A)

If the following situation applies, an Alternative Calculation for Year of Marriage may be elected. If the taxpayer elects this option, the return is out of scope.

- Taxpayers got married during the year and are filing a joint return, and taxpayers were both unmarried as of December 31, 2015 or 2016
- A member of the taxpayers' tax family was enrolled in a qualified health plan for which APTC was paid for months prior to the first full month of marriage, and
- Taxpayers have excess APTC that must be repaid

Line 11 OR Lines 12-23: Complete line 11 if Form 1095-A shows the same monthly amounts for all 12 months and the taxpayer's SLCSP is the same for each month of the year. Otherwise, complete lines 12-23. Do not complete both.

Caution: Complete only column F if the household income is above 400% of the FPL or if the taxpayer is using filing status married filing separately and an exception does not apply.

Form **8962** Premium Tax Credit (PTC)

OMB No. 1545-0074
2016
 Attachment Sequence No. 73

Department of the Treasury
 Internal Revenue Service

▶ Attach to Form 1040, 1040A, or 1040NR.
 ▶ Information about Form 8962 and its separate instructions is at www.irs.gov/form8962.

Name shown on your return: _____ Your social security number: _____

You cannot claim the PTC if your filing status is married filing separately unless you qualify for an exception (see instructions). If you qualify, check the box.

Part I Annual and Monthly Contribution Amount

1 Tax family size. Enter the number of exemptions from Form 1040 or Form 1040A, line 6d, or Form 1040NR, line 7d: **1**

2a Modified AGI. Enter your modified AGI (see instructions): **2a** _____ b Enter the total of your dependents' modified AGI (see instructions): **2b** _____

3 Household income. Add the amounts on lines 2a and 2b (see instructions): **3** _____

4 Federal poverty line. Enter the federal poverty line amount from Table 1-1, 1-2, or 1-3 (see instructions). Check the appropriate box for the federal poverty table used. a Alaska b Hawaii c Other 48 states and DC: **4** _____

5 Household income as a percentage of federal poverty line (see instructions): **5** _____ %

6 Did you enter 401% on line 5? (See instructions if you entered less than 100%.)
 No. Continue to line 7.
 Yes. You are not eligible to take the PTC. If advance payment of the PTC was made, see the instructions for how to report your excess advance PTC repayment amount.

7 Applicable Figure. Using your line 5 percentage, locate your "applicable figure" on the table in the instructions: **7** _____

8a Annual contribution amount. Multiply line 3 by line 7. Round to nearest whole dollar amount: **8a** _____ b Monthly contribution amount. Divide line 8a by 12. Round to nearest whole dollar amount: **8b** _____

Part II Premium Tax Credit Claim and Reconciliation of Advance Payment of Premium Tax Credit

9 Are you allocating policy amounts with another taxpayer or do you want to use the alternative calculation for year of marriage (see instructions)?
 Yes. Skip to Part IV, Allocation of Policy Amounts, or Part V, Alternative Calculation for Year of Marriage. No. Continue to line 10.

10 See the instructions to determine if you can use line 11 or must complete lines 12 through 23.
 Yes. Continue to line 11. Compute your annual PTC. Then skip lines 12-23 and continue to line 24.
 No. Continue to lines 12-23. Compute your monthly PTC and continue to line 24.

Annual Calculation	(a) Annual enrollment premiums (Form(s) 1095-A, line 33A)	(b) Annual applicable SLCSP premium (Form(s) 1095-A, line 33B)	(c) Annual contribution amount (line 8a)	(d) Annual maximum premium assistance (subtract (c) from (b), if zero or less, enter -0-)	(e) Annual premium tax credit allowed (smaller of (a) or (d))	(f) Annual advance payment of PTC (Form(s) 1095-A, line 33C)
11 Annual Totals						
Monthly Calculation	(a) Monthly enrollment premiums (Form(s) 1095-A, lines 21-32, column A)	(b) Monthly applicable SLCSP premium (Form(s) 1095-A, lines 21-32, column B)	(c) Monthly contribution amount (amount from line 8b or alternative marriage monthly calculation)	(d) Monthly maximum premium assistance (subtract (c) from (b), if zero or less, enter -0-)	(e) Monthly premium tax credit allowed (smaller of (a) or (d))	(f) Monthly advance payment of PTC (Form(s) 1095-A, lines 21-32, column C)
12 January						
13 February						
14 March						
15 April						
16 May						
17 June						
18 July						
19 August						
20 September						
21 October						
22 November						
23 December						
24 Total premium tax credit. Enter the amount from line 11(e) or add lines 12(e) through 23(e) and enter the total here						24 _____
25 Advance payment of PTC. Enter the amount from line 11(f) or add lines 12(f) through 23(f) and enter the total here						25 _____
26 Net premium tax credit. If line 24 is greater than line 25, subtract line 25 from line 24. Enter the difference here and on Form 1040, line 69; Form 1040A, line 45; or Form 1040NR, line 65. If line 24 equals line 25, enter zero. Stop here. If line 25 is greater than line 24, leave this line blank and continue to line 27						26 _____

Part III Repayment of Excess Advance Payment of the Premium Tax Credit

27 Excess advance payment of PTC. If line 25 is greater than line 24, subtract line 24 from line 25. Enter the difference here: **27** _____

28 Repayment limitation (see instructions): **28** _____

29 Excess advance premium tax credit repayment. Enter the smaller of line 27 or line 28 here and on Form 1040, line 46; Form 1040A, line 29; or Form 1040NR, line 44: **29** _____

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 37794Z Form 8962 (2016)

Line 26: The net premium tax credit a taxpayer can claim (the excess of the taxpayer's premium tax credit over APTC). This carries to Form 1040, line 69. This amount will increase taxpayer's refund or reduce the balance due.

Line 27: The amount of excess APTC (amount by which APTC exceeds the taxpayer's premium tax credit) that needs to be repaid. Because there is a repayment limitation, all of the excess APTC may not have to be repaid.

Premium Tax Credit – Special Situations

See Instructions for Form 8962 and Publication 974, *Premium Tax Credit*, for additional information.

Multiple Forms 1095-A

Some taxpayers will have multiple Forms 1095-A. This will happen if the taxpayer:

- Changed Marketplace plans during the year
- Updated their application with new information that resulted in a new enrollment
- Had family members enrolled in different Marketplace plans
- Had more than 5 family members in the same plan

Entering Multiple Forms 1095-A on One Form 8962 - Make sure everyone on the Forms 1095-A is also on the tax return. If not, this may be a Shared Policy Allocation.

Column A: Add the premiums together.

Column B: If everyone is in the same state and enrolled in the same policy, the SLCSP premium should be the same on all Forms 1095-A for a given month. Enter that amount. If the enrollees are in different states, add the SLCSP premiums. When in doubt, look it up in the Tax Tool for your Marketplace.

Column C (entered in Column F of Form 8962): Add the amounts together.

Part III Coverage Information			
Month	A. Monthly enrollment premiums	B. Monthly second lowest cost silver plan (SLCSP) premium	C. Monthly advance payment of premium tax credit
21 January			
22 February	Column A	Column B	Column C
23 March			
24 April			
25 May			
26 June			
27 July			

The taxpayer stopped paying premiums

What you'll see: Numbers in Columns B and C but no premium in Column A (-0-) for a month on Form 1095-A, Part III

What to do:

- The taxpayer can only claim a PTC for a month of enrollment if the premium for the month is paid by the tax return due date (without extensions). If the APTC is high and covers most of the premium, can the taxpayer make the (late) premium payment? It may be more cost-effective to pay the premium than to repay the APTC. When the premium is paid, ask for a corrected Form 1095-A.
- If the premium payment has not and will not be made, enter the SLCSP and APTC and leave Column A blank. Note: There should never be consecutive months like this. If so, there is an error on Form 1095-A.

Sample Form 1095-A: PART III			
Month	A. Monthly enrollment premiums	B. Monthly second lowest cost silver plan (SLCSP) premium	C. Monthly advance payment of premium tax credit
21 January			
22 February	\$301	\$288	\$87
23 March	\$301	\$288	\$87
24 April	\$301	\$288	\$87
25 May	- 0 -	\$288	\$87
26 June			
27 July			
28 August			
29 September			
30 October			
31 November			
32 December			

Even if the taxpayer isn't eligible for PTC, he or she is still considered to have coverage for the month, despite nonpayment of premium.

Premium Tax Credit (continued)

Handling Large APTC Repayments

Many tax preparers are seeing clients with large repayments of APTC that they must repay on Form 8962, Line 29.

Form 8962: Part III		
Part III Repayment of Excess Advance Payment of the Premium Tax Credit		
27	Excess advance payment of PTC. If line 25 is greater than line 24, subtract line 24 from line 25. Enter the difference here	27
28	Repayment limitation (see instructions)	28
29	Excess advance premium tax credit repayment. Enter the smaller of line 27 or line 28 here and on Form 1040, line 46; Form 1040A, line 29; or Form 1040NR, line 44	29

To minimize repayment, consider the following strategies:

Make sure Form 1095-A is correct and complete.

- Ask the taxpayer to contact the Marketplace if the form doesn't reflect premiums that were paid or if there are other errors.
- See tips and tricks for complex cases when a taxpayer may be eligible for PTC for a particular month

Consider income adjustments to reduce household income.

- If the taxpayer is eligible to claim an IRA deduction, remember that taxpayers can contribute to an IRA until the tax filing deadline.
- If someone on the taxpayer's return has tuition expenses, consider the Tuition and Fees deduction instead of an education credit

Consider married filing separately.

- The taxpayer may be ineligible for the PTC, but filing separately may cap repayment at a lower level based on income.

Other considerations:

- If the taxpayer has a business, confirm that all allowable expenses have been claimed
- If the taxpayer has a business, refer to a paid preparer to claim the self-employed health insurance deduction on F1040, Line 29
- If the PTC repayment is due to nonpayment of the premium, taxpayer may wish to pay the premium instead if it would be less
- If taxpayer or spouse lived in Alaska or Hawaii during the year, be sure to use the higher FPL (designate resident state in basic info)

Important! If the taxpayer is currently enrolled in Marketplace coverage and has a 2016 repayment, the taxpayer should contact the Marketplace **now** to adjust their 2017 APTC to avoid similar repayments for the 2017 tax year!

Income (as % of federal poverty line)	Repayment Caps for APTC	
	Taxpayers Filing as SINGLE	Taxpayers Using Other Filing Statuses
Under 200%	\$300	\$600
200% – 299%	\$750	\$1,500
300% – 399%	\$1,275	\$2,550
400% and above	No cap (full repayment)	No cap (full repayment)

Allocation of Policy Amounts

Caution: If this situation applies, the return is out of scope.

Table 3. **Allocation of Policy Amounts—Line 9**

Follow Steps 1–3 below to determine which allocation rule to use in [Part IV—Allocation of Policy Amounts](#), later, to allocate the policy amounts for each qualified health plan identified in the instructions to line 9. For each policy, if your answer directs you to Part IV, skip directly to the section of the Part IV instructions identified. You do not need to complete the remaining steps below.

STEP 1

If

- You divorced or legally separated from a spouse in 2016; and
 - For one or more months of marriage, the policy covered at least one individual in your tax family **AND** at least one individual in your former spouse's tax family...
- Then allocate using the rules in [Allocation Situation 1. Taxpayers divorced or legally separated in 2016](#) in [Part IV—Allocation of Policy Amounts](#). Otherwise, continue to Step 2.

STEP 2

If

- You were married at the end of 2016 but are filing a separate return from your spouse; and
- The policy covered at least one individual in your tax family **AND** at least one individual in your spouse's tax family*...

Then allocate using the rules in [Allocation Situation 2. Taxpayers married at year end but filing separate returns](#) in [Part IV—Allocation of Policy Amounts](#). Otherwise, continue to Step 3.

Also follow these instructions if you meet the rules in [Exception 1—Certain married persons living apart](#) or [Exception 2—Victim of domestic abuse or spousal abandonment under Married taxpayers, earlier](#), and a policy covered at least one individual in your tax family **AND at least one individual in your spouse's tax family.*

STEP 3

If

- No APTC was paid for the policy...

Then allocate using the rules in [Allocation Situation 3. No APTC](#) in [Part IV—Allocation of Policy Amounts](#).

Otherwise, allocate using the rules in [Allocation Situation 4. Other situations where a policy is shared between two tax families](#) in [Part IV—Allocation of Policy Amounts](#).

Shared Policies (out of scope):

Policy amounts (enrollment premiums, SLCSPP premiums, and/or APTC) on a Form 1095-A need to be allocated between your tax family and another tax family if:

- The policy covered at least one individual in the taxpayer's tax family and at least one individual in another tax family, and
- The taxpayer received a Form 1095-A for the policy that does not accurately represent the members of their tax family who were enrolled in the policy (meaning that it either lists someone who is not in their tax family or does not list a member of their tax family who was enrolled in the policy) or the other tax family received a Form 1095-A for the policy that includes a member of the taxpayer's tax family.

Alternative Calculation for Year of Marriage Eligibility

Table 4. Alternative Calculation for Year of Marriage Eligibility

Answer questions 1–5 below to determine whether you may be eligible to elect the alternative calculation for year of marriage.	
1	<p>Were you and your spouse each unmarried on January 1, 2016?</p> <p><input type="checkbox"/> Yes. Continue to the next question in this table.</p> <p><input type="checkbox"/> No. You are not eligible to elect the alternative calculation. Do not complete Part V. If you did not complete Part IV, check the “No” box on line 9 and continue to line 10. If you completed Part IV, check the “No” box on line 10, skip line 11, and continue to <i>Lines 12 through 23—Monthly Calculation</i>, later.</p>
2	<p>Were you married on December 31, 2016?</p> <p><input type="checkbox"/> Yes. Continue to the next question in this table.</p> <p><input type="checkbox"/> No. You are not eligible to elect the alternative calculation. Do not complete Part V. If you did not complete Part IV, check the “No” box on line 9 and continue to line 10. If you completed Part IV, check the “No” box on line 10, skip line 11, and continue to <i>Lines 12 through 23—Monthly Calculation</i>, later.</p>
3	<p>Are you filing a joint return with your spouse for 2016?</p> <p><input type="checkbox"/> Yes. Continue to the next question in this table.</p> <p><input type="checkbox"/> No. You are not eligible to elect the alternative calculation. Do not complete Part V. If you did not complete Part IV, check the “No” box on line 9 and continue to line 10. If you completed Part IV, check the “No” box on line 10, skip line 11, and continue to <i>Lines 12 through 23—Monthly Calculation</i>, later.</p>
4	<p>Was anyone in your tax family enrolled in a qualified health plan before your first full month of marriage? (For example, if you got married on July 15, your first full month of marriage was August.)</p> <p><input type="checkbox"/> Yes. Continue to the next question in this table.</p> <p><input type="checkbox"/> No. You are not eligible to elect the alternative calculation. Do not complete Part V. If you did not complete Part IV, check the “No” box on line 9 and continue to line 10. If you completed Part IV, check the “No” box on line 10, skip line 11, and continue to <i>Lines 12 through 23—Monthly Calculation</i>, later.</p>
5	<p>Was APTC paid for anyone in your tax family during 2016?</p> <p><input type="checkbox"/> Yes. You are eligible to elect the alternative calculation for year of marriage if excess APTC was paid during 2016.</p> <ul style="list-style-type: none"> • If you entered 400 or less on Form 8962, line 5, continue to <i>Worksheet 3</i> next to determine whether excess APTC was paid during 2016. • If you entered 401 on Form 8962, line 5, excess APTC was paid, and you are eligible for the alternative calculation. Do not complete <i>Worksheet 3</i>. Instead, see <i>Alternative Calculation for Year of Marriage</i> in Pub. 974 to determine if electing the alternative calculation reduces your repayment amount. <p><input type="checkbox"/> No. You are not eligible to elect the alternative calculation. Do not complete Part V. If you did not complete Part IV, check the “No” box on line 9 and continue to line 10. If you completed Part IV, check the “No” box on line 10, skip line 11, and continue to <i>Lines 12 through 23—Monthly Calculation</i>, later.</p>

Caution: Taxpayers may choose to file MFJ or MFS without the alternative calculation, which remains in scope. If the taxpayer is eligible for and elects this alternative calculation, the return is out of scope.

Table 2. Applicable Figure



If the amount on line 5 is less than 133, your applicable figure is 0.0203. If the amount on line 5 is between 300 through 400, your applicable figure is 0.0966.

IF Form 8962, line 5 is . . .	ENTER on Form 8962, line 7 . . .	IF Form 8962, line 5 is . . .	ENTER on Form 8962, line 7 . . .	IF Form 8962, line 5 is . . .	ENTER on Form 8962, line 7 . . .	IF Form 8962, line 5 is . . .	ENTER on Form 8962, line 7 . . .
less than 133	0.0203	175	0.0524	218	0.0705	261	0.0851
133	0.0305	176	0.0529	219	0.0708	262	0.0854
134	0.0311	177	0.0533	220	0.0712	263	0.0856
135	0.0317	178	0.0538	221	0.0715	264	0.0859
136	0.0323	179	0.0543	222	0.0719	265	0.0862
137	0.0329	180	0.0547	223	0.0722	266	0.0865
138	0.0335	181	0.0552	224	0.0726	267	0.0868
139	0.0341	182	0.0557	225	0.0730	268	0.0871
140	0.0347	183	0.0561	226	0.0733	269	0.0874
141	0.0353	184	0.0566	227	0.0737	270	0.0877
142	0.0359	185	0.0571	228	0.0740	271	0.0880
143	0.0365	186	0.0575	229	0.0744	272	0.0883
144	0.0371	187	0.0580	230	0.0747	273	0.0886
145	0.0377	188	0.0585	231	0.0751	274	0.0889
146	0.0383	189	0.0590	232	0.0754	275	0.0892
147	0.0389	190	0.0594	233	0.0758	276	0.0895
148	0.0395	191	0.0599	234	0.0761	277	0.0898
149	0.0401	192	0.0604	235	0.0765	278	0.0901
150	0.0407	193	0.0608	236	0.0768	279	0.0904
151	0.0412	194	0.0613	237	0.0772	280	0.0907
152	0.0416	195	0.0618	238	0.0776	281	0.0910
153	0.0421	196	0.0622	239	0.0779	282	0.0913
154	0.0426	197	0.0627	240	0.0783	283	0.0916
155	0.0430	198	0.0632	241	0.0786	284	0.0919
156	0.0435	199	0.0636	242	0.0790	285	0.0922
157	0.0440	200	0.0641	243	0.0793	286	0.0925
158	0.0444	201	0.0645	244	0.0797	287	0.0928
159	0.0449	202	0.0648	245	0.0800	288	0.0930
160	0.0454	203	0.0652	246	0.0804	289	0.0933
161	0.0458	204	0.0655	247	0.0807	290	0.0936
162	0.0463	205	0.0659	248	0.0811	291	0.0939
163	0.0468	206	0.0662	249	0.0814	292	0.0942
164	0.0473	207	0.0666	250	0.0818	293	0.0945
165	0.0477	208	0.0669	251	0.0821	294	0.0948
166	0.0482	209	0.0673	252	0.0824	295	0.0951
167	0.0487	210	0.0676	253	0.0827	296	0.0954
168	0.0491	211	0.0680	254	0.0830	297	0.0957
169	0.0496	212	0.0683	255	0.0833	298	0.0960
170	0.0501	213	0.0687	256	0.0836	299	0.0963
171	0.0505	214	0.0691	257	0.0839	300 thru 400	0.0966
172	0.0510	215	0.0694	258	0.0842		
173	0.0515	216	0.0698	259	0.0845		
174	0.0519	217	0.0701	260	0.0848		



Chart A – For Most People Who Must File

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

If your filing status is...	AND at the end of 2016 you were...*	THEN file a return if your gross income was at least...**
Single	under 65	\$10,350
	65 or older	\$11,900
Married filing jointly***	under 65 (both spouses)	\$20,700
	65 or older (one spouse)	\$21,950
	65 or older (both spouses)	\$23,200
Married filing separately (see the instructions for line 3)	any age	\$ 4,050
Head of household (see the instructions for line 4)	under 65	\$13,350
	65 or older	\$14,900
Qualifying widow(er) with dependent child (see the instructions for line 5)	under 65	\$16,650
	65 or older	\$17,900

* If you were born on January 1, 1952 you are considered to be age 65 at the end of 2016. (If your spouse died in 2016 or if you are preparing a return for someone who died in 2016, see Pub. 501)

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

- Do not include any social security benefits unless
 - (a) you are married filing a separate return and you lived with your spouse at any time in 2016 or
 - (b) one-half of your social security benefits plus your other gross income and any tax-exempt interest is more than \$25,000 (\$32,000 if married filing jointly).
 If (a) or (b) applies, see the instructions for lines 20a and 20b to figure the taxable part of social security benefits you must include in gross income.
- Gross income includes gains, but not losses, reported on Form 8949 or Schedule D.
- Gross income from a business means, for example, the amount on Schedule C, line 7, or Schedule F, line 9. But, in figuring gross income, do not reduce your income by any losses, including any loss on Schedule C, line 7, or Schedule F, line 9.

*** If you did not live with your spouse at the end of 2016 (or on the date your spouse died) and your gross income was at least \$4,050, you must file a return regardless of your age.

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



Chart B – For Children and Other Dependents

If your parent (or someone else) *can* claim you as a dependent, use this chart to see if you must file a return.

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

Single Dependents	
Either 65 or over or blind	You must file a return if any of the following apply. <ol style="list-style-type: none"> 1. Your unearned income was over \$2,600 (\$4,150 if 65 or older and blind). 2. Your earned income was over \$7,850 (\$9,400 if 65 or older and blind). 3. Your gross income was more than the larger of — <ol style="list-style-type: none"> a. \$2,600 (\$4,150 if 65 or older and blind) or b. Your earned income (up to \$5,950) plus \$1,900 (\$3,450 if 65 or older and blind).
Under 65 and not blind	You must file a return if any of the following apply. <ol style="list-style-type: none"> 1. Your unearned income was over \$1,050. 2. Your earned income was over \$6,300. 3. Your gross income was more than the larger of — <ol style="list-style-type: none"> a. \$1,050, or b. Your earned income (up to \$5,950) plus \$350.
Married Dependents	
Either age 65 or older or blind	You must file a return if any of the following apply. <ol style="list-style-type: none"> 1. Your unearned income was over \$2,300 (\$3,550 if 65 or older and blind). 2. Your earned income was over \$7,550 (\$8,800 if 65 or older and blind). 3. Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions. 4. Your gross income was more than the larger of — <ol style="list-style-type: none"> a. \$2,300 (\$3,550 if 65 or older and blind), or b. Your earned income (up to \$5,950) plus \$1,600 (\$2,850 if 65 or older and blind).
Under age 65 and not blind	You must file a return if any of the following apply. <ol style="list-style-type: none"> 1. Your unearned income was over \$1,050. 2. Your earned income was over \$6,300. 3. Your gross income was at least \$5 and your spouse files a separate return and itemizes deductions. 4. Your gross income was more than the larger of — <ol style="list-style-type: none"> a. \$1,050, or b. Your earned income (up to \$5,950) plus \$350.

Tax for Certain Children who have Unearned Income (Kiddie Tax)

For children under age 18 and certain older children, unearned income over \$2,100 is taxed at the parent's rate if the parent's rate is higher than the child's. 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 benefit, pension and annuity income, taxable scholarship and fellowship grants not reported on Form W-2, unemployment compensation, alimony, and income received as the beneficiary of a trust. If the child's unearned income is more than \$2,100, [and the child is required to file a tax return](#), Form 8615 must be used to figure the child's tax. Form 8615 is out of scope.



Chart C – Other Situations When You Must File

You must file a return if any of the conditions below apply for 2016.

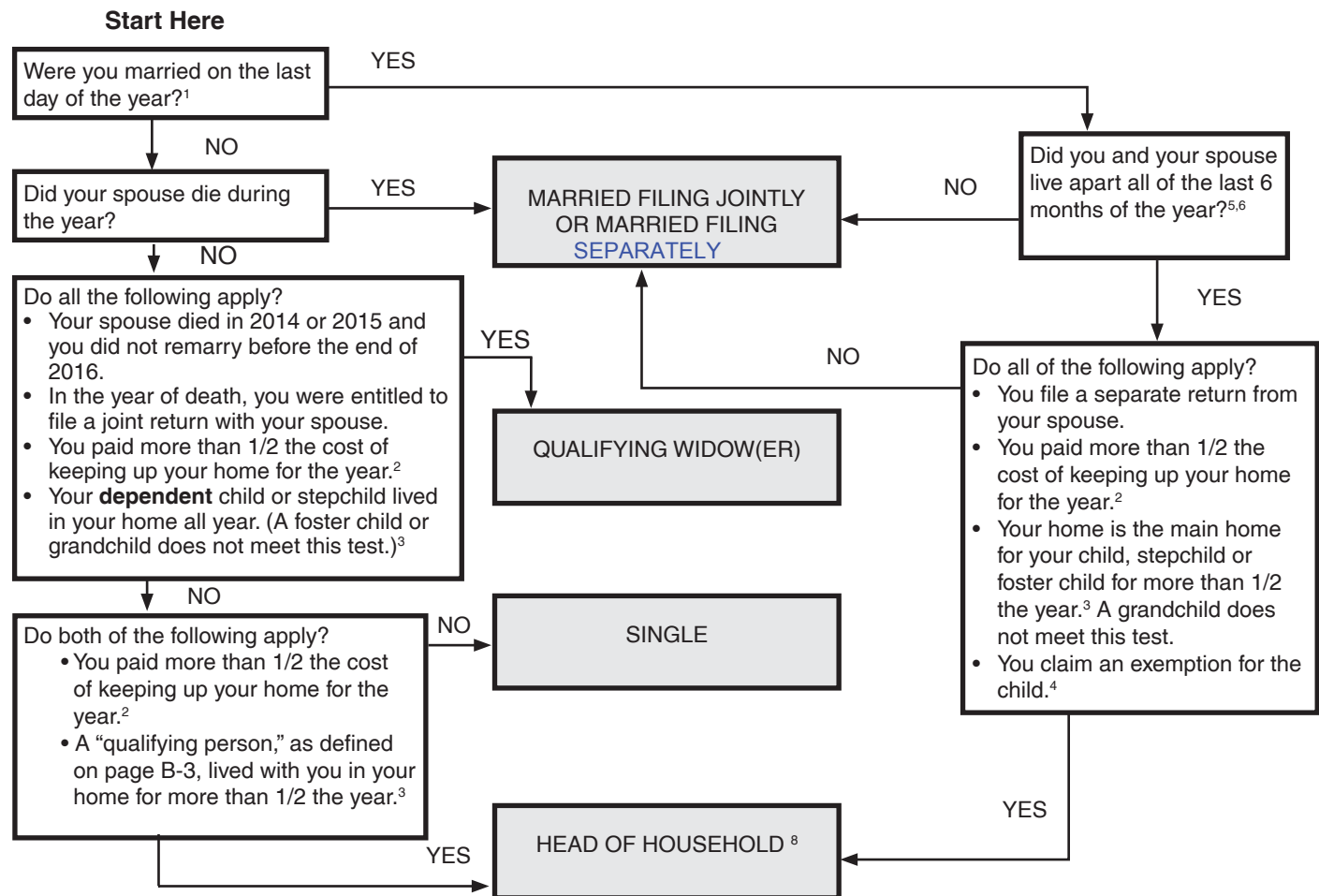
1. You owe any special taxes, including any of the following.
 - a. Alternative minimum tax.
 - b. Additional tax on a qualified plan, including an individual retirement arrangement (IRA), or other tax-favored account. But if you are filing a return only because you owe this tax, you can file **Form 5329** by itself.
 - c. Household employment taxes. But if you are filing a return only because you owe this tax, you can file **Schedule H** by itself.
 - d. Social security and Medicare tax on tips you did not report to your employer or on wages you received from an employer who did not withhold these taxes.
 - e. Recapture of first-time homebuyer credit. See the instructions for line 60b.
 - f. Write-in taxes, including uncollected social security and Medicare or RRTA tax on tips you reported to your employer or on group-term life insurance and additional taxes on health savings accounts. See the instructions for line 62.
 - g. Recapture taxes. See the instructions for line 44 and line 62.
2. You (or your spouse, if filing jointly) received HSA, Archer MSA or Medicare Advantage MSA distributions.
3. You had net earnings from self-employment of at least \$400.
4. You had wages of \$108.28 or more from a church or qualified church-controlled organization that is exempt from employer social security and Medicare taxes.
5. Advance payments of the premium tax credit were made for you, your spouse, or a dependent who enrolled in coverage through the Marketplace. You or whoever enrolled you should have received Form(s) 1095-A showing the amount of the advance payments.



Chart D – Who Should File

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

Determination of Filing Status – Decision Tree



Footnotes:

1. Answer "NO" to this question if, on the last day of the year, you were legally separated from your spouse under a divorce or separate maintenance decree. Answer "NO" for individuals who have entered into a registered domestic partnership, civil union, or other similar relationship that is not called a marriage under state (or foreign) law. Answer YES if taxpayer is married regardless of where the spouse lives.
2. Include in the cost of upkeep expenses such as rent, mortgage interest, real estate taxes, insurance on the home, repairs, utilities and food eaten in the home. See "Cost of Keeping Up a Home" worksheet on page B-4.
 - Payments received under TANF or other public assistance programs used to pay the costs of keeping up the home cannot be counted as money you paid. These payments must be included in the total cost of keeping up the home to figure if you paid over 1/2 the cost.
 - Amounts paid out of funds received from SSA in the child's or qualifying person's name, or funds received as governmental assistance are considered to be paid by others, not by you.
3. See Publication 17, *Filing Status*, for rules applying to birth, death, or temporary absence during the year. There are special rules for claiming your parent as a qualifying person for head of household. See Page B-3.
4. Unless the child's other parent claims him or her under rules for children of divorced or separated parents or parents who lived apart.
5. You are considered unmarried for head of household purposes if your spouse was a nonresident alien at any time during the year and you do not choose to treat your nonresident spouse as a resident alien. However, your spouse is not a qualifying person for head of household purposes. You must have another qualifying person (use the table on page B-3) and meet the other tests to be eligible to file as a head of household.
6. Your spouse is considered to live in your home even if he or she is temporarily absent due to illness, education, business, vacation or military service.
7. If the taxpayer wants to file MFS, emphasize the advantages to Married Filing Jointly and the possibility of filing Form 8379, Injured Spouse Claim & Allocation (if appropriate). See *Pub 17, Filing Status, MFS Special Rules* for list of disadvantages. Respect a taxpayer's decision to file MFS. If domiciled in a community property state see Pub 555.
8. Generally, only one taxpayer in a home can claim Head of Household filing status. Just because each person has their own children living in a home does not mean they have a separate "household" for this filing status purpose.

Note: If one spouse dies and the other remarries in the same year, the deceased spouse files Married Filing Separately.

Explanation of Filing MFJ with Nonresident Alien (NRA) Spouse

This is an election. A statement must be attached to the return in the first year the election is made. Once made, the election is binding for future years. The NRA spouse must report and pay tax on worldwide income, including self-employment tax. See Pub 519 for details.

If the U.S. citizen/resident taxpayer who is filing with a NRA spouse lives in a community property state, community property rules apply. If MFS is chosen in a future year, the return is out of scope.

Statement for Nonresident Spouse to be Treated as a Resident

We hereby declare that *Spouse Name* was a nonresident alien on December 31, 2016; and that *Taxpayer Name* was a U.S. resident on December 31, 2016. We choose to be treated as U.S. residents for the entire tax year.

	Taxpayer
Name	Taxpayer Name
TIN	555-55-0000
Address	14337 US Hwy 23 Tuttle, ID 983XX

Spouse
Spouse Name
ITIN applied for
Lazaro Cardenas
Ave Colonia Guadalupe
Amatlan de Reyes
Veracruz Mexico

Signature _____
Taxpayer Name

Date ____/____/____
mm dd yyyy

Signature _____
Spouse Name

Date ____/____/____
mm dd yyyy



Overview of the Rules for Claiming an Exemption for a Dependent

Caution: This table is only an overview of the rules. For details, see Publication 17.

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

Tests To Be a Qualifying Child	Tests To Be a Qualifying Relative
1. The child must be your son, daughter, stepchild, foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them.	1. The person can't be your qualifying child or the qualifying child of any other taxpayer. A child isn't the qualifying child of any other taxpayer if the child's parent (or any other person for whom the child is defined as a qualifying child) isn't required to file an income tax return or files an income tax return only to get a refund of income tax withheld.
2. The child must be: (a) under age 19 at the end of the year and younger than you (or your spouse, if filing jointly), (b) under age 24 at the end of the year, a full-time student, and younger than you (or your spouse, if filing jointly), or (c) any age if permanently and totally disabled.	2. The person either (a) must be related to you in one of the ways listed under <i>Relatives who don't have to live with you</i> (see Table 2, step 2), or (b) must live with you all year as a member of your household ² (and your relationship must not violate local law).
3. The child must have lived with you for more than half of the year. ²	3. The person's gross income for the year must be less than \$4,050. ³ Gross income means all income the person received in the form of money, goods, property and services, that isn't exempt from tax. Don't include social security benefits unless the person is married filing a separate return and lived with their spouse at any time during the tax year or if 1/2 the social security benefits plus their other gross income and tax exempt interest is more than \$25,000 (\$32,000 if MFJ).
4. The child must not have provided more than half of his or her own support for the year. ⁵	4. You must provide more than half of the person's total support for the year. ⁵
5. The child isn't filing a joint return for the year (unless that joint return is filed only to claim a refund of income tax withheld or estimated tax paid).	
6. If the child meets the rules to be a qualifying child of more than one person, you must be the person entitled to claim the child as a qualifying child. See the "Qualifying Child of More Than One Person" chart.	

¹There is an exception for certain adopted children.

²There are exceptions for temporary absences, children who were born or died during the year, children of divorced or separated parents or parents who live apart, and kidnapped children.

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

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

⁵A worksheet for determining support is provided on page C-9. If a person receives social security benefits and uses them toward his or her own support, those benefits are considered as provided by the person. Benefits provided by the state to a needy person (welfare, food stamps, housing, SSI) are generally considered support provided by the state.



Qualifying Child of More Than One Person

If the child meets the conditions to be the qualifying child of more than one person, only one person can claim the child as a qualifying child for all of the following tax benefits, unless the special rule for children of divorced or separated parents applies.

- Dependency Exemption
- Head of Household
- Credit for Child and Dependent Care Expenses
- Child Tax Credit
- Earned Income Credit
- Exclusion from income for Dependent Care Benefits

No other person can take any of the six tax benefits listed above unless he or she has a different qualifying child. If you and any person can claim the child as a qualifying child, the following tiebreaker rules apply. See the example below if no parent claims the child.

If only one of the persons is the child's parent, the child is treated as the qualifying child of the parent.

If the parents file a joint return together and can claim the child as a qualifying child, the child is treated as the qualifying child of the parents.

If the parents don't file a joint return together but both parents claim the child as a qualifying child, the IRS will treat the child as the qualifying child of the parent with whom the child lived for the longer period of time during the year. If the child lived with each parent for the same amount of time, the IRS will treat the child as the qualifying child of the parent who had the higher adjusted gross income (AGI) for the year.

If no parent can claim the child as a qualifying child, the child is treated as the qualifying child of the person who had the highest AGI for the year.

If a parent can claim the child as a qualifying child but no parent claims the child, the child is treated as the qualifying child of the person who had the highest AGI for the year, but only if that person's AGI is higher than the highest AGI of any of the child's parents who can claim the child. If the child's parents file a joint return with each other, this rule can be applied by dividing the parents' combined AGI equally between the parents.

Example: Your daughter meets the conditions to be a qualifying child for both you and your mother. Under the rules above, you are entitled to treat your daughter as a qualifying child for all of the six tax benefits listed above for which you otherwise qualify. Your mother isn't entitled to take any of the six tax benefits listed above unless she has a different qualifying child. However, if your mother's AGI is higher than yours, you can let your mother treat your daughter as her [qualifying](#) child. If you do that, your daughter isn't your [qualifying child](#) for any of the six benefits.

For more details and examples, see Pub. 17 and 501.

Worksheet for Determining Support



Funds Belonging to the Person You Supported

1. Enter the total funds belonging to the person you supported, including income received (taxable and nontaxable) and amounts borrowed during the year, plus the amount in savings and other accounts at the beginning of the year **1.** _____
2. Enter the amount on line 1 that was used for the person's support **2.** _____
3. Enter the amount on line 1 that was used for other purposes **3.** _____
4. Enter the total amount in the person's savings and other accounts at the end of the year **4.** _____
5. Add lines 2 through 4. (This amount should equal line 1.) **5.** _____

Expenses for Entire Household (where the person you supported lived)

6. Lodging (complete line 6a or 6b):
 - 6a. Enter the total rent paid **6a.** _____
 - 6b. Enter the fair rental value of the home. If the person you supported owned the home, also include this amount in line 21. **6b.** _____
7. Enter the total food expenses **7.** _____
8. Enter the total amount of utilities (heat, light, water, etc. not included in line 6a or 6b) **8.** _____
9. Enter the total amount of repairs (not included in line 6a or 6b) **9.** _____
10. Enter the total of other expenses. Don't include expenses of maintaining the home, such as mortgage interest, real estate taxes, and insurance. **10.** _____
11. Add lines 6a through 10. These are the total household expenses **11.** _____
12. Enter total number of persons who lived in the household **12.** _____

Expenses for the Person You Supported

13. Divide line 11 by line 12. This is the person's share of the household expenses **13.** _____
14. Enter the person's total clothing expenses **14.** _____
15. Enter the person's total education expenses **15.** _____
16. Enter the person's total medical and dental expenses not paid for or reimbursed by insurance . . . **16.** _____
17. Enter the person's total travel and recreation expenses **17.** _____
18. Enter the total of the person's other expenses **18.** _____
19. Add lines 13 through 18. This is the total cost of the person's support for the year **19.** _____

Did the Person Provide More Than Half of His or Her Own Support?

20. Multiply line 19 by 50% (.50) **20.** _____
21. Enter the amount from line 2, plus the amount from line 6b if the person you supported owned the home. This is the amount the person provided for his or her own support **21.** _____
22. Is line 21 more than line 20?

No. You meet the support test for this person to be your qualifying child. If this person also meets the other tests to be a qualifying child, stop here; don't complete lines 23–26. Otherwise, go to line 23 and fill out the rest of the worksheet to determine if this person is your qualifying relative.

Yes. You don't meet the support test for this person to be either your qualifying child or your qualifying relative. **Stop here.**

Did You Provide More Than Half?

23. Enter the amount others provided for the person's support. Include amounts provided by state, local, and other welfare societies or agencies. Don't include any amounts included on line 1. . . **23.** _____
24. Add lines 21 and 23 **24.** _____
25. Subtract line 24 from line 19. This is the amount you provided for the person's support **25.** _____
26. Is line 25 more than line 20?

Yes. You meet the support test for this person to be your qualifying relative.

No. You don't meet the support test for this person to be your qualifying relative. You can't claim an exemption for this person unless you can do so under a multiple support agreement, the support test for children of divorced or separated parents, or the special rule for kidnapped children. See *Multiple Support Agreement*, *Support Test for Children of Divorced or Separated Parents or Parents Who Live Apart*, or *Kidnapped Child* under *Qualifying Relative*.

Note: Taxpayers should keep a completed copy of this worksheet for their records.

Scholarship and grant income (and the expenses paid by them) are not included for support test.

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. 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)

<p>Wages, salaries, bonuses, commissions Alimony Annuities Awards Back pay Breach of contract payment Business income/Self-employment income Cash income Compensation for personal services Debts forgiven¹ Director's fees Disability benefits (employer-funded) Discounts Dividends Employee awards Employee bonuses Estate and trust income Farm income Fees Gains from sale of property or securities Gambling winnings Hobby income Interest Interest on life insurance dividends IRA distributions Jury duty fees Military pay (not exempt from taxation)</p>	<p>Military pension Nonemployee compensation Notary fees Partnership, Estate and S-Corporation income (<i>Schedule K-1s, Taxpayer's share</i>) Pensions Prizes Punitive damage award Railroad retirement—Tier I (portion may be taxable) Railroad retirement—Tier II Recovery of prior year deduction² (medical, property taxes, etc.) Refunds of State and local income tax (if reportable)² Rents (gross rent) Rewards Royalties Severance pay Self-employment (gross income) Social security benefits - portion may be taxable - (<i>See Income tab, Railroad Retirement, Civil Service, and Social Security Benefits</i>) Supplemental unemployment benefits Taxable scholarships and grants Tips and gratuities Tribal per capita payments Unemployment compensation</p>
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Table B – Examples of Nontaxable Income

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

<p>Aid to Families with Dependent Children (AFDC) Child support Civil damages, restitution or other monetary award paid to someone because that person was wrongfully incarcerated Damages for physical injury (other than punitive) Death payments Dividends on life insurance Federal Employees' Compensation Act payments Federal income tax refunds Gifts Inheritance³ or bequest Insurance proceeds (Accident, Casualty, Health, Life) Interest on tax-free securities Interest on EE/I bonds redeemed for qualified higher education expenses Meals and lodging for the convenience of employer Medicaid waiver payments</p>	<p>Olympic and Paralympic Games medals and prizes⁴ Payments to the beneficiary of a deceased employee Relocation payments Rebate/Patronage Dividends issued by co-ops for personal use are not taxable. Payments in lieu of worker's compensation Rental allowance of clergyman Rental of home less than 15 days for the year Sickness and injury payments Social security benefits - portion may not be (<i>See Income tab, Railroad Retirement, Civil Service, and Social Security Benefits</i>) Supplemental Security Income (SSI) Temporary Assistance for Needy Families (TANF) Veterans' benefits Welfare payments (including TANF) and food stamps Worker's compensation and similar payments</p>
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Footnotes: ¹If the taxpayer received a Form 1099-C, Cancellation of Debt, in relation to their main home, it can be nontaxable.

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

³An 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.

⁴The exclusions does not apply to a taxpayer for any year in which the taxpayer's AGI exceeds \$1 million (or \$500,00 for an individual filing a MFS return).



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.

Table 1—Included Items

These items are included in gross income, unless the pay is for service in a combat zone

<p>Basic pay</p> <ul style="list-style-type: none"> • Active duty • Attendance at a designated service school • Back wages • CONUS COLA • Drills • Reserve training • Training Duty <p>Special pay</p> <ul style="list-style-type: none"> • Aviation career incentives • Career sea • Diving duty • Foreign duty (outside the 48 contiguous states and the District of Columbia) • Foreign language proficiency • Hardship duty 	<p>Special pay (cont.)</p> <ul style="list-style-type: none"> • Hostile fire or imminent danger • Medical and dental officers • Nuclear-qualified officers • Optometry • Pharmacy • Special compensation for assistance with activities of daily living (SCAADL) • Special duty assignment pay • Veterinarian • Voluntary Separation Incentive <p>Bonus pay</p> <ul style="list-style-type: none"> • Career status • Enlistment • Officer • Overseas extension • Reenlistment 	<p>Other pay</p> <ul style="list-style-type: none"> • Accrued leave • High deployment per diem • Personal money allowances paid to high ranking officers • 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 <p>Incentive pay</p> <ul style="list-style-type: none"> • Submarine • Flight • Hazardous duty • High altitude/Low altitude (HALO)
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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.

<p>Combat zone pay</p> <ul style="list-style-type: none"> • Compensation for active service while in a combat zone • Note: Limited amount for officers <p>Other pay</p> <ul style="list-style-type: none"> • Defense counseling • Disability, including payments received for injuries incurred as a direct result of a terrorist or military action • 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 <p>Death allowances</p> <ul style="list-style-type: none"> • Burial services • Death gratuity payments to eligible survivors • Travel of dependents to burial site 	<p>Family allowances</p> <ul style="list-style-type: none"> • Certain educational expenses for dependents • Emergencies • Evacuation to a place of safety • Separation <p>Living allowances</p> <ul style="list-style-type: none"> • 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) <p>Moving allowances</p> <ul style="list-style-type: none"> • Dislocation • 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 	<p>Travel allowances</p> <ul style="list-style-type: none"> • Annual round trip for dependent students • Leave between consecutive overseas tours • Reassignment in a dependant restricted status • Transportation for you or your dependents during ship overhaul or inactivation • Per diem <p>In-kind military benefits</p> <ul style="list-style-type: none"> • Dependent-care assistance program • Legal assistance • Medical/dental care • Commissary/exchange discounts • Space-available travel on government aircraft
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TaxSlayer® Entries

The following are examples of items to consider in determining entries into TaxSlayer®:

Item	1040 Line	Navigation to Data Entry Screen
CSA 1099-R, Civil Service Annuity Paid	16	Click line 16b from 1040 View or Income>IRA/Pension Distributions>Add or Edit a 1099-R
CSF 1099-R, Statement of Survivor Annuity Paid	16	Click line 16b from 1040 View or Income>IRA/Pension Distributions>Add or Edit a 1099-R
K-1, (Form 1065, 1120, 1041) Capital gains or losses	13	Click Income from Federal Section>Other Income>K-1 Earnings
K-1, (Form 1065, 1120, 1041) Dividend income	9a	Click Income from Federal Section>Other Income>K-1 Earnings
K-1, (Form 1065, 1120, 1041) Interest income	8a	Click Income from Federal Section>Other Income>K-1 Earnings
K-1, (Form 1065, 1120, 1041) Royalty income	17	See Royalties, later in this section
K-1, (Form 1065, 1120, 1041) Tax exempt income	8b	Click Income from Federal Section>Other Income>K-1 Earnings
RRB 1099 Railroad Retirement Benefits (Tier 1)	20	Click line 20b from 1040 View or Income>IRA/Pension Distributions>Social Security Benefits/RRB-1099
RRB 1099-R Railroad Retirement Benefits (Tier 2)	16	Click line 16b from 1040 View or Income>IRA/Pension Distributions>RRB-1099-R
SSA-1099 Social Security Benefits	20	Click line 20b from 1040 View or Income>IRA/Pension Distributions>Social Security Benefits/RRB-1099
W-2 Wages & Salaries	7	Click line 7 from 1040 View or click Income from Federal Section>Wages and Salaries
W-2G Gambling Winnings	21	Click line 21 from 1040 View>Gambling Winnings or click Income from Federal Section>Other Income>Gambling Winnings
1098 Mortgage Interest Statement	40	Click line 40 from 1040 View>Mortgage Interest and Expenses>Mortgage Interest Reported on Form 1098
1098-E Student Loan Interest	33	Click on line 33 from 1040 View or click Deductions from Federal Section>Adjustments>Student Loan Interest Deduction
1098-T Tuition Statement	34/50	Click on line 34 or 50 from 1040 View or click Deductions>Credits Menu>Education Credits
1099-B Proceeds from Broker and Barter Exchange	13	Click line 13 from 1040 View or click Income from Federal Section>Capital Gain and Losses>Capital Gain and Loss Items
1099-C Cancellation of Debt	21	Click line 21 from 1040 View> Cancellation of Debt Form 1099-C, Form 982
1099-DIV Dividends	9	Click line 9a from 1040 View or click Income from Federal Section>Interest and Dividends>Interest or Dividend Income
1099-INT, Box 9, Private Activity Bond Interest	45	Click on line 45> select Interest from specified private activity bonds exempt from the regular tax
1099-G State Tax Refund	10	Click on line 10 from 1040 View or click Income from Federal Section>State and Local refunds
1099-G Unemployment Compensation	19	Click on line 19 from 1040 View or click Income from Federal Section>Unemployment Compensation
1099-INT Interest Income	8	Click on line 8a from 1040 View or click Income from Federal Section>Interest and Dividends>Interest or Dividend Income
1099-LTC Long-Term Care and Accelerated Death..	21	Search for Form 8853
1099-MISC Line 2 Royalties	17	Click on line 17 from 1040 View or click Income from Federal Section>Form 1099-MISC
1099-MISC Line 3 Other Income	21	Click on line 21 from 1040 View>Other Income Not Reported Elsewhere or click Income from Federal Section>Form 1099-MISC

TaxSlayer® Entries (continued)

Item	1040 Line	Navigation to Data Entry Screen
1099-MISC Line 7 Non-employee Compensation	12	Click on line 12 from 1040 View or click Income from Federal Section>Form1099-MISC
1099-OID Original Issue Discount	8	Treat the same as a 1099-INT
1099-Q Payments from Education Programs	21	If not taxable, do not enter; if taxable, then out of scope
1099-QA Distributions from ABLE Accounts	21	If not taxable, do not enter; if taxable, then out of scope.
1099-R IRA Distributions	15	Click on line 15 from 1040 View>Add or Edit a 1099-R or click Income from Federal Section>IRA/Pension Distributions> Add or Edit a 1099-R
1099-R Pension Distributions	16	Click on line 16 from 1040 View>Add or Edit a 1099-R or click Income from Federal Section>IRA/Pension Distributions> Add or Edit a 1099-R
1099-R Retirement	16	Click on line 16 from 1040 View>Add or Edit a 1099-R or click Income from Federal Section>IRA/Pension Distributions> Add or Edit a 1099-R
1099-SA HSA	25	Click on line 25 on 1040 view>Health Savings Account Form 8889
Alaska Permanent Fund	21	Click on line 21 on 1040 View>Other Inc. Not Reported Elsewhere or click Income from Federal Section>Other Income>Other Inc. Not Reported Elsewhere
Alimony Paid	31a	Click on line 31 from 1040 View or click Deductions from Federal Section>Adjustments>Alimony Paid
Alimony Received	11	Click on line 11 from 1040 View or click Income from Federal Section>Alimony Received
Business Income	12	Click on line 12 from 1040 View>Fill Out Business Information>Income or click Income from Federal Section>Schedule C>Fill Out Business Information>Income
Cancellation of Mortgage Debt	1	Click on line 21 from 1040 View> Cancellation of Debt Form 1099-C, Form 982
Capital Gains Distributions	13	Click on line 13 from 1040 View>Capital Gains and Loss Items or click Income from Federal Section>Capital Gain and Losses>Capital Gains and Loss Items
Cash Income for a Business	12	Click on line 12 from 1040 View>Fill Out Business Information>Income or click Income from Federal Section>Schedule C>Fill Out Business Information>Income
Cash Income for Other than a Business	21	Click on line 21 from 1040 View>Other Inc. Not Reported Elsewhere or click Income from Federal Section>Other Income>Other Inc. Not Reported Elsewhere
Charitable Contributions	40	Click on line 40 from 1040 View>Gifts to Charity or click Deductions from Federal Section>Itemized Deductions>Gifts to Charity
Child and Dependent Care Expenses	49	Click on line 49 from 1040 View>Fill in all three steps or click Deductions from Federal Section>Credits>Child Care Credit or search for Form 2441
Credit for the elderly or Disabled	54	Click on line 54 from 1040 View>Credit for the Elderly or Disabled or click on Deductions from Federal Section >Credits Menu>Credit for the Elderly or Disabled
Child Tax Credit	52	Calculated Automatically
Dividend Income	9a	Click on line 9a from 1040 View>Interest or Dividend Income or click Income from Federal Section>Interest and Dividends>Interest or Dividend Income
Early Withdrawal Penalty	30	Click on line 30 from 1040 View or click Deductions from Federal Section>Adjustments>Penalty on Early Withdrawal of Savings or CD
Education Expenses	34/50	Click on line 34 or 50 from 1040 View or click Deductions under Federal Section>Credits Menu>Education Credits
Estimated Tax Payments for the tax year	65	Click on line 65 from 1040 View or click Payments & Estimates from Federal Section>Federal Estimated Payments
First Time Home Buyer Credit (Repayment)	60b	Click on line 60b from 1040 View or click Other Taxes from Federal Section> First-time Homebuyer Repayment

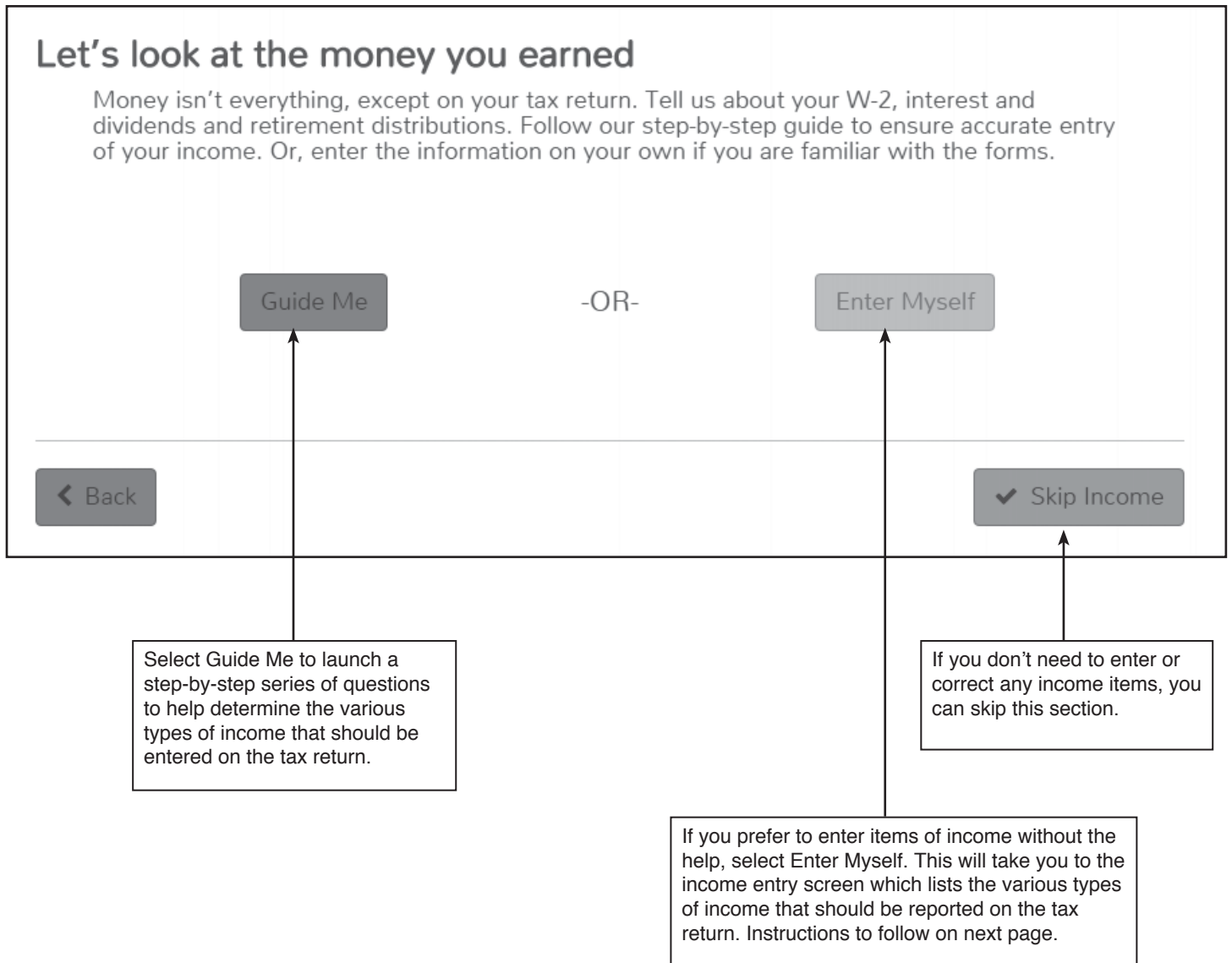
TaxSlayer® Entries (continued)

Item	1040 Line	Navigation to Data Entry Screen
Foreign Tax Credit	48	Click on line 48 from 1040 View or click Deductions from Federal Section>Credits>Foreign Tax Credit
Gambling Winnings	21	Click on line 21 from 1040 View>Gambling Winnings or click Income from Federal Section>Other Income>Gambling Winnings
Gambling Losses	40	Click on line 40 from 1040 View>Miscellaneous Deductions or click Deductions from Federal Section>Itemized Deductions>Miscellaneous Deductions
Health Savings Account	25	Click on line 25 from 1040 View or click Deductions from Federal Section>Adjustments>Health Savings Account
Household Employee Income (no W-2)	7	Click on line 7 from 1040 View>Other Income>Other Compensation>Household Employee Income or click Income from Federal Section> Other Income>Other Compensation>Household Employee Income
Interest Income	8	Click on line 8 from 1040 View>Interest or Dividend Income>Interest Income, Form 1099-INT or click on Income from the Federal Section>Interest and Dividends> Interest or Dividend Income>Interest Income, Form 1099-INT
IRA Contributions	32	Click on line 32 from 1040 View or click on Deductions from Federal Section>Adjustments>IRA Deduction
IRA Distributions	15	Click on line 15 from 1040 View>Add or Edit a 1099-R or click Income from Federal Section>IRA/Pension Distributions> Add or Edit a 1099-R
IRA Rollover	15	Click on line 15 from 1040 View>Add or Edit a 1099-R or click Income from Federal Section>IRA/Pension Distributions> Add or Edit a 1099-R
Jury Duty Pay	21	Click on line 21 from 1040 View>Other Inc. Not Reported Elsewhere or click Income from Federal Section>Other Income>Other Inc. Not Reported Elsewhere
Jury Duty Paid to the Employer	36	Click on Deductions from Federal Section>Other Adjustments>Select Jury Duty Pay
Medical and Dental Expenses	40	Click on line 40 from 1040 View>Medical and Dental Expenses or click on Deductions from Federal Section>Itemized Deductions>Medical and Dental Expenses
Medicaid waiver payments	7 & 21	See page D-45
Mileage for Charitable Travel	40	Click on line 40 from 1040 View>Gifts to Charity>Non-Cash Gifts to Charity or click on Deductions from Federal Section>Itemized Deductions>Gifts to Charity>Non-Cash Gifts to Charity
Mileage for Medical Travel	40	Click on line 40 from 1040 View>Medical and Dental Expenses or click on Deductions from Federal Section>Itemized Deductions>Medical and Dental Expenses
Mortgage Interest and Points Paid	40	Click on line 40 from 1040 View>Mortgage Interest and Expenses>Mortgage Interest Reported on Form 1098 or click on Deductions from Federal Section>Itemized Deductions> Mortgage Interest and Expenses>Mortgage Interest Reported on Form 1098
Other Income (prizes, jury duty, etc.)	21	Click on line 21 on 1040 View>Other Inc. Not Reported Elsewhere or click Income from Federal Section>Other Income>Other Inc. Not Reported Elsewhere

TaxSlayer® Entries (continued)

Item	1040 Line	Navigation to Data Entry Screen
Pension Distributions	16	Click on line 16 from 1040 View>Add or Edit a 1099-R or click Income from Federal Section>IRA/Pension Distributions> Add or Edit a 1099-R
Personal Property Taxes	40	Click on line 40 from 1040 View>Taxes You Paid or click on Deductions from Federal Section>Itemized Deductions> Taxes You Paid
Private Activity Bond interest	45	Interest from specified private activity bonds exempt from the regular tax
Prizes and Awards	21	Click on line 21 on 1040 View>Other Inc. Not Reported Elsewhere or click Income from Federal Section>Other Income>Other Inc. Not Reported Elsewhere
Real Estate Taxes	40	Click on line 40 from 1040 View>Mortgage Interest and Expenses>Mortgage Interest Reported on Form 1098 or click on Deductions from Federal Section>Itemized Deductions> Mortgage Interest and Expenses>Mortgage Interest Reported on Form 1098
Refunds of State and Local Income Tax (if reportable)	10	Click on line 10 on 1040 View or click on Income from Federal Section>State and Local Refunds
Retirement Savings Credit	51	Click on line 51 on 1040 View or click on Deductions in Federal Section>Credits>Retirement Savings Credit
Roth IRA Contributions	51	Click on line 51 on 1040 View or click on Deductions in Federal Section>Credits>Retirement Savings Credit and enter Any Current Year Roth IRA Contributions
Royalties (Simple royalties with no associated expenses)	17	Click on line 17 from 1040 View or click on Income from Federal Section>Rents and Royalties
Royalties from Services	12	Click on line 12 from 1040 View or click on Income from Federal Section>Profit or Loss from a Business
Scholarships and Grants	7	Click on line 21>Other Compensation>Scholarships or click Federal Section>Other Income>Other compensation> Scholarships & grants
Self-employment Income	12	Click on line 12 from 1040 View or click on Income from Federal Section>Profit or Loss from a Business
Social Security Benefits	20	Click on line 20 from 1040 View or click on Income from Federal Section>IRA/Pension Distributions> Social Security Benefits/RRB-1099
Stock Sales (Gains and Losses)	13	Click on line 13 from 1040 View>Capital Gains and Loss Items or click Income from Federal Section>Capital Gain and Losses>Capital Gains and Loss Items
Student Loan Interest	33	Click on line 33 from 1040 View or click on Deductions from Federal Section>Adjustments>Student Loan Interest Deduction
Tip Income (not reported to employer)	7	Enter on Form W-2 for that employer on the Unreported Tips line
Tip Income (not reported to employer because tips were less than \$20 per month)	58	Click on line 58 from 1040 View or click on Other Taxes from Federal Section>Tax on Unreported Tip Income
Traditional IRA Contributions	32	Click on line 32 from 1040 View or click on Deductions from Federal Section>Adjustments>IRA Deduction
Tribal Per Capita Payments	21	Click on line 21 on 2014 View>Other Inc. Not Reported Elsewhere or click Income from Federal Section>Other Income>Other Inc. Not Reported Elsewhere
Unemployment Compensation - Current Year	19	Click on line 19 from 1040 View or click Income from Federal Section>Unemployment Compensation
Wages & Salaries	7	Click on line 7 from 1040 View or click on Income from Federal Section>Wages and Salaries

How/Where to Enter Income



Note: Regardless of which path you choose, the tax form entry screens on the following pages are the same.

How/Where to Enter Income (continued)

To go directly to a specific form, enter the form number or name here.

Select Quick File from pull-down menu to create a list of entry screens for this return.

You can go directly to the Income section from the tabs across the top of the screen.

Mr Taxpayer

Income Deductions Other Taxes Payments & Estimates Miscellaneous Forms

Q Enter the Form Number..

- Basic Information
- Federal Section
- Health Insurance
- State Section
- Summary/Print
- e-File
- 2015 Amended Return
- Save & Exit Return
- Scanned Documents

Income

Wages and Salaries (W-2)	EDIT
State and Local Refunds (1099-G Box 2)	BEGIN
Interest and Dividends (1099-INT, 1099-DIV)	BEGIN
IRA/Pension Distributions (1099-R, 1099-SSA)	BEGIN
Unemployment Compensation (1099-G Box 1)	BEGIN
Form 1099-Misc	BEGIN
Profit or Loss From A Business (Schedule C)	BEGIN
Rents and Royalties (Schedule E)	BEGIN
Capital Gain and Losses (Schedule D)	BEGIN
Profit or Loss From Farming (Schedule F)	BEGIN
Alimony Received	BEGIN
Other Income	EDIT

If the taxpayer received a state refund in 2016 and itemized deductions for 2015 that included a deduction for state income tax, click this and complete the State Refund worksheet.

To enter unemployment compensation, click Begin or click Line 19 from the 1040 view.

To enter Taxable Scholarship, Prisoner Earned Income, or Foreign Compensation -- click Other Income then choose Other Compensation

Form W-2 Instructions

If W-2 has an IRS Verification Code, enter it here

If a Form W-2 can't be obtained from the employer, check the box to indicate this is a substitute W-2. TaxSlayer® will generate a Form 4852, Substitute for W-2

Indicate if W-2 is for Taxpayer or Spouse

If the taxpayer has an ITIN, you will be prompted to enter the ITIN or SSN as shown on the original W-2.

ITIN SSN: [] - [] - []

Compare this address to Form W-2 address. If the address on the W-2 is different, correct the W-2 address here to match the original Form W-2. This won't change the tax return address.

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 must be completed.

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.

CAUTION: Making an entry in Box 12 does NOT alter Boxes 3 and 5.

Form W-2 ALERT!
 IRS requires that information on electronically filed Form(s) W-2 match the printed Form(s) W-2 exactly
 A taxpayer with multiple Forms W-2 could possibly have a different address on several, if not all, of the Forms W-2.
 Check them carefully; the change must be made on every Form W-2 that is different from the current address
 Be sure to enter every item from the taxpayer's original W-2 – **key what you see**

CAUTION: If the taxpayer earned tips that weren't reported to the employer, enter in the Unreported Tips box. This will add Form 4137 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.

TIP INCOME

If there is an amount in Box 8, allocated tips, actual tips from a tip log can always be used instead of allocated tip amount.

TaxSlayer does not allow a negative adjustment on Form 4137, but you can enter the difference between the allocated tips and the tip log amount as a "Tips received as a government employee."
 TaxSlayer will subtract that amount from the allocated tips when calculating Social Security and Medicare taxes.

If there are tips on the W-2, you will receive a warning that SS tax is excessive. It can be ignored.

Form W-2 Instructions (continued)

Be sure to check box 13 as indicated on Forms W-2. This is important in calculating the deductibility of IRA contributions.

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 those items that don't impact the return in box 14 such as code DD.

If choosing "Other" for Box 14, be sure to use the information in other sections of the return, if appropriate (i.e. pension contribution impacting Saver's Credit.)

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

If Box 16 and Box 17 are both blank, leave Box 15 blank. This most often happens with DFAS W-2s.

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
- T** Adoption benefits
- W** Employer contributions (including amounts the employee contributes through a cafeteria plan) to your health savings account
- AA** Designated Roth contributions under a section 401 (k) plan
- BB** Designated Roth contributions under a section 403 (b) plan
- DD** Cost of employer-sponsored health coverage
- EE** Designated Roth contributions under a governmental section 457 (b) plan

State and Local Refund Worksheet

1. State/local income tax refund or credit¹ 1. _____

2. Enter the total of all other Schedule A refunds or reimbursements (excluding the amount you entered on line 1)² 2. _____

3. Add lines 1 and 2 3. _____

4. Itemized deductions for the prior year. For 2014, Form 1040, Schedule A, line 29; Form 1040NR, Schedule A, line 15; Form 1040NR-EZ, line 11 4. _____

5. Enter any amount previously refunded to you (do not enter an amount from line 1 or line 2) 5. _____

6. Subtract line 5 from line 4 6. _____

7. Standard deduction for the prior year.³ If you filed Form 1040NR or 1040NR-EZ, enter -0- 7. _____

8. Subtract line 7 from line 6. If the result is zero or less, enter 0. The amounts on lines 1 and 2 are not taxable 8. _____

9. Enter the smaller of line 3 or line 8 9. _____

10. Taxable income for prior year⁴ (2014 Form 1040, line 43; 2014 Form 1040NR, line 41; 2014 Form 1040NR-EZ, line 14) 10. _____

11. Amount to include in income for 2015⁵ 11. _____

- If line 10 is zero or more, enter the amount from line 9.
- If line 10 is a negative amount, add lines 9 and 10 and enter the result (but not less than 0).

If line 11 equals line 3—
Enter the amount from line 1 on Form 1040, line 10; Form 1040NR, line 11; Form 1040NR-EZ, line 4. Enter the amount from line 2 on Form 1040, line 21; Form 1040NR, line 21.

If line 11 is less than line 3 and either line 1 or line 2 is zero—
If there is an amount on line 1, enter the amount from line 11 on Form 1040, line 10; Form 1040NR, line 11; Form 1040NR-EZ, line 4.
If there is an amount on line 2, enter the amount from line 11 on Form 1040, line 21; Form 1040NR, line 21.

If line 11 is less than line 3, and there are amounts on both lines 1 and 2, complete the following worksheet.

A. Divide the amount on line 1 by the amount on line 3. Enter the percentage A. _____

B. Multiply the amount on line 11 by the percentage on line A. Enter the result here and on Form 1040, line 10; Form 1040NR, line 11 B. _____

C. Subtract the amount on line B from the amount on line 11. Enter the result here and on Form 1040, line 21; Form 1040NR, line 21 C. _____

Use Worksheet at cotaxaide.org/tools

State Income Tax Refunds from Years Earlier than the Prior Year:

- If taxpayer did not itemize in the year the refund is for or claimed the sales tax deduction instead of the state income tax deduction in that year, the refund is not taxable. Do not enter it.
- If the taxpayer itemized and agrees to pay tax on the full amount, enter the full amount in the first field on the State Refund Worksheet.
- If the taxpayer does not agree to pay tax on the full amount, the return is out of scope.

Recommend using the Refund Calculator at cotaxaide.org/tools. Enter result here for a state income tax refund that is taxable.

State Refund Worksheet

Bypass State Refund Worksheet
Enter an amount here to bypass worksheet and enter the full amount as taxable on form 1040: \$ _____

Section 1 - State and Local Refunds

State Tax Refunds (all refunds from 1099-G or similar statements): \$ _____

Last year's (2014 Tax Return) Standard/Itemized Deductions found on line 40 Form 1040 or line 24 Form 1040A. If you filed your 2014 return on form 1040EZ, please enter 0.: \$ _____

Last Year's (2014 Tax Return) Filing Status: Select one... ▼

Last Year's (2014 Tax Return) Deductions for Over 65 or Blind:

Check here if the Taxpayer claimed the Over 65 deduction last year.

Check here if the Spouse claimed the Over 65 deduction last year.

Check here if the Taxpayer claimed the Blind deduction last year.

Check here if the Spouse claimed the Blind deduction last year.

Section 2 - If the filing status on your 2014 Form 1040 was married filing separately and you were forced to itemize because your spouse itemized in 2014, fill out this section ONLY.

State Tax Refunds (all refunds from 1099-G or similar statements): \$ _____

Done

Note: If the taxpayer doesn't have a copy of the prior year return, make the entire refund taxable.

Use **Section 1 ONLY** if there is no state or local sales tax, and taxpayer had no unused credits last year. Otherwise, use worksheet above to determine amount to enter on 1st line. Use a copy of the taxpayer's previous year return to enter all amounts in the spaces provided. The taxable portion will be included on the return as taxable income.

Section 2— For taxpayers who filed a MFS tax return in the previous year and were forced to itemize deductions because their spouse itemized deductions, enter the amount from all current year 1099-G statements. This amount will be included on the return as taxable income.

For taxable refunds or recoveries of other items, such as itemized deductions, use the refund calculator and enter the taxable amount as other income on Form 104 Line 21.

Interest and Dividend Income

Interest and Dividend Income

Interest or Dividend Income

Did you earn interest from a bank in a foreign country?

Exclusion of Interest from Series EE & I US Savings Bonds

If the aggregate value of foreign financial accounts exceeds \$10,000 at any time during the year, the FinCEN Report 114 is required and the return is out of scope.

If U.S. Savings Bond interest is used to pay for higher education expenses, return is out of scope.

1099 Description Schedule B

Choose the type of Interest or Dividend item you want to enter:

- Interest Income, Form 1099-INT
- Tax Exempt Interest Income, Form 1099-INT, Box 8 or Form 1099-DIV, Box 10
- Dividend Income, Form 1099-DIV, Box 1
- Seller Financed Interest Income

If Tax-Exempt interest is present on the Form 1099-INT, enter separately

Interest and Dividend Income (continued)

Interest Income

Type of transaction: **Interest Income**

Payer's Name:

Taxpayer, Spouse, or Joint? Taxpayer

Interest Income (Box 1)	\$	<input style="width: 95%;" type="text"/>
Early Withdrawal Penalty (Box 2)	\$	<input style="width: 95%;" type="text"/>
Interest on U.S. Savings Bonds and Treasury obligations (Box 3) <small>(Note: Enter Taxable amount only)</small>	\$	<input style="width: 95%;" type="text"/>
Federal Tax Withheld (Box 4)	\$	<input style="width: 95%;" type="text"/>
Amount of Interest on U.S. Savings Bonds and Treasury Obligations that you want subtracted from your state return	\$	<input style="width: 95%;" type="text"/>
Nominee Interest	\$	<input style="width: 95%;" type="text"/>
OID Adjustment	\$	<input style="width: 95%;" type="text"/>
Accrued Interest	\$	<input style="width: 95%;" type="text"/>
ABP Adjustment	\$	<input style="width: 95%;" type="text"/>
Accrued Market Discount	\$	<input style="width: 95%;" type="text"/>

✕ Cancel
✓ Continue

Enter the name of payer. Don't use punctuation.

Annotating who received interest is important for state tax purposes.

Enter each Form 1099-INT separately.

Taxable interest paid. This doesn't include interest shown in box 3.

This amount is carried as an adjustment to Form 1040.

Enter any taxable amount from box 3 on this line.

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

OID adjustment – Don't use this for interest reported on Form 1099-OID. This is only used when the OID instrument was bought or sold during the year. In that case, the return is out of scope. **OID interest is treated the same as regular interest.**

Accrued interest—Interest paid to seller at time of purchase—out of scope

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

If 1099-INT shows state tax withheld, go to Payments and Estimates section and enter them there as Other State Withholdings.

If 1099-INT show foreign tax withheld, enter it on this screen.
A warning may appear if tax withheld is more than 40% of Box 1. If your entries are correct, ignore the warning.

Tax-Exempt Interest

Schedule B Other Interest

Type of transaction: **Tax Exempt Interest, Box 8**

Payer's Name:

Taxpayer, Spouse, or Joint? Taxpayer ▾

Interest Income \$

To add/edit state taxable interest items, click here

Taxable State Interest Item

State

Owner

Amount \$

Enter the payer's name. Select whether the interest income belongs to the taxpayer, the spouse or if it is joint income.

Enter the amount of tax exempt interest from Box 8 of Form 1099-INT

If any of the tax exempt interest isn't exempt from state taxes, select the **Add/Edit** button to add a Taxable State Interest item. *Interest on out-of-state municipal bonds isn't taxable on the federal return BUT IS generally taxable on the state return.*

Enter the required information and select **Continue To Next Step**.

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

IRA/Pension Distributions (Form 1099-R, Form SSA-1099)

IRA/Pension Distributions			
Add or Edit a 1099-R			BEGIN
RRB-1099-R			BEGIN
Social Security Benefits			BEGIN
Nontaxable Distributions			BEGIN
			✓ Continue

There are four items to choose from, and within each item you can make entries for as many documents as needed.

Form 1099-R

If more than one taxpayer, choose who the document belongs to.

EIN must be entered accurately, and is a common cause for e-file reject.

Caution: 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.
The payer may calculate the tax-free amount and show the correct taxable amount in Box 2a. In that case, simply enter the amounts shown on the 1099-R. Don't use the worksheet.
If the payer doesn't calculate the taxable amount, Box 2b will be marked, and Box 2a may be blank, zero or the same as Box 1. In that case, use the Simplified Method.

If Simplified Method is required, click here for worksheet.
Use annuity worksheet at cotaxaide.org/tools instead

Box 2b offers "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.

Box 5 on the document may be current year's amount of employee contributions or insurance premiums.
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.

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.

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

CAUTION: Make sure Box 2a reflects any changes due to simplified method, PSO health insurance, rollovers, return of capital etc.

If you enter a foreign address and the country does not use postal codes, enter 0 (zero) for the postal code.

Form CSA 1099-R—Civil Service Retirement Benefits—The Office of Personnel Management issues Form CSA 1099-R for annuities paid or Form CSF 1099-R for survivor annuities paid. The CSA-Form 1099-R box numbers reflect the standard numbering on a Form 1099-R. If the taxable amount isn't calculated in box 2:

- The Simplified Method must be used.
- Enter box 9b on line 1 of the Simplified Method section, if applicable.
- Complete the other required entries of the Simplified Method section.
- Amounts in box 5 are for health insurance premiums paid by the annuitant (and need to be manually entered on the Schedule A worksheet).

Form 1099-R Simplified Method

If the taxpayer made after-tax contributions toward a pension, a portion of the annuity payment has already been taxed and isn't taxable now. Generally, if the starting date of the payments was prior to July 2, 1986, the Simplified Method wouldn't apply. If the taxpayer used the 3-year rule, the annuity is fully taxable. If he used the general rule, refer the taxpayer to a professional tax preparer.

Since 1986, the employee's total after tax contribution is distributed over a number of months that represents the average life expectancy of someone who is this age (when they began receiving payments).

NTTC recommends using Bogart's annuity calculator at cotaxaide.org/tools.

Simplified General Rule Worksheet

Gross distribution amount (from 1099-R): \$5,000.00

Plan cost at annuity start date: \$

Starting date of annuity: MM DD YYYY

Check here if this is a Joint or Survivor Annuity.

Death benefit exclusion: \$

Age of recipient at start date: *

*If joint or survivor annuity, add ages of recipients

Number of months paid in 2015:

Amounts previously recovered: \$

Cancel Continue

Enter the Plan cost (shown in Box 9b of 1099-R)

Enter the age of the taxpayer on the date the pension started – this may be different than the taxpayer's age at the end of that year.

For a joint or survivor annuity, add the ages of both spouses on the start date. For the beneficiary of an employee who died, see Publication 575, Pensions and Annuities.

Enter the amount that **could have been** recovered tax free in prior years even if not claimed. Look at last year's tax return to find this amount, or calculate the amount using the monthly tax free amount computed by TaxSlayer for the 2016 tax year times the number of months prior to 2016.*

For a joint and survivor annuity that starts **AFTER** the death of the employee, use only the survivor's age.

For a joint and survivor annuity that starts **BEFORE** the death of either beneficiary, continue with the same exclusion amount after the first death.

The taxable amount is calculated and shown on the original 1099-R.

If retired public safety officer (PSO) has both health insurance deduction and simplified method, complete the simplified method first, then delete the simplified method worksheet and manually subtract insurance premiums (up to \$3,000) from calculated taxable income in Box 2. Deduct excess premiums on Itemized Deductions screen. See also D-25

*For annuitants who retired between July 2, 1986 and Dec. 31, 1986 enter zero.

Taxpayer Name Income

- Your Office
- Scanned Documents
- Si hablo Espanol?
- Notes**
- Helpful Tools
- Quick File
- Save & Log Out

Add a new note

Note Name: Simplified Method

Text for this note: Mr. Example retired 2/2/2015 at age 51. He's recovered \$xx so far.

Color: [] [] [] []

Cancel Save

To save time for next year's preparer, enter a Note with the taxpayer's annuity start date, age at the start date, and amounts previously recovered.

Form 1099-R Rollovers

If any portion was rolled over, check to bring up screen to enter the amount. Even if Box 7 is Code G, this entry must be made.

Rollover or Disability

Check here if all/part of the distribution was rolled over, and enter the rollover amount.

\$

Check here to report on Form 1040, Line 7 (Distribution code must be a "3")

Check if Code 3 is in box 7—and the taxpayer is disabled and under the minimum retirement age of the employer's plan. This will put this disability income on Line 7 of Form 1040, instead of Line 16. It will also be used in calculation of some credits.

Rollovers

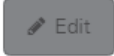
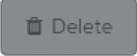
- * A taxpayer should not receive a Form 1099-R for a trustee-to-trustee transfer from one IRA to another, but should receive a Form 1099-R for a trustee-to-trustee direct rollover from an employer qualified plan to an IRA with code G.
- * A rollover that involves a distribution of funds to the participant isn't taxable if the funds are deposited into an IRA (or the same IRA) or an employer plan within 60 days. Form 1099-R will have either a code 1 or code 7.
- * A participant is allowed only one rollover from an IRA to another (or the same) IRA in any 12-month period, regardless of the number of IRAs owned. However, you can continue to make unlimited trustee-to-trustee transfers between IRAs because it is not considered a rollover.
- * Sometimes a distribution includes both a regular distribution (generally taxable) and a rollover (generally non-taxable). The Form 1099-R Rollover or Disability section is used to input the amount that won't be taxed, and **Box 2 may need to be adjusted**.
- * [If taxpayer inadvertently missed the 60-day rollover deadline for one of several reasons, he can submit a certification to the trustee, and the amount can be considered a rollover on his tax return. See Revenue Procedure 2016-47 for details.](#)

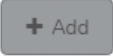
Note: The above applies to pre-tax accounts (e.g. traditional IRAs) and to post-tax accounts (e.g. Roth IRAs) within each group. If rolling or converting from pre-tax to post-tax, the amount will generally be taxable.

See also [Page NEW-3](#) for more information.

Form 1099-R Distributions

Form 1099-R IRA/Pension Distribution(s)

Taxpayer or Spouse	Payer	Federal Tax Withheld	Taxable Amount	Gross		
Taxpayer	Second Federal Credit Union	\$200	\$900	\$1,975		

 **Add** Add a Form 1099-R IRA/Pension Distribution(s)

- When there is more than one IRA/Pension document, click on the Add button. When the last document for that section has been entered, click Continue.
- When entering Form 1099-RRB, don't choose Form 1099-R

Form 1099-R Roth IRA

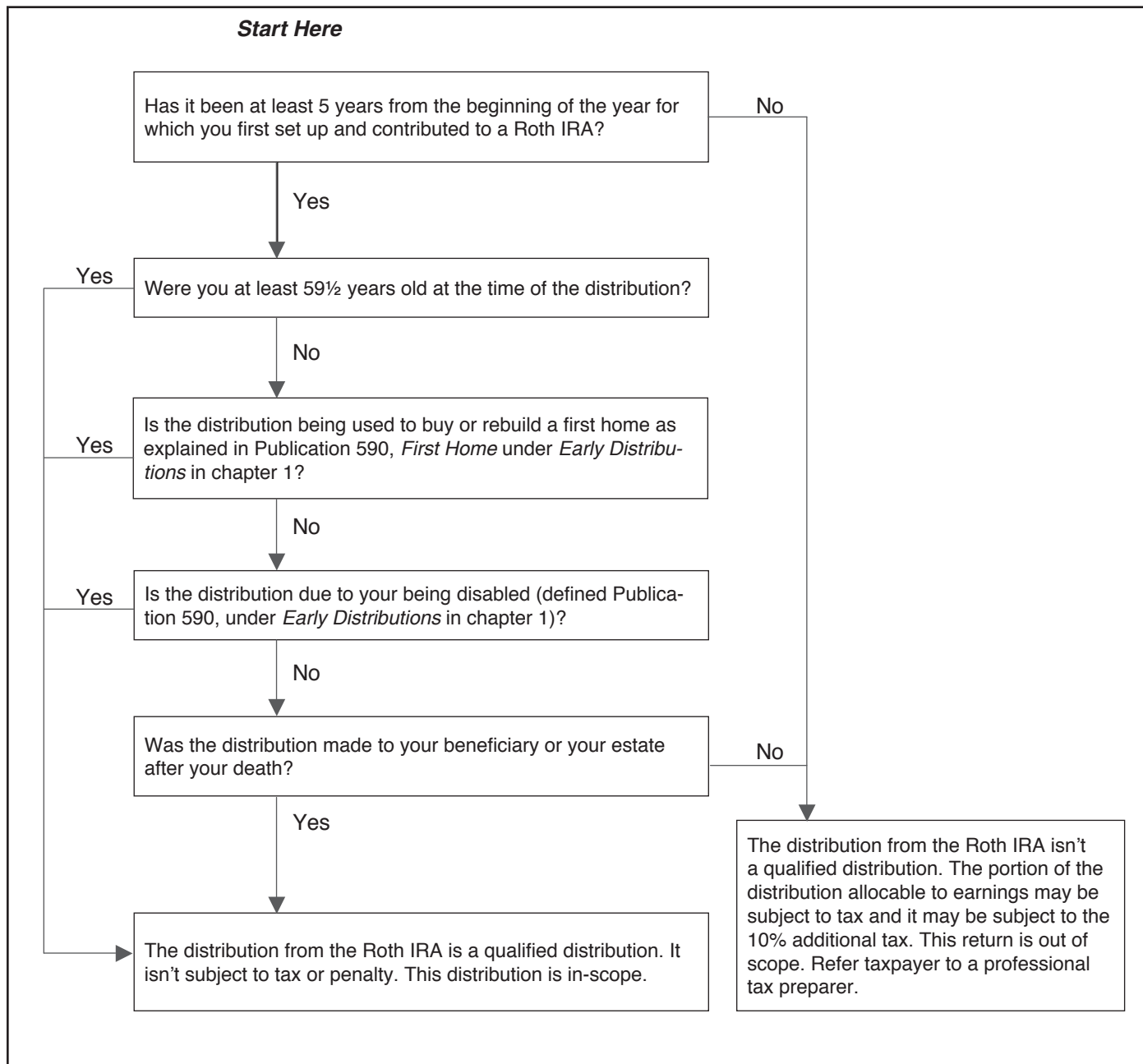
Basis of distributed property. The basis of property distributed from a Roth IRA is its fair market value (FMV) on the date of distribution, whether or not the distribution is a qualified distribution.

You don't include in your gross income qualified distributions or distributions that are a return of your regular contributions from your Roth IRA(s).

Distributions from a Roth IRA are tax free and may be excluded from income if the following requirements are met:

- The distribution is made after the 5-year period beginning with the first day of the first taxable year for which a contribution was made to a Roth IRA set up for the taxpayer's benefit, *and*
- The distribution is:
 - Made on or after age 59½, or
 - Made because the taxpayer was disabled, or
 - Made to a beneficiary or to an estate, or
 - To pay certain qualified first-time homebuyer amounts (up to a \$10,000 lifetime limit)

Figure 2-1. Is the Distribution From Your Roth IRA a Qualified Distribution?



Form 1099-R Box 7 Distribution Codes

Box 7 Distribution Codes	Explanations
1 — Early distribution, no known exception.	<ul style="list-style-type: none"> • 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, subtract the rollover amount from box 1 and enter the result in box 2a. Also check the Rollover box just above the state information. 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. See also new self-certify procedure if 60-day period was missed for one of the listed reasons. • If this wasn't rolled over, a 10% additional tax will be applied unless the taxpayer qualifies for an exception. See page Tab H for a list of exceptions. If the taxpayer qualifies for an exception, go to Form 5329, enter the code for the exception and the amount that qualifies for the exception.
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 IS NOT 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. <ul style="list-style-type: none"> • If the taxpayer is under the minimum retirement age for the company he retired from, then check the box below the 1099-R that says, "Check here to report on Form 1040, Line 7." This will put this disability income on Line 7 of Form 1040 instead of Line 16. 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.
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: <ul style="list-style-type: none"> • If the amounts in Box 1 and 2 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, subtract the amount rolled over and enter the difference in Box 2. Mark the "Rollover" box on the entry screen and enter the rollover amount. Choose Continue when you get the "concerns" warning. • If the Box 2b is checked and there is an amount in Box 9b, click on the simplified method worksheet below Box 2a. 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. Enter normally. • If TP is over 70 ½ and any portion of this distribution was sent directly from the trustee to a charity, subtract the amount from Box 2a and enter the net as Box 2a. It won't be included in gross income. No charitable deduction may be taken for the donation.
8 — Excess contribution	This code is out of scope.
9 — Cost of current life insurance	This code is out of scope
A — May be eligible for 10-year tax option.	This code is out of scope.

Form 1099-R Box 7 Distribution Codes (continued)

Box 7 Distribution Codes	Explanations
B — Designated Roth account distribution	Code B is for a distribution from a designated Roth account. This code is in scope only if taxable amount has been determined.
D — Annuity payments from nonqualified annuities	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.
E — Distributions under Employee Plans Compliance Resolution System (EPCRS).	This code is out of scope.
F — Charitable gift annuity.	Code F is used for the annuity payments from a charitable gift annuity. The difference between the distribution in Box 1 and the capital gain shown in Box 3 will appear on Line 15 of the 1040. Schedule D must be completed to report the capital gain. Describe it as "From 1099-R". The gain should be the amount in Box 3, and the gain is long term.
G — Direct rollover of distribution and direct payment.	Code G is for a direct rollover from a qualified plan to an eligible retirement plan. Change Box 2a to match the amount in 2a on the document. If there is an amount in box 2, the direct rollover is fully or partially taxable.
H — Direct rollover of a designated Roth account distribution to a Roth IRA.	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.
J — Early distribution from a Roth IRA.	This code is out of scope, unless it is in error and it is a qualified distribution.
K — Distribution of IRA assets not having a readily available FMV	This code is out of scope.
L — Loans treated as deemed distributions	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.
N — Recharacterized IRA contribution.	This code is out of scope.
P — Excess contributions plus earnings/excess deferrals	This code is out of scope.
Q — Qualified distribution from a Roth IRA.	This distribution is not taxable. Be sure Box 2a matches the amount on the document.
R — Recharacterized IRA contribution.	This code is out of scope.
S — Early distribution from a SIMPLE IRA in the first 2 years, no known exception.	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. Enter the code for the exception and the amount that qualifies for it.
T — Roth IRA distribution, exception applies.	This code is out of scope.
U — Dividends distributed from an ESOP	This code is in scope for Tax-Aide. It is treated exactly like Code 7.
W — Charges or payments for LTC contracts	This code is in scope for Tax-Aide. Amount is not taxable but must be reported.

Form 1099-R Nontaxable Income

Qualified Charitable Distribution (QCD) may be used if the person was at least 70½. This makes that portion of the distribution non-taxable. The taxpayer doesn't get a charitable deduction of that amount, if itemizing.

1099-R Nontaxable Income

Nontaxable Distribution

If part or all of your 1099-R distribution(s) was for any of the following reasons, please check the appropriate box.

Important: The amount that you enter as the Taxable Amount in Box 2a for each 1099-R will be carried to your return as taxable income. If any of the exclusions apply, do not include the excludable amount in Box 2a for the appropriate 1099-R. Only include in Box 2a the amount that you want reported on your return as taxable income.

Exceptions:

- Check here to mark this as a Qualified Charitable Distribution (QCD) on your return.
- Check here to mark this as a qualified health savings account (HSA) funding distribution (HFD) on your return.
- Check here if you are an eligible retired public safety officer, and part of your distribution was used to pay the premiums for accident or health insurance, or to pay long-term care insurance.

Retired Public Safety Officer (PSO) may have up to \$3,000 for health and/or long-term care (LTC) insurance, if paid directly from the retirement plan. The remainder, if any, is entered on Sch A, Itemized Deductions as insurance cost. The insurance can be for the taxpayer, spouse and family. When Box 7 is Code 4, the PSO deduction may no longer be used.

Qualified Health Savings Account funding distribution from an IRA (related to a Form 1099-R) if rolled over, is out of scope.

If a single 1099-R has PSO health insurance AND needs a simplified method calculation, use the pension calculator at <http://cotaxaide.org/tools>.

Distribution from IRA if Any Contributions Were Not Deductible:

Use the Forms Search Box to go to Form 8606 entry screen. Enter remaining basis (from prior year Form 8606), year-end value (provided by taxpayer), and amount of distribution. Preview Return, look at Form 8606, and find the taxable amount of the distribution on Line 15. Close the pdf and enter the taxable amount in the 1099-R Box 2a.

- May need a second Form 8606 if each spouse has basis in their IRAs.

Form RRB-1099-R Distributions

Railroad Retirement Benefits (RRB) are reported on two forms and require two entry screens. Social Security Equivalent Benefits, Form RRB 1099 Tier 1 (Blue Form) are entered on the Social Security Benefits screen. Treat the benefits reported on this form just like the information reported on Form SSA-1099. This screenshot shows the entry screen for Form RRB 1099-R Tier 2 (Green Form).

RRB-1099-R

Payer Information

Payer's ID
[] - []

Name
[]

Check here if foreign address

Address (Number and Street)
[]

Zip Code
[] - []

City, Town, or Post Office
[]

State
- Please Select - ▾

Recipient Information

Recipient
 Mr Taxpayer
 Mrs Taxpayer

Check here if foreign address

Address (Number and Street)
123 Main St

Zip Code
90210 - []

City, Town, or Post Office
Beverly Hills

State
California ▾

RRB-1099-R Information

3 Total employee contributions
\$ []

4 Contributory Amount Paid
Not needed for e-filing

5 Vested Dual Benefit
Not needed for e-filing

6 Supplemental Annuity
Not needed for e-filing

7 Total Gross Paid
\$ []

7a Taxable Amount
\$ []

Do you need to figure your taxable amount using the Simplified Method? Click here for the worksheet.
Worksheet

8 Repayments
Not needed for e-filing

9 Federal income tax withheld
\$ []

10 Rate of Tax
Not needed for e-filing

11 Country
Not needed for e-filing

12 Medicare Premium Total:
Not needed for e-filing

Check here to report on Form 1040, Line 7

[X] Cancel [✓] Continue

Add "SSA" to Quick File for the RRB-1099.

You may need to manually subtract this income from the state return.

Taxable amount may have to be determined using Simplified Method.

Form SSA-1099 Distributions

Social Security 1099 SSA

Social Security Benefits

Taxpayer's Social Security Benefit (Generally Box 5 of Form SSA-1099) \$ _____

Taxpayer's Federal Tax Withheld (Amount from Box 6 of Form SSA-1099) \$ _____

Taxpayer's Medicare Premiums \$ _____

Spouse's Social Security Benefit (Generally box 5 of Form SSA-1099) \$ _____

Spouse's Federal Tax Withheld (Amount from Box 6 of Form SSA-1099) \$ _____

Spouse's Medicare Premiums \$ _____

Lump-Sum Payments:

Enter amount from Box 5 of Form SSA-1099 or enter from Form RRB-1099 - Tier 1 (Blue form) Social Security Equivalent Benefits (SSEB)

Be sure to check for any tax withheld. Often taxpayers choose this option.

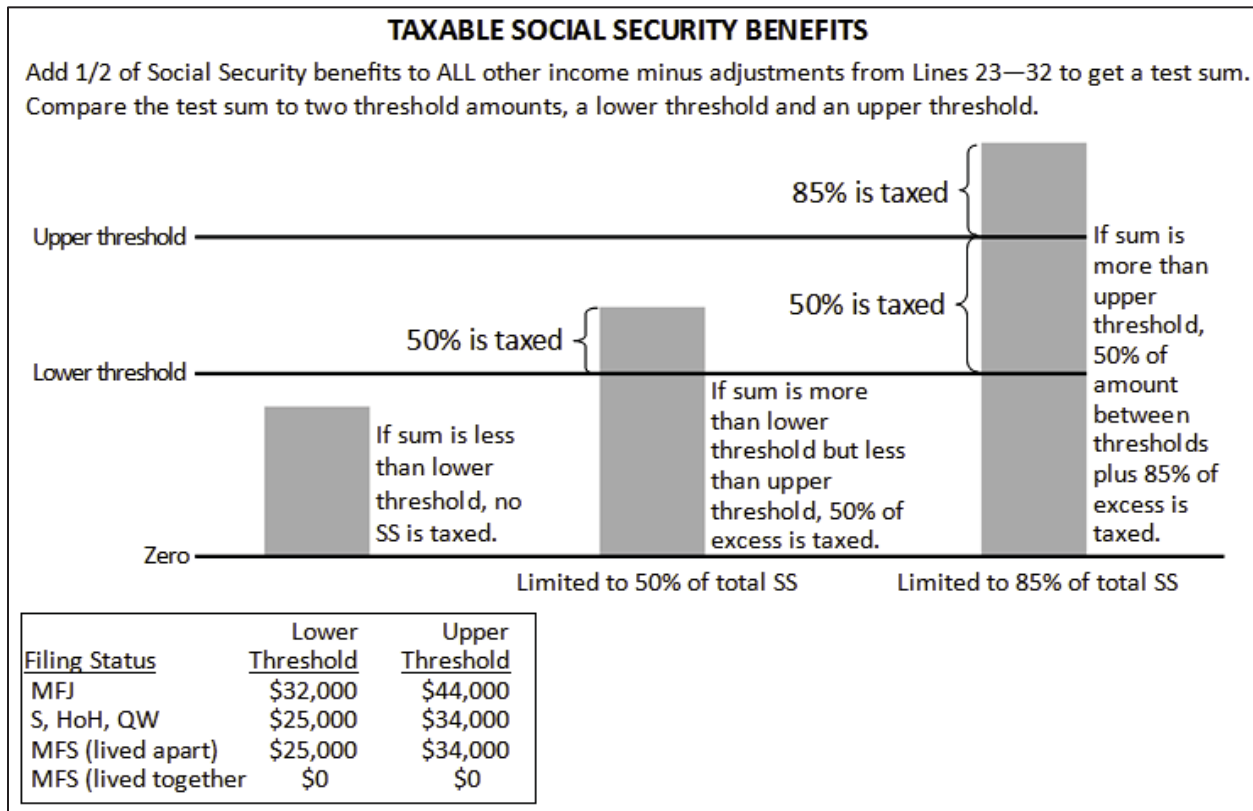
Enter the total of Medicare Parts A, B, C, and D. Repeat for spouse.

Canadian or German Social Security

Canada Pension Plan, Quebec Pension Plan and Old Age Security from Canada and Germany are treated like U.S. Social Security. If amounts are reported in foreign currency, enter amounts (converted to U.S. dollars) on Social Security 1099 SSA entry screen (found under IRA/Pension Distributions). All other foreign old age pensions are out of scope.

If an amount is present in the description of Box 3 on Form SSA-1099, the taxpayer received benefits attributable to a prior year. Consider using the Lump-Sum worksheet to see if the taxable amount of social security is reduced.

If Lump-Sum calculation is needed, click here. Taxpayer will need to provide prior year tax returns.



Form SSA-1099 Lump-Sum Distributions

Social Security Lump-Sum Payment

SSA Lump-Sum Payment

Year the lump sum payment was made for: 2014

Filing Status in Earlier Year: - Please Select -

SSA Payments received in Earlier Year: - Please Select -

Portion of this years SSA for Earlier year: Single

Modified Adjusted Gross Income for Earlier Year: Married Filing Joint

Taxable Benefits Reported in Earlier Year: Head of Household

Qualifying Widow(er) with Dependent Children

\$

Enter relevant year, as shown on Form SSA-1099.

If more than one year has prior year payments use additional Lump-Sum worksheet.

Dropdown is available for prior year Filing Status

Social Security Lump-Sum Payment

SSA Lump-Sum Payment

Year the lump sum payment was made for: 2014

Filing Status in Earlier Year: - Please Select -

SSA Payments received in Earlier Year: \$

Portion of this years SSA for Earlier year: \$

Modified Adjusted Gross Income for Earlier Year: \$

Taxable Benefits Reported in Earlier Year: \$

Cancel Continue

Choose proper answers for all boxes. Leave the 3rd and/or 6th box empty if not applicable. All other boxes require entries.

The calculation won't be correct without the prior year AGI.

The software will determine total taxable Social Security based on these entries.

Add to AGI any tax-exempt interest and any adjustments from Lines 33 to 35.

Schedule C or C-EZ Self-Employment Income

Caution: Businesses with inventory, employees, contract labor, depreciation, business use of the home, expenses over \$25,000 or a net loss are out of scope.

Income Source	Action
Wages and Salaries (W-2)	EDIT
State and Local Refunds (1099-G Box 2)	BEGIN
Interest and Dividends (1099-INT, 1099-DIV)	BEGIN
IRA/Pension Distributions (1099-R, 1099-SSA)	BEGIN
Unemployment Compensation (1099-G Box 1)	BEGIN
Form 1099-Misc	BEGIN
Profit or Loss From A Business (Schedule C)	BEGIN
Rents and Royalties (Schedule E)	BEGIN
Capital Gain and Losses (Schedule D)	BEGIN
Profit or Loss From Farming (Schedule F)	BEGIN
Alimony Received	BEGIN
Other Income	EDIT

If any of the self-employment income is reported on Form 1099-MISC, Miscellaneous Income, select **Form 1099-Misc**. In most cases, self-employment income reported on a Form 1099-MISC will be in Box 7, Nonemployee compensation.

Select **Profit or Loss From A Business (Schedule C)** to enter self-employment **income** that isn't reported on a Form 1099-MISC. 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. Also, enter **expenses** related to the self-employment income.

Note: A taxpayer that received less than \$600 in income from one payer may not receive a Form 1099-MISC. This income **must** still be reported.

Schedule C or C-EZ Form 1099-MISC

Note: There is usually no income tax withholding on a Form 1099-MISC. But always double check to make sure!

On a joint return, indicate if the Form 1099-MISC recipient is the Taxpayer or the Spouse.

The Payer Information relates to the entity that paid the taxpayer and issued the Form 1099-MISC. In most cases, the Federal ID will be an employer identification number, not an SSN.

Self-employment income generally appears in box 7, **Nonemployee compensation**. If there is income reported in other boxes and it was earned by the business, it should also be reported as other business income on the Schedule C or C-EZ.

Form 1099-MISC

Whose 1099-MISC is this?
 Mr Taxpayer
 Mrs Taxpayer

Payer Information
 Use Payer's SSN as ID
 Payer's Federal ID
 Payer's Name
 Check here if foreign address
 Address (Number and Street)
 Zip Code
 City, Town, or Post Office
 State
 - Please Select

1099-MISC Information

1 Rents \$	2 Royalties \$
3 Other income \$	4 Federal income tax withheld \$
5 Fishing boat proceeds \$	6 Medical and health care payments Learn More
7 Nonemployee compensation \$	8 Substitute payments in lieu of dividends or interest Learn More
9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale Learn More	10 Crop insurance proceeds \$ <input type="checkbox"/> Defer
12 Foreign country or U.S. possession Learn More	11 Foreign tax paid Learn More
	13 Excess golden parachute payments Learn More

Note: Earnings of newspaper carrier under 18 years of age goes on Line 21 because earnings are not subject to self-employment tax. See Instructions for Schedule SE.

The guidance from IRS SPEC regarding income reported on a Form 1099-MISC is to:

- 1) Add a Form 1099-MISC in TaxSlayer for each 1099-MISC form received by the taxpayer, and
- 2) Enter the amount in the TaxSlayer line for each form that directs the income to the correct Schedule or line on the Form 1040 even if that is not the box on the paper Form 1099-MISC.

Examples:

- Box 2 Royalties for oil and gas – enter as Royalties so the income goes to Schedule E
- Box 2 Royalties that are a result of self-employment, e.g., writers, singers, etc. – enter as Nonemployee compensation so income goes to Schedule C
- Box 3 Other Income that isn't reported elsewhere such as prizes or awards – enter as Other income so income goes to line 21
- Box 3 Other Income that is mis-reported self-employment income – enter as Nonemployee compensation so income goes to Schedule C
- Box 7 Non-Employee Compensation that is not really a business such as an honorarium for a speech where there is no continuing relationship and no expectation of ever doing it again – enter as Other income so income goes to line 21.

Schedule C Menu

Complete **Basic Information About your Business** and **Questions About the Operation of Your Business** for every Schedule C.

Select **Income** to enter any income for the business that was not reported on Form 1099- MISC such as cash or income reported on a Form 1099-K.

Most business expenses are entered in the **General Expenses** section.

Select **Other expenses** to enter any expenses not listed under **General Expenses**

Schedule C	
Basic Information About Your Business	EDIT
Questions About the Operation of Your Business	BEGIN
Income	BEGIN
Cost of Goods Sold	BEGIN
General Expenses	BEGIN
Car And Truck Expenses	BEGIN
Depreciation	BEGIN
Other Expenses	BEGIN
Expenses for Business Use of Your Home	BEGIN
Restart Schedule C Guide	BEGIN

OK to expense small tools etc if cost is less than \$2500 per item or invoice. See IRS Notice 2015-82.

Tip: Select Schedule C-EZ from the menu if the taxpayer meets the Sch C-EZ criteria.

Schedule C Income and Form 1099-K:

Self-employed taxpayers who accepted payment cards for payments or who received payments through a third party network may receive Form 1099-K reporting those transactions. Include that income on the Income line.

Schedule C Expenses

All allowable and documented expenses must be reported on Schedule C. If there are deductible expenses that are out of scope for Tax-Aide as described in Pubs 4491 and 535, the return is out of scope for Tax-Aide and the taxpayer must be referred to a professional tax preparer – there is no option to disregard allowable and documented expenses.

See also OneSupport Help Center>Tax Training>Policy/Tax Law>Schedule C Guidelines Summary TY16 for more information about Schedule C income and expenses.

Schedule C or C-EZ - Questions about your Business

To be in scope, the accounting method must be **Cash** and there can be no inventory, no cost of goods sold, no employees, no business use of the home, and no depreciation (completing Form 4562).

In most cases, the taxpayers do materially participate in the business. This means that the taxpayer ran the business and did the work.

If the taxpayer has a business loss carried over from another tax year or is required to file a Form 1099, the tax return is out of scope.

Accounting Method: Cash
 Accrual
 Other

Method used to value closing inventory: Cost
 Lower of cost or market
 Not Applicable

Check here if there were any changes in determining inventory.

Check here if you "materially participated" in the operation of this business during the tax year.
This box must be checked to allow a net loss on your return.

Check here if this is the first Sch. C filed by you for this business.

Prior year unallowed loss (ONLY enter an amount if current year's activity is a net profit.)

Check here if you made any payments in 2015 that would require you to file Form(s) 1099.
 If you checked the box above, check here if you did or you will file all required Forms 1099.

Check here for Qualified Joint Venture. (Ownership between Taxpayer and Spouse must be 50/50. If you are filing Business Use of Home deductions or using the Clergy Worksheet, you will need to file separate Schedule C forms, one for each spouse)

Check here to Prorate Expenses for Minister/Clergy.

Business Expenses You Can Deduct

You may also be able to deduct the following expenses. See Pub 535 to find out whether you can deduct them.

- Advertising.
- Bank fees.
- Donations to business organizations.
- Education expenses
- Energy efficient commercial buildings deduction expenses.
- Environmental cleanup costs.
- Insurance
- Interest on debts related to the business.
- Interview expense allowances.
- Legal and professional fees

- Licenses and regulatory fees.
- Moving machinery.
- Outplacement services.
- Penalties and fines you pay for late performance nonperformance of a contract.
- Pension plan
- Rent
- Repairs that keep your property in a normal operating condition. O
- Repayments of income.
- Subscriptions to trade or professional publications.
- Taxes
- Travel, meals & entertainment related to the business (subject to limitations)
- Utilities
- Vehicle mileage

Business Expenses You Cannot Deduct

You usually cannot deduct the following as business expenses. For more information, see Pub 334.

- Bribes and kickbacks.
- Charitable contributions.
- Demolition expenses or losses.
- Dues to business, social, athletic, luncheon, sporting, airline, and hotel clubs.
- Lobbying expenses.
- Penalties and fines because you broke the law
- Political contributions
- Repairs that add value to your property

Schedule C or C-EZ General Expenses

To be deductible, a business expense must be both ordinary and necessary. An ordinary expense is one that is common and accepted in your industry. A necessary expense is one that is helpful and appropriate for your trade or business. An expense does not have to be indispensable to be considered necessary.

The following expenses are out of scope:

Contract Labor **over \$600 per person**, Depletion, Employee benefit program, Health Insurance, Mortgage interest, Pension and profit sharing, and Wages.

Schedule C - Expenses			
Advertising	\$	Pension and profit sharing	\$
Contract Labor	\$	Rent or lease of equipment	\$
Commission and fees	\$	Rent or lease of property	\$
Depletion	\$	Repairs and maintenance	\$
Employee benefit programs	\$	Supplies	\$
Health Insurance (will carry automatically to worksheet)	\$	Taxes and licenses	\$
Insurance (other than health)	\$	Travel	\$
Mortgage interest	\$	Meals and entertainment (50%) Enter 100% of the expenses.	\$
Other interest	\$	Meals and entertainment (80%) Enter 100% of the expenses.	\$
Legal and professional services	\$	Utilities	\$
Office expense	\$	Wages (less employment credits)	\$

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

Note: Schedule C Expenses:

- Vehicles rented for more than 30 days are subject to special limitation rules and are out of scope.
- Rentals of other business equipment are deductible and in scope.
- See "Guidelines for Preparing Schedule C" in OneSupport>Tax Training>Policy/Tax Law for additional guidance.

Caution: Expenses that aren't deductible include Bribes and Kickback; charitable contributions; demolition expenses or losses; and dues to business, social, athletic, luncheon, sporting, airline, and hotel clubs.

Equipment that cost less than \$2,500 per item or invoice can be deducted without depreciating it. Enter it as an Other Expense, labeled "de minimis asset."

Schedule C or C-EZ Car and Truck Expenses

Schedule C Car and Truck Expenses

Car and Truck Expenses

Please Note: Actual car or truck expenses must be entered in the depreciation menu for this business.

Description of Vehicle

Date you placed your vehicle in service for business purposes:

Of the total number of miles you drove your vehicle during the tax year, enter the number of miles you used your vehicle for each of the following.

Business miles

Commuting

Other

Check if you have (or your spouse has) another vehicle available for personal use.

Check if your vehicle was available for personal use during off-duty hours.

Check if you have evidence to support your deduction.

If yes, check if the evidence is written.

Using actual expense deductions, such as gas, repairs, and depreciation, is out of scope.

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

Business miles: Miles related to the business activity that aren't commuting miles.

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

Other: Miles driven for personal purposes.

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

Caution: Refer to Tab F, Deductible Transportation Expenses, for help determining deductible business mileage and non-deductible commuting mileage. For additional information and examples, see Publication 463, *Travel, Entertainment, Gift, and Car Expenses*.

Note: The car and truck expense deduction will automatically be calculated using the standard mileage rate, based on the number of business miles entered. The rate is 54 cents per mile for tax year 2016. In addition, the taxpayer can deduct the cost of parking and tolls.

Note: If you are self-employed and use your car in your business, you can deduct the business part of state and local personal property taxes on motor vehicles on Schedule C or C-EZ. Enter this on the Taxes line on the Schedule C Expenses screen.

Note: If you are an employee, you cannot deduct any interest paid on a car loan. This applies even if you use the car 100% for business as an employee. However, if you are self-employed and use your car in your business, you can deduct that part of the interest expense that represents your business use of the car. You cannot deduct the part of the interest expense that represents your personal use of the car. Enter the deductible amount on the Other Interest line on the Schedule C Expenses screen.

Schedule D Capital Gains

Enter all capital transactions here. The software will carry the transactions to the appropriate Form 8949. The totals for each Form 8949 will automatically carry to the correct line of Sch D.

Schedule D Capital Gains

Capital Gains and Loss Items	BEGIN
Additional Capital Gains Distributions	BEGIN
Other Capital Gains Data	BEGIN
Sale of Main Home Worksheet	BEGIN
Continue	

Other Capital Gains Data

Adjust Section 1250 Amounts	\$
Adjust 28% Gain	\$
Short Term Loss Carryover from 2014 (enter as a positive number)	\$
Long Term Loss Carryover from 2014 (enter as a positive number)	\$

Cancel Continue

If the taxpayer has a Short Term or Long Term capital loss carryover from the prior year, enter on the appropriate lines.

Capital losses continue to carryover until they are used. If a return that includes a capital loss carryover shows a loss on Line 41, some of the carryover is not being used and will continue to carryover to future years.

Entering Capital Gains and Losses

Short term = 1 year or less
 Long term = more than 1 year

Date Acquired:
 * Alternate Option: If Date Acquired is not known, leave the date blank and select an option here

Select If Applicable:
 Various - Short Term
 Various - Long Term
 Inherited - Long Term

If you check the box for Alternate Option for Date Acquired or Date Sold, a pick list will appear. Choose the correct option for the transaction.

Date Sold:
 * Alternate Option:
 Check here if a short sale.

Select If Applicable:
 Worthless - Short Term
 Worthless - Long Term
 Bankrupt - Short Term
 Bankrupt - Long Term

Form 1099-B box 1b

Capital Gains Transaction

Description of Property

Date Acquired:
 * Alternate Option: If Date Acquired is not known, leave the date blank and select an option here

Date Sold:
 * Alternate Option:
 Check here if a short sale.

Sales Price
 * Alternate Option: If Sale Price is Expired, leave the sales price blank and select an option here

Form 1099-B box 1c

Form 1099-B box 1d

Form 1099-B box 1e or provided by taxpayer. If basis can't be determined, use zero.

If inherited from a 2010 death, see Page D-40.

- Please Select -
 Form 1099-B, Box 1e Shows Cost Basis
 Form 1099-B, Box 1e Does NOT Show Cost Basis
 Did not receive Form 1099-B

F1099 shows Code A or D
 F1099 shows Code B or E
 F1099 shows Code C or F

Choose the cost basis type that applies to the transaction.

Select cost basis type

Cost
 * Alternate Option: If Cost is Expired, leave the cost blank and select an option here

Enter any necessary adjustments to Gain or Loss
 NOTE: If this entry is to be shown as a loss, please enter a negative sign before the number.

If you entered an adjustment amount above, please select the adjustment explanation

Is this a Collectible Exchange? Check if 'YES'

Buttons: Cancel, Continue, Save & Enter Another

If you have no more transactions to enter, click "Continue" (this will also save your entry.)

Click "Save & Enter Another" if you have more capital gain transactions to enter.

If an adjustment to basis or net capital gain is required, enter the adjustment and pick the reason from the drop down 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, or 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. The pick list of reasons is shown below.

- Select If Applicable -
- Exclude Some/All of the Gain from the Sale of Your Main Home
 - Form 1099-B with Basis in Box 3 is Incorrect & Correct Basis is Lower or Higher
 - Form 1099-B B Type of Gain/Loss Indicated in Box 8 is Incorrect
 - Nondeductible Loss from a Wash Sale
 - Exclude gain from Dist of Columbia Enterprise Zone or Qualified Community Assets
 - Rollover of Gain from QSB, Empowerment Zone Assets, sold publicly traded securities
 - Nominee Capital Gain Distributions
 - Other Adjustments
 - Exclude Part of the Gain from the Sale of QSB Stock
 - Nondeductible loss other than a Wash Sale

TIP: If summarizing transactions, enter zero for the adjustment amount and select "Reporting Multiple Transactions on a Single Row."

Entering Capital Gains/Losses (continued)

Exception to Entering Each Transaction on a Separate Row

When a taxpayer's Form 1099-B includes so many transactions that it isn't practical to enter each one into TaxSlayer®, use the following procedure.














1. Divide the transactions into four categories:
 - Short term transactions with basis reported to the IRS - categorized as "Box A."
 - Short term transactions with basis not reported to the IRS - categorized as "Box B."
 - Long term transactions with basis reported to the IRS - categorized as "Box D."
 - Long term transactions with basis not reported to the IRS - categorized as "Box E."
2. Enter the total of each category on the capital gain entry screen.
3. **If any of the transactions requires an adjustment to the reported basis, select the reason from the drop down box that includes that transaction.**
4. If there are transactions with basis not reported to the IRS, the broker's list of transactions must be submitted as an attachment to the tax return. Submit the document using either of the following two methods.
 - Hardcopy: Make a photocopy and attach it to Form 8453 to be mailed to Austin.
 - Electronic: Scan the pages and save as a pdf. Attach the pdf to the electronic return prior to creating the e-file.

See page K-22 for Tax-Aide policy on mailing Form 8453.

Brokers' Statements

Look for all the following items. (You may or may not find them all.)

1. 1099-INT. (Summary-NOT detail)
2. 1099-DIV. (Summary-NOT detail)
3. 1099-B (Summary and Detail) and "Cost basis" or "Transaction detail" for sale of stock: Input as a capital gain and losses.
4. "Management" or "Investment fees": Input on Schedule A Line 23.
5. If there are dividends from mutual funds, look for an insert or chart that says what percentage came from federal government interest: Enter on the dividend input screen and select your state (check your state rules).
6. The chart should also show what percent came from municipal bonds from each state: Input exempt interest from states other than yours by selecting tax exempt interest income and making the state adjustment (check your state rules).
7. Foreign taxes paid: Enter Foreign taxes paid on the dividend input screen only if all foreign taxes relate to passive income and the total on all tax statements (1099 etc) is less than \$300 (\$600 MFJ); otherwise, in scope only if certified in International.
8. If the taxpayer has margin interest and is itemizing deductions, the return is out of scope.

Capital Gain/Loss					
Description	Date Acquired	Date Sold	Price	Cost	
10 shares LongE	1/6/2009	2/15/2015	\$200	\$500	 
10 shares longF	1/11/2008	1/10/2015	\$150	\$250	 
10 shares LTD	Various - Long Term	9/2/2015	\$1,000	\$500	 
50 ShortA	Various - Short Term	2/27/2015	\$600	\$500	 
50 ShortB	7/7/2014	4/12/2015	\$200	\$300	 
50 ShortC	2/5/2015	8/11/2015	\$1,000	\$600	 
 Add a Capital Gains Transaction					

Note: Net losses greater than \$3000 (\$1500 if MFS) will carry forward to future tax years

Adjustments to Basis in TaxSlayer–TY2016

Enter Capital Gain/Loss Transactions in TaxSlayer

For most transactions, you do not need to adjust the basis. You may need to adjust the basis if you received a Form 1099-B or 1099-S (or substitute statement) that is incorrect, if you are excluding or postponing a capital gain, if you have a disallowed loss, or in certain other situations. Details are in the table below

In Scope IF . . .	THEN . . .	THEN Select from the Dropdown List	Adjustment Code that will Appear on Form 8949
You received a Form 1099-B (or substitute statement) and the basis shown in box 3 is incorrect...	If the basis was not reported to the IRS, report the correct basis and make no adjustment. If the basis was reported to the	Form 1099-B with Basis in Box 3 is Incorrect & Correct Basis is Lower or Higher	B
You received a Form 1099-B or 1099-S (or substitute statement) with selling expenses or options that are not reflected on the form or statement...	Enter the proceeds as reported in Box 1d. Enter as an adjustment using a minus sign for any selling expenses that you paid (and that are not reflected on the form or statement you received).	Form 1099-B or 1099-S with Selling Expenses or Options not Reflected on Form	E
You sold or exchanged your main home at a gain, must report the sale or exchange and can exclude some or all	Report the sale or exchange as you would if were not taking the exclusion. Then enter the amount of excluded (nontaxable) gain as a negative number.	Exclude Some/All of the Gain from the Sale of Your Main Home	H
You have a nondeductible loss other than a loss indicated by code W...	Report the sale or exchange and enter the amount of the nondeductible loss as an adjustment. See Nondeductible Losses in the Instructions for Schedule D	Nondeductible loss other than a Wash Sale	L
You report multiple transactions on a single row as described in Exception to Reporting each Transaction on a Separate Row...	Enter -0- as the adjustment amount unless an adjustment is required because of another code.	Reporting Multiple Transactions on a Single Row	M
You received a Form 1099-B (or substitute statement) and the type of gain or loss (short term or long term) shown in box 1c is incorrect)...	Enter transaction with correct term (long or short). Enter -0- as the adjustment amount unless an adjustment is required because of another code.	Form 1099-B and Type of Gain/Loss indicated in Box 2 is incorrect	T
You have a nondeductible loss from a wash sale ...	Report the sale or exchange and enter the amount of the nondeductible loss as an adjustment.	Nondeductible loss from a Wash Sale	W
You have an adjustment not explained earlier in this column...	Report the appropriate adjustment amount.	Other adjustment	O

OUT OF SCOPE	IF . . .	Adjustment Code
	Form 1099-B showing accrued market discount in box 1g	D
	You received a Form 1099-B or 1099-S (or substitute statement) as a nominee for the actual owner of the property	N
	You sold or exchanged qualified small business stock and can exclude part of the gain	Q
	You can exclude all or part of your gain under the rules explained in the Schedule D instructions for DC Zone assets or qualified community assets	X
	You are electing to postpone all or part of your gain under the rules explained in the Schedule D instructions for any rollover of gain (for example, rollover of gain from QSB stock or publicly traded securities)	R
	You had a loss from the sale, exchange, or worthlessness of small business (section 1244) stock and the total loss is more than the maximum amount that can be treated as an ordinary loss	S
	You disposed of collectibles (see the Schedule D instructions)	C

Sale of Property Inherited in 2010:

- The taxpayer is responsible for providing the basis and acquisition date. Property inherited in 2010 may have a carryover basis (the decedent's basis, not fair market value on the date of death) if the estate filed an estate tax return and made the carryover election. In that case, the taxpayer should present Form 8939 with the information. In all other cases, the basis will be the fair market value on the date of death.

Sale of Property Received as a Gift:

- Sale of gifted property is entered in the Capital Gain Worksheet, with the basis and acquisition date provided by the taxpayer. If the value on the date of gift is less than the donor's basis, it is used to measure a subsequent loss. If the value on the date of gift is more than the donor's basis, the donor's basis is used to measure a subsequent gain. It is possible that there is no gain and no deductible loss on the disposition. The return is out of scope if the taxpayer cannot provide the basis.

Sale of Bonds:

- A bond that matured or was sold with no gain or loss is entered on the Capital Gain Worksheet with [the same amount for sales price and for cost basis.
- If the sale of a bond is reported on a brokerage statement with a gain or loss but no ordinary income, enter it on the Capital Gain Worksheet as reported.
- If there is ordinary income associated with the sale, the return is out of scope.

Capital Gains or Losses Sale of Main Home

Report the sale or exchange of your main home as a Capital Gain or Loss if:

- You can't exclude all of your gain from income, or
- You received a Form 1099-S for the sale or exchange.

Generally, if you meet the following two tests, you can exclude up to \$250,000 of gain. If both you and your spouse meet these tests and you file a joint return, you can exclude up to \$500,000 of gain (but only one spouse needs to meet the ownership requirement in Test 1).

- Test 1. During the 5-year period ending on the date you sold or exchanged your home, you owned it for 2 years or more (the ownership requirement) and lived in it as your main home for 2 years or more (the use requirement). *Military members may be able to suspend the 5-year period while serving on qualified official extended duty.
- Test 2. You haven't excluded gain on the sale or exchange of another main home during the 2-year period ending on the date of the sale or exchange of your home.

If you have a gain that can't be excluded, it is taxable.

Death of spouse. If you sell your home after your spouse dies (within 2 years after your spouse dies), and you have not remarried as of the sale date, you can count any time when your spouse owned the home as time you owned it, and any time when the home was your spouse's residence as time when it was your residence. **You can exclude up to \$500,000 of gain if: just before your spouse's death, both spouses met the use requirement and at least one spouse met the ownership requirement of Test 1, and both spouses met Test 2.**

If you are required to report the sale AND IT RESULTS IN A GAIN:

- Enter the purchase date, sale date, purchase price, and sales price in the Sale of Home Worksheet (you will enter improvement and other adjustments to basis on the next screen)
- Enter the number of days the dwelling was used as the main home (separate entry for spouse)
- Enter the number of days the taxpayer owned the home (separate entry for spouse)
- If the taxpayer received the 2008 First Time Homebuyers Credit, check the box – Form 5405 will be required to determine how much of the credit must be repaid
- If the Use test and Ownership tests were met and the taxpayer is eligible for the Maximum Exclusion, check the box (reduced maximum exclusion is out of scope –refer to a professional)
- Click continue –

Sale of Home

Basic Info about the Sale

Date of purchase	MM ▾ DD ▾ YYYY ▾
Purchase price	\$
Date of sale	MM ▾ DD ▾ YYYY ▾
Sale price	\$
Allowable Depreciation related to the business use or rental of the home	\$
Depreciation taken after 05/06/1997	\$

Info about your home

How many days in the last 5 years was the home your main home?	
How many days in the last 5 years did you own your home?	
How many days in the last 5 years was the home your spouse's main home?	
How many days in the last 5 years did your spouse own your home?	

Check here if you received the First-time Homebuyers Credit AND you received the credit in 2008 OR you did NOT meet the minimum ownership requirements to exclude repayment of the credit.

Check here if you qualify for the Maximum Exclusion or the Reduced Maximum Exclusion.

Capital Gains or Losses Sale of Main Home (continued)

Adjustments
Fees you may have paid when you bought your home

Legal fees \$

Surveys \$

Title Insurance \$

Fees that the seller owed that you agreed to pay \$

Other fees \$

General Adjustments

Selling expenses \$

Cost of additions and improvements that you made to your home \$

Tax assessments that you paid for sidewalks, streets, and other local improvements \$

Other increases to your basis \$

Decreases to your basis \$

- **If no 1099-S was received, and any gain can be excluded, you don't have to report the Sale of Main Home**
- **If the sale must be reported and results in a gain, it will be listed on the appropriate F8949 (basis type C or F.) The gain will be included with the other capital gains and losses on Schedule D**
- **Enter the fees from the purchase of the home that weren't included in the purchase price already entered**
- **Enter the selling expenses, cost of improvements and other increases or decreases to the basis of the home**
- **This will calculate the adjusted basis of the home, which will be shown on Form 8949**
- **The information will carry to Form 8949 and Schedule D.**
- **If you've checked the box to exclude the entire gain, Form 8949 will show the adjustment as a negative number in the amount of the net gain, with adjustment code H and basis type F and no net gain/loss.**
- **If the sale resulted in a gain but wasn't eligible for the exclusion, it will be reported on the appropriate Form 8949 as a gain.**

1	(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold or disposed of (Mo., day, yr.)	(d) Proceeds (sales price) (see instructions)	(e) Cost or other basis. See the Note below and see <i>Column (e)</i> in the separate instructions	Adjustment, if any, to gain or loss. If you enter an amount in column (g), enter a code in column (f). See the separate instructions.		(h) Gain or (loss). Subtract column (e) from column (d) and combine the result with column (g)
						(f) Code(s) from instructions	(g) Amount of adjustment	
	10 SHARES LONGF	01/11/2008	01/10/2015	150	250			-100
	MAIN HOME	03/03/2010	12/12/2015	195000	123800	H	-71200	

Increases to basis. These include the following.

- Additions and other improvements that have a useful life of more than 1 year.
- Special assessments for local improvements.
- Amounts you spent after a casualty to re-store damaged property.

Improvements

These add to the value of your home, prolong its useful life, or adapt it to new uses. Examples:

- Putting a recreation room or another bathroom in your unfinished basement,
- Putting up a new fence,
- Putting in new plumbing or wiring,
- Putting on a new roof, or
- Paving your unpaved driveway are improvements.
- An addition to your house, such as a new deck, a sun-room, or a new garage, is also an improvement.

Repairs

These maintain your home in good condition but do not add to its value or prolong its life. You do not add their cost to the basis of your property.

Examples:

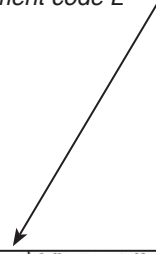
- Repainting your house inside or outside,
- Fixing your gutters or floors,
- Repairing leaks or plastering, and
- Replacing broken window panes

Capital Gains or Losses Sale of Main Home (continued)

If the sale is a loss but must be reported because Form 1099-S was received:

Description of Property:	Main Home
Date Acquired: <input type="checkbox"/> * Alternate Option: If Date Acquired is not known, leave the date blank and select an option here	2 3 2010
Date Sold: <input type="checkbox"/> * Alternate Option: <input type="checkbox"/> Check here if a short sale.	9 4 2015
Sales Price: <input type="checkbox"/> * Alternate Option: If Sale Price is Expired, leave the sales price blank and select an option here	\$ 190000
Select cost basis type	Did not receive Form 1099-I
Cost: <input type="checkbox"/> * Alternate Option: If Cost is Expired, leave the cost blank and select an option here	\$ 203800
Enter any necessary adjustments to Gain or Loss NOTE: If this entry is to be shown as a loss, please enter a negative sign before the number.	\$ 13800
If you entered an adjustment amount above, please select the adjustment explanation	Nondeductible loss other th
Is this a Collectible Exchange? <input type="checkbox"/> Check if "YES"	

- Loss on the sale of a main home can't be deducted; TO REPORT THE SALE, YOU MUST ENTER THE SALE AS A CAPITAL GAIN OR LOSS ITEM:
 - You can use the Sale of Main Home worksheet to assist you in determining the basis, but the information will NOT carry to Form 8949
 - Add a new Capital Gain or Loss Item
 - Enter the dates, sales price and basis amount
 - The basis type will be "Did not receive Form 1099-B"
 - Enter an adjustment in the amount of the loss as a positive number
 - Select the adjustment reason as "nondeductible loss other than a wash sale" which will show as adjustment code L



1	(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold or disposed of (Mo., day, yr.)	(d) Proceeds (sales price) (see instructions)	(e) Cost or other basis. See the Note below and see <i>Column (e)</i> in the separate instructions	Adjustment, if any, to gain or loss. If you enter an amount in column (g), enter a code in column (f). See the separate instructions.		(h) Gain or (loss). Subtract column (e) from column (d) and combine the result with column (g)
						(f) Code(s) from instructions	(g) Amount of adjustment	
	10 SHARES LONGF	01/11/2008	01/10/2015	150	250			-100
	MAIN HOME	02/03/2010	09/04/2015	190000	203800	L	13800	

Rental and Royalty Income - See also page D-55

Rental of bare land with no expenses is in scope.

If income is reported on 1099-MISC, enter the 1099-MISC and attach it to Schedule E.

If it is cash income, on 1040 view, click on Line 17 to open Schedule E, and enter the amount as rental income.

Rental of your main home for less than 15 days during the year is not a taxable event.

Do not enter the income and do not enter any expenses unless the income is reported on Form 1099-Misc. In that case, enter the 1099-Misc, attach it to Sch E, and enter the same amount as an Additional Expense labeled "less than 15-day rental of main home."

Rental income from sources such as a home is out of scope except for an active duty military taxpayer AND the Counselor and Quality Reviewer both have Military certification. All other rental situations (room in home, apartment over garage, separate building, for profit, not for profit, Airbnb, etc.) are out of scope regardless of certifications. See next page.

Royalty income from Form 1099-Misc or a K-1 with no expenses is in scope for those with advanced certification. Enter the income document and, if necessary, attach to Sch E.

Other Income

Detailed information for each income type found on subsequent pages.

Use *Other Inc. Not Reported Elsewhere* to enter amounts from:

- Form 1099-MISC Box 3 (Other Income), or Box 7 (hobby income) or Box 8 (Substitute payments in lieu of dividends or interest.)
- Jury Duty Pay
- Alaska Permanent Fund Dividend
- Gambling winnings not reported on a Form W-2G (use the description "Gambling Winnings")
- Other income not entered elsewhere on the return

Gambling winnings are reported to the taxpayer on Form W-2G and are fully taxable and must be reported as income on the tax return. Gambling Losses up to the amount of winnings reported may be deducted as a Miscellaneous deduction, not subject to the 2% limit on Schedule A.

Use the *Other Compensation* menu to report scholarships and grants, taxable fringe benefits, household employee income, prisoner earned income and foreign compensation.

Taxable distributions from Coverdell Education Savings Accounts (ESAs), Qualified Tuition Programs (QTPs) or Achieving a Better Life Experience (ABLE) accounts are out of scope.

Cancellation of Debt from a credit card or Primary Mortgage Forgiveness are in scope for preparers with advance certifications.

The K-1 Earnings menu allows you to enter all items of income, deductions, etc. that were reported to your client on Form K-1 from either a partnership (Form 1065), S-Corporation (Form 1120S), or trust (Form 1041). Enter the amounts from the K-1 in the spaces provided exactly as they appear on your client's paper K-1.

Form 1099-LTC:

- Go to entry screen for Form 8853 (in the Adjustments section) and scroll to the Long Term Care section. Answer the questions based on the information on Form 1099-LTC. Enter the number of days covered. The last two fields are rarely needed. Most payments will not be taxable.

Form 1099-QA (Distributions from ABLE Accounts):

- If the entire distribution is less than qualified disability expenses, the distribution is neither taxable nor reportable. If the distribution is greater than qualified expenses, the return is out of scope.

Less Common Income

Other Inc. Not Reported Elsewhere

EDIT

Gambling Winnings (W-2G)

BEGIN

Other Compensation

BEGIN

Payments from Qualified Education Programs (Form 1099-Q)

BEGIN

Cancellation of Debt (1099-C, Form 982)

BEGIN

Installment Sale Income (Form 6252)

BEGIN

Sale of Business Property (Form 4797)

BEGIN

K-1 Earnings

BEGIN

Gains and Losses From Section 1256 (Form 6781)

BEGIN

Foreign Earned Income Exclusion (Form 2555)

BEGIN

In scope ONLY for those with International Certification: United States Citizens and resident aliens who live and work abroad may be able to exclude all or part of their foreign salary or wages from their income when filing their U.S. federal tax return. They may also qualify to exclude compensation for their personal services or certain foreign housing costs.

Form 1099-Q (Payments from Qualified Education Programs such as a 529 plan or a Coverdell Education Savings Account (Coverdell ESA):

- If the entire distribution is less than qualified education expenses (books, supplies, equipment and, if at least half-time student, room and board), the distribution is neither taxable nor reportable. If the distribution is greater than qualified education expenses, the return is out of scope. Note that qualified education expenses applied to reduce the taxable portion of a distribution cannot be used again for other education benefits, such as an education credit.

Entering Other Compensation in TaxSlayer®

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 non-qualifying expenses. "SCH" will appear on the dotted line next to line 7 on Form 1040. Taxable scholarship is considered "unearned" income.

Enter wages received as a household employee for which the taxpayer did not receive a Form W-2 because the employer paid less than \$1,900 in 2016. "HSH" will appear on the dotted line next to line 7 on Form 1040.

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 line 7 on Form 1040. This entry is made in addition to entering the Form W-2 from the penal institution.

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

Other Compensation

Scholarships and Grants	BEGIN
Fringe Benefits	BEGIN
Household Employee Income	BEGIN
Prisoner Earned Income	BEGIN
Foreign Earned Compensation	BEGIN

Continue

Enter Household Employee Income

Owner

Mr Taxpayer
 Mrs Taxpayer

Amount Paid \$

Cancel Continue

When entering compensation on a joint return, be careful to indicate whether the income belonged to the taxpayer or the spouse.

Entering Medicaid Waiver Payments

Scenario A:

If income is reported on Form W-2 (and payer will not change), enter the Form W-2 as provided. Then, go to line 21>Other income not reported elsewhere>enter Notice 2014-7 in the description field and the amount as a negative number. Then, go to Other Income>Other Compensation and enter the income as Medicaid Waiver wages. This will remove the income from EIC and other credit calculations as necessary. (Note: At the time this publication was finalized, this line was not available in the Practice Lab. To prepare a return with this scenario in the Practice Lab, enter the amount as Prisoner Earned Income, which will have the same effect.) **Alternatively, TaxSlayer may add a check box to the W-2 screen.**

Scenario B:

If income is reported on a Form 1099-MISC, go to line 21>Other income not reported elsewhere>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 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.



Publication 4731

Screening Sheet for Nonbusiness Credit Card Debt Cancellation



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

Instructions: Use this Screening Sheet for taxpayers with Form 1099-C resulting from cancellation of nonbusiness credit card debt and to assist in identifying taxpayers with cancellation of credit card debt issues.

Credit Card Debt

step 1 Did the taxpayer receive Form 1099-C, Cancellation of Debt, or other documentation (if less than \$600) from a creditor and is the information shown on the form or document correct? **YES** – Go to Step 2
NO – Go to Step 6

Note: The creditor is not required to issue a Form 1099-C if the canceled debt is under \$600. However, the taxpayer may be required to report the canceled debt as income regardless of the amount.

step 2 Was the credit card debt related to a business? **YES** – Go to Step 6
NO – Go to Step 3

step 3 **Does box 6 contain an "A" to indicate bankruptcy?** **YES** – Go to Step 6
Note: If the bankruptcy box is not checked but the taxpayer has subsequently filed bankruptcy, answer "yes." **NO** – Go to Step 4

step 4 Was the taxpayer insolvent immediately before the cancellation of debt? **YES** – Go to Step 6
Use the Insolvency Determination Worksheet in Publication 4012 and interview the taxpayer to determine if the taxpayer was insolvent immediately before the cancellation of debt. **NO** – Go to Step 5

step 5 The cancellation of nonbusiness indebtedness or cancellation of debt (the amount in box 2 of Form 1099-C or an amount less than \$600 provided in other documentation) must be reported as ordinary income on Form 1040, line 21 (Other Income). No additional supporting forms or schedules are required for reporting income from canceled credit card debt.

step 6 This tax issue is outside the scope of the volunteer programs. The taxpayer may qualify to exclude all or some of the discharged debt. However, the rules involved are complex.

Refer the taxpayer to:

- www.irs.gov for the most up-to-date information.
- The Taxpayer Advocate Service (TAS): 1-877-777-4778, TTY/TDD 1-800-829-4059. TAS may help if the problem cannot be resolved through normal IRS channels.
- A professional tax preparer.

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 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 (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 Form 1099-A for a foreclosure or abandonment of their principal residence.
- Use Part II for taxpayers with Form 1099-C, and/or Forms 1099-A and 1099-C resulting from cancellation of debt on a home mortgage loan.
- Use Publication 4731 for taxpayers with Form 1099-C resulting from cancellation of credit card debt.

Part I – Home Mortgage Loan

step 1 Did the taxpayer receive Form 1099-A, Acquisition or Abandonment of Secured Property, from their home mortgage lender?
YES – Go to Step 2
NO – Advise the taxpayer to get the documentation from the home mortgage lender.

step 2 Did the taxpayer ever use the home in a trade or business or as rental property?
YES – Go to Step 6
NO – Go to Step 3

step 3 Is box 5 of Form 1099-A checked indicating a recourse loan in which the taxpayer is personally liable?
YES – 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.
NO – The sales price is the amount in box 2 (Balance of principal outstanding) on Form 1099-A. The taxpayer is not personally liable (non-recourse loan).

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 and Schedule D.
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) for a 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.
Refer to Publication 4012 (Tab D), [Entering Forgiveness of Qualified Principal Residence Indebtedness](#)

step 6 These tax issues are outside the scope of the volunteer program.
Refer the taxpayer to:

- www.irs.gov for the most up-to-date information.
- The Taxpayer Advocate Service (TAS): 1-877-777-4778, TTY/TDD 1-800-829-4059. TAS may help if the problem cannot be resolved through normal IRS channels.
- A professional tax preparer.

Additional Resources:

- Publication 523, Selling your Home
- Publication 525, Taxable and Nontaxable Income
- Publication 4681, Canceled Debts, Foreclosures, Repossessions, and Abandonments



**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 Form 1099-A for a foreclosure or abandonment of their principal residence.
- Use Part II for taxpayers with Form 1099-C, and/or Forms 1099-A and 1099-C resulting from cancellation of debt on a home mortgage loan.
- Use Publication 4731 for taxpayers with Form 1099-C resulting from cancellation of credit card debt.

Part II – Home Mortgage Loan

<p>step 1</p>	<p>Did the taxpayer receive Form 1099-C, Cancellation of Debt, from their home mortgage lender and is the information shown on the form correct?</p> <p>Note: Answer “yes” if the taxpayer has received a Form 1099-A and Form 1099-C.</p>	<p>YES – Go to Step 2 NO – Go to Step 6</p>
<p>step 2</p>	<p>Did the taxpayer ever use the home in a trade or business or as rental property?</p>	<p>YES – Go to Step 6 NO – Go to Step 3</p>
<p>step 3</p>	<p>Does box 3 of Form 1099-C show any interest or does box 6 show code A indicating bankruptcy?</p> <p>Note: If box 6 is not marked with code A but the taxpayer has subsequently filed bankruptcy, answer “yes.”</p>	<p>YES – Go to Step 6 NO – Go to Step 4</p>
<p>step 4</p>	<p>Ask the following questions to determine if the discharged debt is “qualified principal residence indebtedness:”</p> <p>a. Was the mortgage taken out to buy, build, or substantially improve the taxpayer’s principal residence? (Note: A principal residence is generally the home where the taxpayer lives most of the time. A taxpayer can have only one principal residence at any one time.)</p> <p>b. Was the mortgage secured by the taxpayer’s principal residence?</p> <p>c. Was any part of the mortgage used to pay off credit cards, purchase a car, pay for tuition, pay for a vacation, pay medical/dental expenses, or used for any other purpose other than to buy, build, or substantially improve the principal residence?</p> <p>d. Was the mortgage amount more than \$2 million (\$1 million if Married Filing Separately)?</p>	<p>a. YES – Go to Step 4b NO – Go to Step 6</p> <p>b. YES – Go to Step 4c NO – Go to Step 6</p> <p>c. YES – Go to Step 6 NO – Go to Step 4d</p> <p>d. YES – Go to Step 6 NO – Go to Step 5</p>
<p>step 5</p>	<p>The discharged debt is “qualified principal residence indebtedness.”</p> <p>The Mortgage Forgiveness Debt Relief Act of 2007 allows for the exclusion of discharged qualified principal residence indebtedness canceled in 2007, 2008, and 2009; the Emergency Economic Stabilization Act of 2008 extended the exclusion for tax years 2010 through 2012; the American Taxpayer Relief Act of 2012 extended the exclusion to 12/31/2013; and, the Tax Increase Prevention Act of 2014 extended the exclusion to 12/31/2014. The Protecting Americans from Tax Hikes Act of 2015 (PATH Act) extended the exclusion through 2016.</p> <p>The volunteer should complete the applicable lines on Form 982, and file it with the taxpayer’s return. If the residence was disposed of, the taxpayer also may be required to report the disposition (sale) on Form 8949 and Schedule D.</p>	
<p>step 6</p>	<p>These tax issues are outside the scope of the volunteer program. The taxpayer may qualify to exclude all or some of the discharged debt. However, the rules involved in the mortgage debt relief exclusions are complex.</p> <p>Refer the taxpayer to:</p> <ul style="list-style-type: none"> • www.irs.gov for the most up-to-date information. • The Taxpayer Advocate Service (TAS): 1-877-777-4778, TTY/TDD 1-800-829-4059. TAS may help if the problem cannot be resolved through normal IRS channels. • A professional tax preparer. 	<p>Additional Resources:</p> <ul style="list-style-type: none"> • Publication 523, Selling your Home • Publication 525, Taxable and Nontaxable Income • Publication 4681, Canceled Debts, Foreclosures, Repossessions, and Abandonments • Publication 4705, Overview of Mortgage Debt Forgiveness • Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness (and Section 1082 Basis Adjustment) and Instructions

Entering Forgiveness of Qualified Principal Residence Indebtedness

Reduction of Tax Attributes

Part I: General Information

Form belongs to:

Taxpayer
 Spouse

Amount excluded is due to (check applicable boxes):

Discharge of indebtedness in a title 11 case.

Discharge of indebtedness to the extent insolvent (not in a title 11 case).

Discharge of qualified farm indebtedness.

Discharge of qualified real property business indebtedness.

Discharge of qualified principal residence indebtedness.

Total amount of discharged indebtedness excluded from gross income: \$

Check here if you elect to treat all real property described in section 1221(a)(1), relating to property held for sale to customers in the ordinary course of a trade or business, as if it were depreciable property.

Part II: Reduction of Tax Attributes

Enter amount excluded from gross income:

Discharge of qualified real property business indebtedness: \$

Elect under section 108(b)(5) to reduce basis. If you enter anything here, you must write an explanation below: \$

Any net operating loss: \$

Any general business credit: \$

Any minimum tax credit carryover: \$

Any net capital loss: \$

Basis of nondepreciable and depreciable property: \$

Basis of nondepreciable and depreciable property: \$

Farm depreciable property used or held for use in business: \$

Farm land used or held for use in business: \$

Other farm property used or held for use in business: \$

Any passive activity loss and credit carryovers: \$

Any foreign tax credit carryover: \$

Part III: Consent of Corporation to Adjustment of Basis of Its Property Under Section 1082(a)(2)

Amount excluded under section 1081(b) from gross income: \$

Tax year beginning: MM DD YYYY

Tax year ending: MM DD YYYY

State of incorporation: - Please Select -

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

Form 982, Reduction of Tax Attributes Due to Discharge of Indebtedness, must be filed with the taxpayer's return to report the excluded amount of discharged indebtedness and the reduction of certain tax attributes:

- Indicate whether the Form 1099-C was issued to the taxpayer or spouse
- Check the box for Discharge of qualified principal residence indebtedness
- Enter the amount of primary mortgage debt cancelled (Form 1099-C Box 2)
- If the taxpayer had a portion of the mortgage debt cancelled but kept the home (loan modification or mortgage workout),
 - Enter the amount of debt cancelled in Part II, Reduction of Tax Attributes, on the line for "Applied to reduce the basis of your principal residence." [there doesn't currently seem to be a line corresponding to line 10b of Form 982, but an entry made on this line appears on line 10 of Form 982 when the return is printed.]
- If the taxpayer disposed of the home due to foreclosure or Abandonment, and the lender cancelled 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 Sch 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

Entering K-1 Information in TaxSlayer®

The taxpayer's Schedule K-1 may come from a Form 1065 (partnership), Form 1120S (S-corp) or Form 1041 (estate.) Be careful to choose the right form.

Schedule K-1

Schedule K-1 (Form 1065)	BEGIN
Schedule K-1 (1120S)	BEGIN
Schedule K-1 (1041)	BEGIN
Schedule E (Page 2) Question	BEGIN

Continue

This situation would be out of scope.

Schedule E (Page 2) Question

Check here if you are reporting losses not allowed in prior years due to the at-risk or basis limitations, passive losses not reported on Form 8582, or unreimbursed partnership expenses

Entering K-1 Information in TaxSlayer® (continued)

Income from K-1 requires the Advanced certification level.

Enter all items as indicated on the taxpayer's K-1.

Be sure to indicate whether the income is attributable to taxpayer or spouse.

Most in-scope K-1s will be from a Passive Entity, and the taxpayer's investment will be at risk. Be sure to check these boxes if applicable – TaxSlayer® may give you a warning if the At-Risk box is left blank.

Form 1120S K-1

Part II - Information About the Shareholder

S-Corporation belongs to:

Mr Taxpayer

Mrs Taxpayer

Part I - Information About the S-Corporation

S-Corporation's Name: [Text Box]

S-Corporation's EIN Number: [Text Box] - [Text Box]

Check here if foreign address

Address (Number and Street): [Text Box]

Zip Code: [Text Box] - [Text Box]

City, Town, or Post Office: [Text Box]

State: [Dropdown: Please Select]

Check the box if...

This K-1 is from a Passive Entity.

There is an amount on line 2 of the K-1 and this is a NonPassive Entity and you Materially Participate.

There is an amount on line 2 of the K-1 and you Actively Participate.

All Investment is At-Risk.

Entire Interest in Investment has been disposed.

PTP Prior Year Unallowed Loss: \$ [Text Box]

[Cancel] [Continue]

Income reported on Schedule K-1 that is within the scope of the VITA/TCE programs includes:

- Interest income (flows to 1040, line 8a)
- Dividend income (1040, line 9a)
- Qualified Dividends income (1040, line 9b)
- Net short-term capital gains and losses (Schedule D, line 5)
- Net long-term capital gains and losses (Schedule D, line 12)
- Tax-exempt interest income (Form 1040, line 8b)
- Royalty income (Schedule E)
 - Foreign taxes paid on passive income eligible for simplified limitation election

If the K-1 includes any deductions, expenses, credits, or other items not listed above, the return is out of scope

Form 1120S K-1

Part III - Shareholder's Share of Current Year Income, Deductions, Credits etc.

Actively Managed Passive Loss Carryover: \$ [Text Box]

Disposition Gain/Loss: \$ [Text Box]

Other Passive Loss Carryover: \$ [Text Box]

Carry Gain/Loss to: [Dropdown: Form 4797]

1 Ordinary Business Income (Loss)	\$ [Text Box]	7 Net Short-Term Capital Gain (Loss)	\$ [Text Box]
2 Net Rental Real Estate Income (Loss)	\$ [Text Box]	8a Net Long-Term Capital Gain (Loss)	\$ [Text Box]
3 Other Net Rental Income (Loss)	\$ [Text Box]	8b Collectibles (28%) Gain (Loss)	\$ [Text Box]
4 Interest Income	\$ [Text Box]	8c Unrecaptured section 1250 Gain	\$ [Text Box]
5a Ordinary Dividends	\$ [Text Box]	9 Net Section 1231 Gain (Loss)	\$ [Text Box]
5b Qualified Dividends	\$ [Text Box]	<input type="checkbox"/> Check if the Section 1231 Gain(Loss) is Passive	
6 Royalties	\$ [Text Box]	11 Section 179 Deduction	\$ [Text Box]

[Cancel] [Continue]

Entering Rental Income in TaxSlayer®

Volunteers must certify at Military level to prepare Schedule E for rental income.

Schedule E Required Information

Check here if you made any payments in 2016 that would require you to file Form(s) 1099.

✕ Cancel

✓ Continue

If the taxpayer made any payments that would require them to file Form 1099, the return is out of scope.

Schedule E Rent and Royalty Information

Type

--Select--

Description

Address

Check here if foreign address

Address (Number and Street)

Zip Code

- -

City, Town, or Post Office

State

- Please Select -

Enter the required information about the rental property in this section

Entering Rental Income in TaxSlayer® (continued)

Check here if taxpayer had any days of personal use, and enter the number of days here.

Enter the total rental payments received for the tax year.

Enter number of days rented at fair rental value.

Check here if the taxpayer actively participated. A rental loss will not appear on Form 1040, unless the taxpayer actively participated.

Use Schedule E to report rental income only when taxpayer is not in the business of renting property. If in the business, return is out of scope. Refer taxpayers who are in the business of renting properties to a professional tax preparer.

Check if personal use
 Percent of ownership: 100 %
 Rental payments received: \$
 Refunds, Returns and Allowances: \$
 Enter the number of days the property was rented at fair rental value:
 Enter the number of days the property was used for personal purposes:
 Check here if you are you a member of a Qualified Joint Venture
 Check if you actively participated
 Check here if you are a real estate professional or sold or disposed of the property this year (This will allow ALL losses).

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

Clicking here will complete Form 4562. If Form 4562 is required, the tax return is out of scope.

Click here to enter rental expenses.

Click here to enter vehicle expenses.

Schedule E Rentals and Royalties
 Currently Editing: House

Rent and Royalty Basic Information:

Depreciation:

Expenses:

Car and Truck Expenses:

Entering Rental Income in TaxSlayer® (continued)

Schedule E Rental/Royalty Expense	
Advertising	\$ <input type="text"/>
Travel	\$ <input type="text"/>
Cleaning	\$ <input type="text"/>
Commission	\$ <input type="text"/>
Insurance	\$ <input type="text"/>
Legal Fees	\$ <input type="text"/>
Management Fees	\$ <input type="text"/>
Mortgage Interest	\$ <input type="text"/>
Other Interest	\$ <input type="text"/>
Repairs	\$ <input type="text"/>
Supplies	\$ <input type="text"/>
Taxes	\$ <input type="text"/>
Utilities	\$ <input type="text"/>
Additional Expenses	<input type="button" value="✓ Edit"/>
Prior Unallowed Loss	\$ <input type="text"/>
Amount to Adjust Depreciation Expense or Depletion	\$ <input type="text"/>

Enter taxpayer-provided depreciation amount here as a positive number.

Caution: If the rental property has both personal and rental use days, you must manually compute the percentage to use on the rental expenses. For example if the house is rented half the year and you paid \$4,000 for Mortgage Interest, you have to manually input \$2,000 on the Mortgage Interest line.

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Adjustments to Income

Adjustments	
Medical Savings Account (Form 8853)	BEGIN
Educator Expenses	BEGIN
Expenses for Reservists, Performing Artists, and Qualifying Government Employees	BEGIN
Health Savings Account (Form 8889)	BEGIN
Moving Expenses (Form 3903)	BEGIN
Contributions to SEP, Simple, and Qualified Plans	BEGIN
Self-Employed Health Insurance	BEGIN
Penalty on Early Withdrawal of Savings or CD	BEGIN
Alimony Paid	BEGIN
IRA Deduction	BEGIN
Nondeductible IRAs (Form 8606)	BEGIN
Student Loan Interest Deduction	BEGIN
Tuition and Fees Deduction	BEGIN
Domestic Production (Form 8903)	BEGIN
Other Adjustments	BEGIN
<input checked="" type="checkbox"/> Continue	

Health Savings Account – select to open Form 8889. (HSA Certification required)

Must be Certified for Military. Check the box near the top of the form to indicate an Armed Forces PCS move.

Flows over from input of Form 1099-INT in Interest Income.

If the taxpayer paid alimony to more than one person, add a second payee after entering the first.

Student Loan Interest paid is entered here

See Education Benefits Tab for additional information.

Note: Military reservists who must travel more than 100 miles away from home and stay overnight to attend a drill or reserve meeting may be able to deduct their travel expenses as an adjustment to income rather than as a miscellaneous itemized deduction. **The amount of expenses that can be deducted is limited to the 1) actual lodging costs, 2) federal rate for per diem (for meals and incidental expenses) and 3) standard mileage rate (for car expenses) plus any parking fees, ferry fees and/or tolls.**

Educator Expenses

Don't rely on this table alone. Refer to Publication 17 for more details.

Question	Answer
What is the maximum benefit?	\$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). Taxpayers may be able to deduct expenses that are more than the limit as a miscellaneous deduction on Schedule A.
Who can claim the expense?	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.
What are qualifying expenses?	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.
What are not qualifying expenses?	Expenses for home schooling or non athletic supplies for courses in health or physical education.
What other issues apply?	Taxpayer must reduce qualified expenses by <ul style="list-style-type: none">• Excludable U.S series EE and I savings bond interest from Form 8815• Non taxable qualified tuition program earnings or distributions• Non taxable distribution of earnings from a Coverdell education savings account• Any reimbursements received for expenses that weren't reported on the Form W-2

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

Health Savings Accounts (HSA)

How will you know if the taxpayer has an HSA issue?

- The Intake/Interview sheet has the Yes or Unsure HSA box checked.
- The taxpayer's (or spouse's) Form W-2 has a box 12 entry of code W for employer contributions. [**Caution** – Contributions to an employee's account through a Section 125 (cafeteria) plan are treated as employer contributions and aren't deductible.]
- The taxpayer (or spouse) has a Form 1099-SA with an X in box 5 showing distributions from an HSA.
- The taxpayer (or spouse) may receive Form 5498-SA for their HSA contributions. If taxpayers don't have this form they can provide the information regarding HSA contributions based on their records

Form 8889 - Health Savings Account

Form belongs to:

Coverage under high deductible health plan

CODE

-- Please Select --

HSA Contributions

HSA Contributions you made for 2016

* INCLUDE contributions made from Jan 1 to Apr 15 of this year that were for 2016.
* DO NOT INCLUDE employer contributions, contributions through a cafeteria plan, or amounts that were rolled over into your HSA(s).

\$

Number of months during this tax year that you were an eligible individual

- Please Select -

Amount you and your employer contributed to your **Archer MSAs** for 2016 from **Form 8853**, lines 3 and 4. If you and your spouse had family coverage under an HDHP at any time during the tax year, also include any amount contributed to your spouse's **Archer MSA**.

\$

Employer Contributions made to your HSA for 2016

We will automatically pull your employer contributions from your W-2. DO NOT enter amounts from your W-2.

\$

Qualified HSA Funding Distributions

\$

HSA Distributions

Total distributions received during 2016 from all HSAs.
(Usually shown in Box 1 of Form(s) 1099-SA)

\$

Distributions used for qualified medical expenses

* If you do not enter an amount here your entire distribution will be considered taxable.

\$

Distributions you received in 2016 that you rolled over into another HSA. Also include any excess contributions (and the earnings on those excess contributions) included above that were withdrawn by the due date of your return.

\$

Exceptions - The additional 20% tax does not apply to distributions made after the account beneficiary dies, becomes disabled, or turns age 65.

Check here if you meet any of the exceptions to the 20% tax.

HSA Adjustments

Limitation - Adjust amount of limitation from worksheet

Note: This amount will adjust a calculated amount.

\$

Adjust your share of high-deductible health plan. If you and your spouse had separate HSAs AND had family coverage under an HDHP, see Page 4 of the Instructions for the amount to enter.

Note: This amount will adjust a calculated amount.

\$

If you were age 55 or older at the end of the tax year, married, AND you or your spouse had family coverage under an HDHP at any time during the year, enter your Additional Contribution Amount.

Note: This amount will adjust a calculated amount.

\$

Select the appropriate (HDHP) coverage for the taxpayer: **self-only or family**. This determines the maximum HSA contribution limits.

Employee contributions are entered here. Contributions by relatives or friends are considered to be made by the taxpayer. **Don't** include employer contributions on this line. The account holder needs to tell you how much was put in the HSA, because they might not have received the Form 5498-SA by the time they're preparing their tax return.

Enter number of months you had a Health Savings Account, a high deductible policy and no other major medical policy (including Medicare) and could not be claimed as a dependent.

Enter HSA distributions here. Ask the taxpayer for Form 1099-SA, with the HSA box checked. If not an HSA distribution, refer the taxpayer to a professional tax preparer.

Enter amount spent on qualifying medical expenses not reimbursed by insurance.

Age 55 or older, you can make an additional contribution of \$1,000.

If the taxpayer meets one of exceptions to the 20% additional tax, check this box. The exceptions are that the account beneficiary dies, becomes disabled, or turns age 65

Form 8889 will calculate the amount of excess contributions, if any. **Caution:** If the excess isn't withdrawn by the due date of the return then the return is out-of-scope.

Qualified medical expenses are expenses that generally would qualify for the medical and dental expenses deduction. Examples include unreimbursed expenses for doctors, dentists, and hospitals.

Only these Insurance premiums can be included: a) long-term care insurance based on premium limits shown in What's New tab, b) health care continuation coverage such as coverage under COBRA, c) health care coverage while receiving unemployment compensation, and d) Medicare and other health care coverage if the taxpayer was 65 or older (other than premiums for a Medicare supplemental policy, such as Medigap)

A medicine or drug will be a qualified medical expense only if the medicine or drug: a) requires a prescription, b) is available without a prescription (an over-the-counter medicine or drug) and the taxpayer gets a prescription for it, or c) is insulin.



Publication 4885

Screening Sheet for Health Savings Accounts (HSA)

NOTE: Only volunteers with **Health Savings Account Certification** may assist taxpayers with HSA issues.



Instructions: This Screening Sheet will help you identify HSA issues that are within the scope of the VITA/TCE program. Use the Determine HSA Eligibility section to determine if taxpayer is eligible for an HSA; use Part I for contributions/deduction; use Part II for distributions. **References:** Publication 969, Form 8889 and Instructions

Determine HSA Eligibility (To set up an HSA or make contributions to an HSA)

TO QUALIFY: An individual must meet **ALL** the following requirements:

- Be covered under a high deductible health plan (HDHP) on the first day of any month of the year.
- Have no other health coverage except for allowable “other health coverage.” (Publication 969, “Other health coverage”)
- Not be claimed as a dependent on someone else’s tax return. (Publication 969, “Qualifying for an HSA”)
- Not be covered by Medicare (but the individual can be HSA eligible for the months before being covered by Medicare)

NOTE: If the taxpayer doesn’t qualify, but contributions have been made to an HSA, the taxpayer should be referred to a professional tax preparer.

PART I – HSA Contributions and Deduction

step If eligible, were contributions made to an HSA?

1

YES – Complete Form 8889, Part, I, lines 1 and 2. Go to Step 2.

NO – **GO TO PART II.**

step Was the taxpayer enrolled in the same HDHP coverage for the **entire** year?
2 (Answer Yes, if last-month rule applies, and see Form 8889 Instructions)

Caution: If line 2 is more than line 13, the taxpayer must withdraw the excess contribution to avoid an additional tax. If the excess is not timely withdrawn, refer the taxpayer to a professional tax preparer. (Refer to Form 8889 Instructions, line 13).

YES – Complete Form 8889, Part I, lines 3-13.

FOR YES OR NO: Lines 4 and 10 are out of scope.

NO – Refer to Form 8889 Instructions for additional information on completing line 3.

PART II – HSA Distributions

step Did the taxpayer receive distributions from the HSA trustee (whether or not
1 Form 1099-SA received)?

YES – Complete Form 8889 Part II, Line 14a, 14b, if applicable, and 14c. Go to Step 2.

NO – STOP, do not complete Part II.

step Did the taxpayer use all or part of the distribution to pay or get reimbursed for
2 qualified medical expenses during the year that were incurred after the HSA was established **and** were for qualified persons?

YES – Enter the amount on line 15 and complete line 16. Go to Step 3.

NO – Enter zero on line 15 and complete line 16. Go to Step 3.

step If any part of the distribution is taxable, was the distribution made after the
3 taxpayer died, became disabled or turned 65?

YES – Check box on line 17a and complete 17b.

NO – Taxpayer will be subject to an additional 20% tax.



Alimony Requirements (Instruments Executed After 1984)

Payments ARE alimony if <u>all</u> of the following are true:	Payments AREN'T alimony if <u>any</u> of the following are true:
<p>Payments are required by a divorce or separation instrument.</p> <p>Payer and recipient spouse don't file a joint return with each other.</p> <p>Payment is in cash (including checks or money orders).</p> <p>Payment isn't designated in the instrument as not alimony.</p> <p>Spouses legally separated under a decree of divorce or separate maintenance aren't members of the same household.</p> <p>Payments aren't required after death of the recipient spouse.</p> <p>Payment isn't treated as child support.</p>	<p>Payments aren't required by a divorce or separation instrument.</p> <p>Payer and recipient spouse file a joint return with each other.</p> <p>Payment is:</p> <ul style="list-style-type: none"> • Not in cash, • A noncash property settlement, • Spouse's part of community income, or • To keep up the payer's property. <p>Payment is designated in the instrument as not alimony.</p> <p>Spouses legally separated under a decree of divorce or separate maintenance are members of the same household.</p> <p>Payments are required after death of the recipient spouse.</p> <p>Payment is treated as child support.</p>
These payments are deductible by the payer and includible in income by the recipient.	These payments are neither deductible by the payer nor includible in income by the recipient.

Contributions to a Roth IRA can be made after taxpayer reaches age 70 ½, but no deduction can be taken for a contribution to a Roth.

IRA Deduction

Note: Taxpayer's age must be 70½ or younger to contribute to a traditional IRA; if married filing separately, **couldn't** have lived together any time during the year. Contributions can be made until the filing deadline (generally April 15) of the year following the tax year.

Note: compensation for purposes of an IRA contribution includes alimony received.

TaxSlayer® Hint: If the taxpayer made a traditional IRA contribution, select Adjustments from the Deductions menu, then select IRA deduction, shown below. Don't enter a Roth IRA contribution on this screen. Enter it in the Credits section. If eligible, the software will calculate a Retirement Savings Contributions Credit. Be sure to enter any applicable retirement plan distributions. See the Nonrefundable Credits tab for more information on this credit.

IRA Deduction

Enter amount of IRA Contribution made by Taxpayer
(Generally this is from a Traditional IRA):

(This deduction may be limited. To see the deductible amount, go to the "Summary" tab located on the navigation bar above after continuing through this page.)

If you entered over \$5,500 (\$6,500 if age 50 or older), visit Form 5329, Part III to report any excess contribution amount for the current year.

Taxpayer Retirement Plan

Taxpayer has a retirement plan.

Taxpayer DOES NOT have a retirement plan.

If the total of traditional and Roth IRA contributions exceed the allowable limit, the taxpayer must withdraw the excess before the filing deadline or a penalty will apply and the return will be out of scope.



Student Loan Interest Deduction at a Glance

Caution: This table is only an overview of the rules. For details, see Publication 17.

Feature	Description
Maximum benefit	You can reduce your income subject to tax by up to \$2,500.
Loan qualifications	Your student loan: <i>Taxpayer must be legally liable for the loan.</i> <ul style="list-style-type: none">• must have been taken out solely to pay education expenses, and• can't be from a related person or made under a qualified employer plan.
Student qualifications	The student must be: <ul style="list-style-type: none">• you, your spouse, or a person who was your dependent when you took out the loan, or would've been your dependent except you were a dependent, or had gross income over the exemption amount, or filed MFJ.• enrolled at least half-time in a program leading to a degree, certificate or other recognized educational credential.
Time limit on deduction	You can deduct interest paid during the remaining period of your student loan.
Phaseout	The amount of your deduction depends on your income level.

If student loan interest is paid by someone who isn't legally liable for it, the payment is treated as received by the person who's legally liable, and the person legally liable is allowed to take the adjustment.



Interview Tips – Itemized Deductions

interview tips

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.

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, job expenses, and certain miscellaneous deductions?
Note: Casualty and theft losses and some miscellaneous deductions 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, 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 customer’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 10% of your adjusted gross income (7.5% if one spouse is 65 or older)?
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 \$4,050 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 2016 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, local or foreign income taxes, real or personal property taxes?

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 12.



interview
tips

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, <i>Is My Home Mortgage Interest Fully Deductible</i> in Publication 17 to determine what is deductible. Go to Step 12.
step 10	Did you pay premiums in 2016 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 12.
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 <i>Are My Points Fully Deductible This Year</i> flowchart in Publication 17 and then go to Step 12. If NO, go to Step 12. See note
step 12	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 13. If NO, go to Step 13..
step 13	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 14. If NO , Go to Step 15.
step 14	Is the total of all noncash donations \$5,000 or less? Note: If more than \$500, enter each as a Non-cash Donation.	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.
step 15	Do you have any employee, job hunting or investment expenses?	If YES, report the expenses on Schedule A, <i>Job Expenses and Certain Miscellaneous Deductions</i> . If NO , your employee and investment expenses aren't deductible.

Note: 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.

Schedule A – Itemized Deductions

Itemized Deductions	
Use Standard or Itemized Deduction	BEGIN
Medical and Dental Expenses	BEGIN
Taxes You Paid	BEGIN
Mortgage Interest and Expenses	BEGIN

If itemizing deductions, select itemized deductions. If MFS and spouse itemizes, taxpayer must also itemize. Standard deduction can't be used. It doesn't matter which spouse files first. Select to force itemized deduction.

Select to enter medical expenses.

Select to enter state and local taxes paid during the tax year in addition to income tax withheld.

Schedule A Nondeductible Items

- **Medical:** cosmetic surgery; funeral/ burial; nonprescription drugs (except insulin) or prescribed drugs which were purchased over the counter; weight loss program not prescribed; diet food.
- **Taxes:** fees/licenses (drivers, marriage, dog); assessments for improvements that increase property value; assessments for services to the property (sewer, trash collection, etc.).
- **Contributions:** political; country club/fraternal lodge; raffle, bingo, or lottery tickets; tuition; value of time/services; gifts to lobby groups; civic leagues, social clubs; labor unions.
- **Miscellaneous:** commuting; home repair; rent; loss from sale of home; personal legal expenses; lost/misplaced cash or property; fines/penalties.

Non-cash donations of more than \$500 but less than \$5,000 in total are in scope for Tax-Aide:

- Items must be in good condition to be deductible. On the data entry screen for "Non-Cash Donations (more than \$500)," enter requested information for each donation date. Taxpayer should estimate the fair market value. Remind the taxpayer that the IRS requires receipts (or similar evidence) of all charitable donations.
- Motor vehicles include any motor vehicle intended for use on roads, a boat or an airplane. A donation of any of these worth more than \$500 is out of scope.

Schedule A - Itemized Deductions (continued)

Schedule A - Medical Deductions

Medical and dental insurance

Note: We automatically pull over the following

- ★ Medicare premiums paid on your 1099SSA (Social Security).
- ★ Self employed health insurance you have already entered.
- ★ Do not include medical/dental premiums deducted from your pay through a cafeteria plan (pre-taxed).

Amount paid to doctors/dentists

Prescriptions

X-Rays, lab work, etc

Nursing help (not for healthy baby or housework)

Hospital care (including meals and lodging)

Alcohol/Drug rehabilitation

Medical aids (hearing aids, crutches, wheelchairs, etc)

Medical mileage driven (in miles)

Other medical expenses

Description	Amount
<input type="text"/>	<input type="text" value="\$"/>

Add/Edit Qualified Long-Term Care Premiums:

Note: For 2016, medical and dental floor percentage is 10% if under 65 and 7.5% if 65 or older.

Some senior residences have an amount in the monthly cost which is a medical expense.

To enter multiple purchases 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 should carry to Schedule A.

LTC Limitations Table

Age	Limit
40 or under	\$ 390
41 to 50	\$ 730
51 to 60	\$1,460
61 to 70	\$3,900
71 and over	\$4,870

Schedule A - Taxes You Paid

* State and Local Tax amounts are automatically pulled from W-2, 1099, W-2G, and Estimates.
PLEASE DO NOT include any of these amounts in any of the boxes below or your calculations will NOT be correct.

Schedule A - Taxes You Paid

* State and Local Tax amounts are automatically pulled from W-2, 1099, W-2G, and Estimates.
PLEASE DO NOT include any of these amounts in any of the boxes below or your calculations will NOT be correct.

Taxes Paid

Additional State and Local Income Tax
(DO NOT INCLUDE AMOUNTS FROM W-2, 1099, W-2G or Estimates.)

State and Local Sales Tax Paid

Prior Year 4th Quarter State Estimates paid after 12/31/2014

Real Estate Taxes (Non-Business Property)
Real Estate Taxes entered here will overwrite any real estate taxes paid already entered.

Personal Property (ex: Car Registration)
Enter in your Ad Valorem tax, exclude amount paid for actual car tags.

Other Taxes

Description	Amount
<input type="text"/>	<input type="text" value="\$"/>

Click here to calculate sales tax. Be sure to base sales tax on total income - taxable and non taxable. See next page.

Enter real estate taxes that are reported on Form 1098 with the mortgage interest on the mortgage interest screen.

Enter vehicle license registration fee if based on value under Personal Property taxes.

From the Sales Tax Worksheet, use the IRS sales tax calculator to find the local tax rates or if there is any untaxed income not shown on the tax return (e.g. VA benefits or worker's comp). Get the results from the IRS calculator then click on "Override" to enter it into TaxSlayer. See next page.

If taxpayers purchased or sold home in tax year, they may not be able to deduct all Real Estate Taxes. Subtract any property tax refund received at closing. (see Publication 17, Real Estate Taxes for more information).

General Sales Tax Deduction Income Worksheet
(for use with [IRS Sales Tax Calculator](#))

Name: _____ Tax Year: _____

Number of Exemptions (line 6d): _____ Zip code: _____

Income Description	Source	Amount
ADD AGI	Form 1040, Line 37	+
ADD Tax-exempt Interest	Form 1040, Line 8b	+
SUBTRACT Taxable IRA Distributions	Form 1040, Line 15b	-
ADD Total IRA Distributions*	Form 1040, Line 15a	+
SUBTRACT Taxable Pensions and Annuities	Form 1040, Line 16a	-
ADD Total Pensions and Annuities*	Form 1040, Line 16b	+
ADD Medicare Waiver Payments	Form 1099-Misc	+
ADD Nontaxable Combat Pay	Form W-2	
ADD Workers Compensation Payments	Taxpayer	+
ADD Disability Insurance Payments	Taxpayer	+
ADD Veterans Benefits (VA not DFAS)	Taxpayer	+
ADD Public Assistance Payments	Taxpayer	+
ADD Residential Rental (less than 15 days)	Taxpayer	+
ADD Prior Year Tax Refunds	Prior Year Form 1040	+
ADD Supplemental Social Security Benefits	Taxpayer	+
ADD Any Other Nontaxable Income**	Taxpayer	+
Income for Sales Tax Calculator		=

* Do not include rollovers

** See Publication 4012, Page D-1, Table B for additional examples of non-taxable income.

Sales Tax on Large Item Purchases	Source	Tax
Motor Vehicle (including RVs, ATVs etc.)	Taxpayer	+
Watercraft or Aircraft	Taxpayer	+
Building Materials for home construction or remodel (if identified separately)	Taxpayer	+
House (if general sales tax rate applies)	Taxpayer	+
Total Sales Tax on Large Item Purchases		=

From IRS Calculator

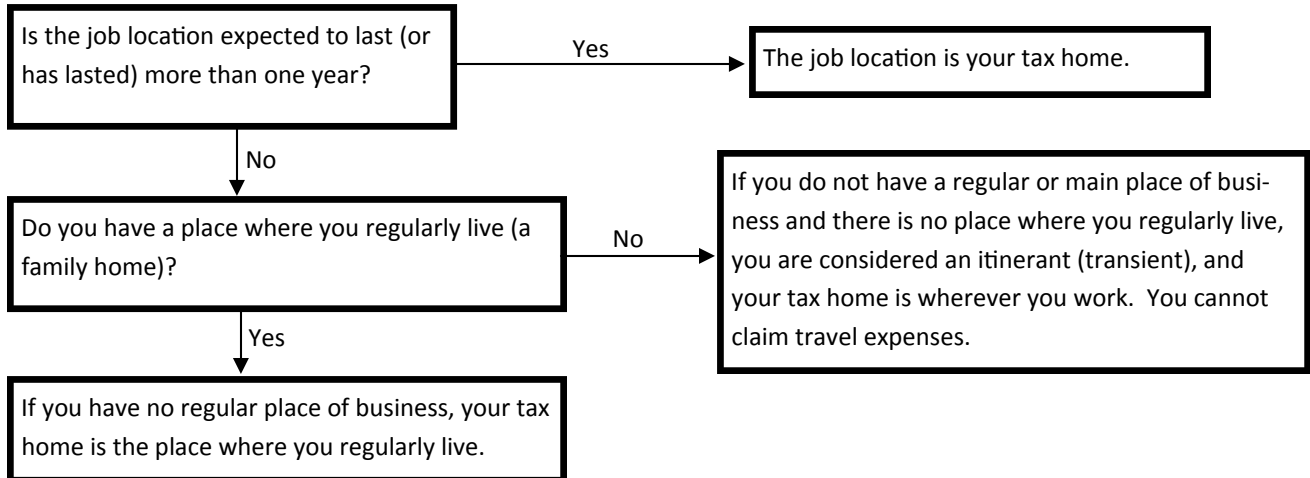
Local Tax Rate _____%
State Tax Rate _____%
Total Sales Tax \$ _____

**Enter in TaxSlayer
at Override**

TRAVEL EXPENSES See also page F-9

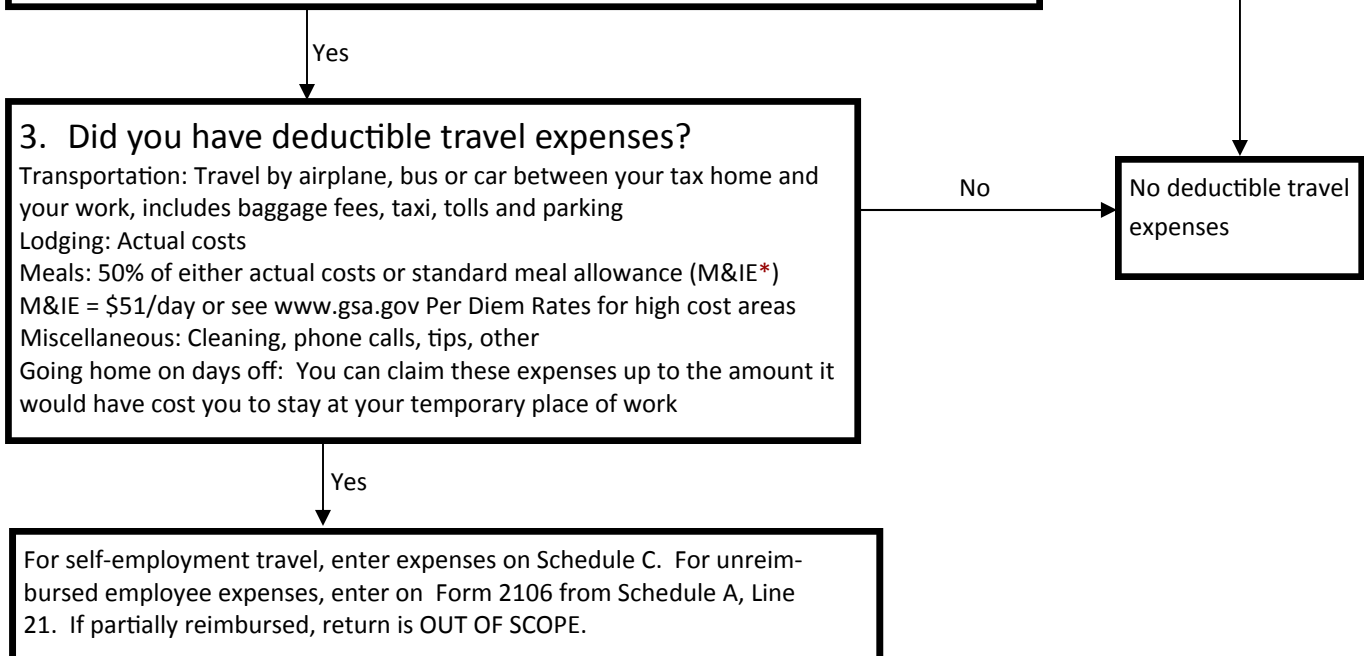
1. Where is your tax home?

TAX HOME: Regular place of business or post of duty, regardless of where you maintain your family home. It includes the entire city or general area in which your business or work is located.



2. Did you travel away from your tax home?

TRAVELING AWAY FROM HOME: Duties require you to be away from your tax home substantially longer than a day's work, and you need to sleep or rest while away from home.



3. Did you have deductible travel expenses?

Transportation: Travel by airplane, bus or car between your tax home and your work, includes baggage fees, taxi, tolls and parking
Lodging: Actual costs
Meals: 50% of either actual costs or standard meal allowance (M&IE*)
M&IE = \$51/day or see www.gsa.gov Per Diem Rates for high cost areas
Miscellaneous: Cleaning, phone calls, tips, other
Going home on days off: You can claim these expenses up to the amount it would have cost you to stay at your temporary place of work

For self-employment travel, enter expenses on Schedule C. For unreimbursed employee expenses, enter on Form 2106 from Schedule A, Line 21. If partially reimbursed, return is OUT OF SCOPE.

* M&IE = Meals and Incidental Expenses

Schedule A - Itemized Deductions (continued)

Schedule A Interest

Mortgage Interest Reported on Form 1098

Mortgage Interest Not Reported on Form 1098

Points Not Reported on Form 1098

Primary Mortgage Insurance (PMI) Deduction

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

Note that PMI goes on a separate screen.

Points from refinancing must be spread over the life of the mortgage unless used to remodel (see Publication 17, Points). Enter loan origination fee from closing statement as Points not reported on Form 1098 if not included as points on Form 1098

Mortgage Interest Reported on 1098

Add/Edit Interest Reported

Real Estate Taxes (Non-Business Property)

Real Estate Taxes (Non-Business Property) \$

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

Click here for cash or non-cash donations

Gifts to Charity

Unreimbursed Employee Business Expense

Job-Related Travel Expenses (Form 2106)

Miscellaneous Deductions

Less Common Deductions

Click here to enter Form 2106 or ~~Form 2106-EZ~~. On the entry screen for Form 2106, there is a box to check near the top for a reservist, performing artist, or qualifying government employee. (Military Certification required)

Hint: Job-related education expenses not used elsewhere can be entered here. For other unreimbursed employee expenses see Pub 17.


Unreimbursed Employee Business Expenses:

- From Itemized Deductions menu, select "Unreimbursed Employee Business Expense." If the employee received reimbursement, the return is out of scope.

Schedule A - Itemized Deductions (continued)

The cost of charitable raffles, bingos etc. are not deductible as charitable donations but can be deducted as gambling losses to the extent of winnings.

Charity Cash Contributions

 To group all cash contributions as one single entry, select the "Override" button below.

Charity Name

Description

Amount Donated \$

Date of Donation MM DD YYYY

Override Set the total contributions without itemizing.

Note: Enter amounts given by cash or check under Cash Gifts to Charity. The 30% & 50% refer to the percentage of your AGI that can be deducted this year. See Publication 17 for definitions. Enter the value of noncash items donated under Non-Cash Gifts to Charity. Be careful to list them separately. If noncash contributions are greater than \$500 **Form 8283 must be completed and this form is out-of-scope.**

Schedule A - Miscellaneous Deductions

Schedule A - Miscellaneous Deductions

Amortizable premium on taxable bonds \$

Federal estate tax on income in respect to a decedent \$

Gambling losses to the extent of gambling winnings \$

Impairment-related work expenses \$

Repayment under claim of right (if greater than \$3000)
If your repayment was less than \$3000, click Add/Edit below and enter it as an additional Miscellaneous Deduction. \$

Unrecovered investment in pension \$

Tax Return Preparation \$

Safe Deposit Box Rental \$

Investment Fees and Expenses \$

Add/Edit Miscellaneous Deductions that are not listed above:

Gambling losses (all bets placed) up to the amount of winnings are deducted here.

Be sure to enter all losses --but not more than the gambling winnings reported on Line 21 of Form 1040.

Nonrefundable Credits

Credits		
Foreign Tax Credit (Form 1116)	<input type="button" value="BEGIN"/>	Select for Foreign Tax Credit
Child Care Credit (Form 2441)	<input type="button" value="BEGIN"/>	Select for Form 2441 , page 1. See <i>Child Tax Credit Tip & Interview Tips</i> , later
Education Credits (Form 1098-T)	<input type="button" value="BEGIN"/>	Select for Form 8863 . See Education Benefits tab.
Retirement Savings Credit (Form 8880)	<input type="button" value="BEGIN"/>	Select for Form 8880 . Remember to complete Form 8880 if taxpayer received any distributions from retirement plans
Residential Energy Credit (Form 5695)	<input type="button" value="BEGIN"/>	Select for Form 5695
Adoption Credit (Form 8839)	<input type="button" value="BEGIN"/>	
DC First-Time Homebuyer Credit (Form 8859)	<input type="button" value="BEGIN"/>	
Mortgage Interest Credit (Form 8396)	<input type="button" value="BEGIN"/>	
Earned Income Credit (Form 8862)	<input type="button" value="BEGIN"/>	See Earned Income Credit tab.
Credit for the Elderly or Disabled (Schedule R)	<input type="button" value="BEGIN"/>	Select for Schedule R
Alternative Motor Vehicle Credit (Hybrid Cars, Form 8910)	<input type="button" value="BEGIN"/>	
Qualified Electric Motor Vehicle Credit (Form 8936)	<input type="button" value="BEGIN"/>	
Small Employer Health Insurance Premiums (Form 8941)	<input type="button" value="BEGIN"/>	
Credit for Federal Tax Paid on Fuels (Form 4136)	<input type="button" value="BEGIN"/>	
Credit for Increasing Research Activities from Pass-through Entities (Form 6765)	<input type="button" value="BEGIN"/>	
<input type="button" value="Continue"/>		

Hint: Remember, the nonrefundable credits can't exceed the taxpayer's federal income tax.

Form 8863

Open Form 8863 Education Credits. Select the student's name, SSN, and the type of credit. Enter the qualified expenses in the appropriate **credit**. 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 Elderly or Disabled Decision Tree on the last page of this tab.

Form 8812

If child has an ITIN but was a resident of the U.S., be sure to mark the "substantial presence" box in the Dependents Section or the child tax credit will be denied.

Form 1116 – Foreign Tax Credit

Credits

Foreign Tax Credit Form 1116

Child Care Credit Form 2441

Education Credits Form 1098-T

Select Foreign Tax Credit

Form 1116 - Foreign Tax Credit

In order to receive a credit for any foreign taxes paid you must answer Yes to all of the following questions:

- Is all of your gross foreign source income from interest and dividends?
- Was all of that interest and dividend income reported to you on Form 1099-INT, Form 1099-DIV, or Schedule K-1?
- If you had dividend income from shares of stock, did you hold those shares for at least 16 days?
- Is the total of your foreign taxes less than or equal to **\$300**
- Were all of your taxes:
 - A. Legally owed and not eligible for a refund; AND
 - B. Paid to countries that are recognized by the United States; AND
 - C. Paid to countries that do not support terrorism?

Foreign tax credit not over **\$300**

Note: Only enter an amount if you answered Yes to all the questions above.

If you paid more than \$300 dollars in foreign taxes, you must fill out Form 1116 Foreign Tax Credit.

ONLY the Simplified Limitation Election for the foreign tax credit is in scope for Advanced certification. To be eligible for this election, qualified foreign taxes must be \$300 (\$600 if MFJ) or less, all foreign source income is passive category (such as interest and dividends) and taxpayer meets the other requirements as explained in the Form 1116 Instructions. Enter the amount of foreign taxes paid as indicated on the Form 1099-INT, 1099-DIV or K-1 here. No other entry is required.

FOR INTERNATIONAL CERTIFICATION ONLY:

If the taxpayer doesn't meet the requirements for the Simplified Limitation Election, complete Form 1116 as follows:

Form 1116 – Foreign Tax Credit (continued)

Foreign tax credit

Passive income	Begin
General limited income	Begin
Section 901(j) income	Begin
Income resourced by treaty	Begin
Lump-sum distributions	Begin

Continue

In scope for VITA/TCE with International Certification. Select the appropriate category. If taxpayer has income in more than one category or from more than one country, another can be added later.

Out of scope.

Form 1116 - Foreign Tax Credit

Country of residence *

Carryback or Carryover

Reduction in Foreign Taxes

Adjustments

Reduction of credit for international boycott operations

Credit is claimed for taxes paid or accrued

Paid

Accrued

Delete Cancel Continue

Select country of residence.

Indicate whether the foreign tax was actually paid during the tax year ("paid") or if the tax was billed in one year but paid in another ("accrued"). A taxpayer using the cash basis can choose to use either the cash or accrual method to determine the foreign tax credit. However, if the accrual method is chosen, the taxpayer must continue to use the accrual method for the foreign tax credit on all future returns.

Form 1116 – Foreign Tax Credit (continued)

Form 1116 - Foreign Tax Credit

Foreign Country or U.S. possession *

Gross income from sources within the country of the specified type (Do not include income excluded by Form 2555, Foreign Earned Income)

Expenses Directly Allocable to Income

Other Deductions

Gross income from sources within the country of the specified type (Including any income excluded by Form 2555, Foreign Earned Income)

Home mortgage interest

Other interest expense

Losses from foreign sources

Date paid or accrued *

- Please Select -

\$

\$

\$

\$

\$

\$

\$

MM DD YYYY

Select the country that imposed the tax.

Enter the gross INCOME of this category type in both places (not the tax).

If your gross foreign source income (including income excluded on Form 2555 or Form 2555-EZ) does not exceed \$5,000, you can allocate all of your interest expense to U.S. source income. Otherwise, deductible home mortgage interest (including points and qualified mortgage insurance premiums) is apportioned using a gross income method.

Enter the date the tax was paid or accrued.

Foreign taxes paid or accrued in foreign currency

Tax Withheld on Dividends (in Foreign Currency)

Tax Withheld on Rents/Royalties (in Foreign Currency)

Tax Withheld on Interest (in Foreign Currency)

Other Foreign Taxes (in Foreign Currency)

Foreign taxes paid or accrued in U.S. dollars

Dividends

Rents and royalties

Interest

Other taxes

Enter the taxes paid (in U.S. dollars) in the appropriate category.

Cancel Continue



Child and Dependent Care Credit Expenses

Probe/Action: To determine if a taxpayer qualifies for the Credit for Child and Dependent Care Expenses, ask the taxpayer for information from the decision tree on the next page.

Who is a qualifying person?

- A qualifying child who was under the age of 13 when the expenses were incurred and for whom a dependency exemption can be claimed, see caution 1 below.
- Any person who was incapable of self-care whom the taxpayer can claim as a dependent or could've claimed as a dependent except that the person had gross income of more than \$4,050 or filed a joint return or that the taxpayer or spouse, if married filing jointly, could be claimed as a dependent on someone else's 2016 return.
- A spouse who was physically or mentally incapable of self-care.
- The qualifying person must live with the taxpayer more than 1/2 the year.
- Incapable of self-care - Can't dress, clean, or feed themselves ~~because of physical or mental problems~~. Also persons who must have constant attention to prevent them from injuring themselves or others.

See Publication 17, **Child and Dependent Care Credit** for special rules regarding divorced or separated parents or parents who live apart.

Qualified work-related expenses

- Expenses must be paid for the care of the qualifying person to allow the taxpayer and spouse, if married, to work or look for work.
- The care includes the costs of services for the qualifying person's well-being and protection.
- Expenses to attend kindergarten or a higher grade aren't an expense for care.
- Expenses for summer day-camp are qualifying, but those for overnight camp aren't.

*Refer to the tables on page C-3 for the rules governing who may be claimed as a dependent.

Caution: Only the **custodial** parent may claim the child and dependent care credit even if the child's exemption is being claimed by the non-custodial parent under the rules for divorced & separated parents.

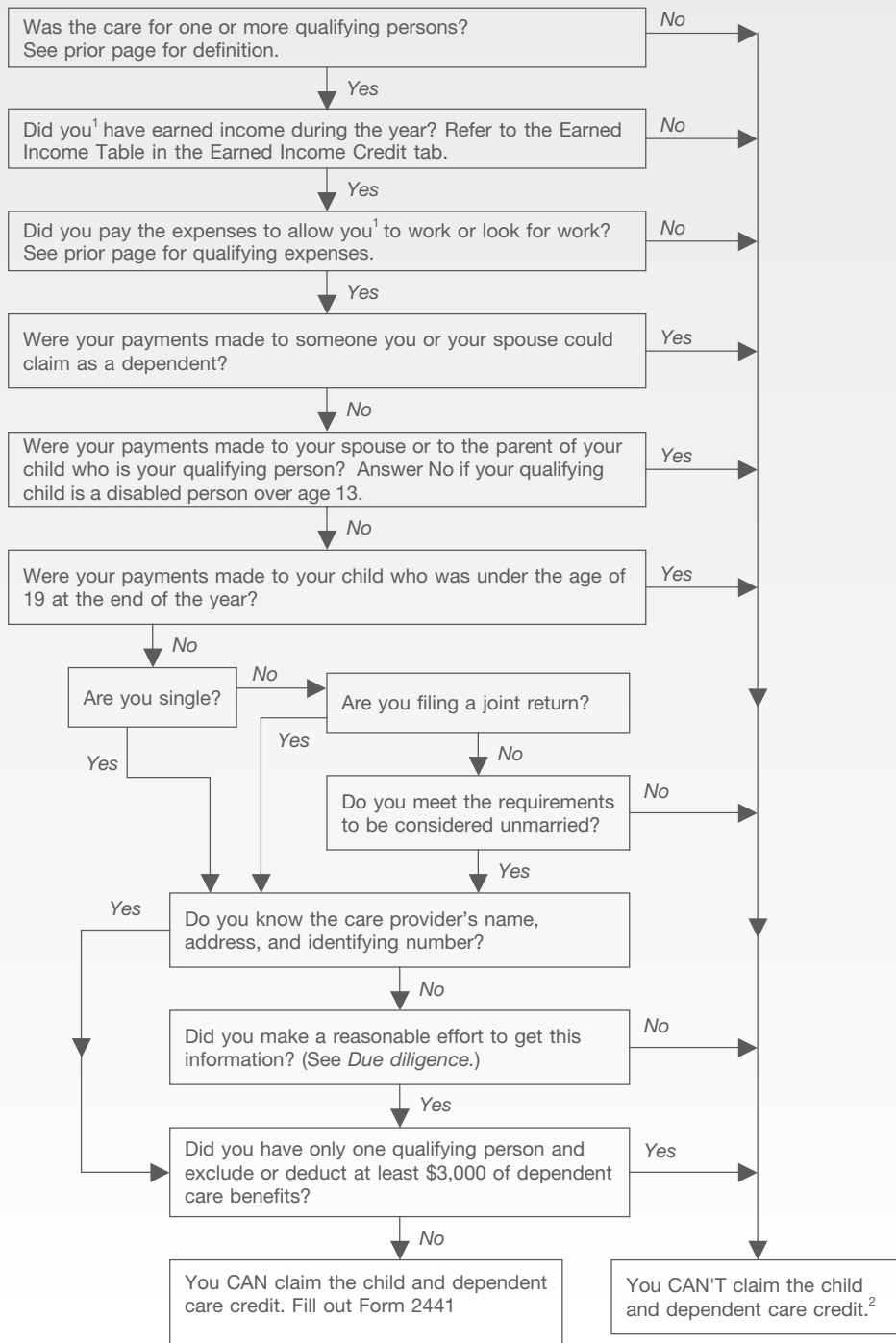
Caution: If Dependent Care Benefits are listed in Box 10 of a W2, then the taxpayer **MUST** complete Form 2441. If Form 2441 isn't completed, the Box 10 amount is entered on Line 7 of the 1040 as taxable income.

Note: If the qualifying child turned 13 during the tax year, the qualifying expenses include amounts incurred for the child while under age 13 when the care was provided.

Credit for Child & Dependent Care Expenses – Decision Tree

Can You Claim the Child and Dependent Care Credit

Start Here



¹ This also applies to your spouse. However, your spouse is treated as having earned income for any month that he or she is a full-time student, or physically or mentally not able to care for himself or herself. (Your spouse also must live with you for more than half the year.)

² If you had expenses that met the requirements for 2015, except that you didn't pay them until 2016, you may be able to claim those expenses in 2016.

Retirement Savings Contributions Credit (continued)

Open the Retirement Savings Contributions Credits screen if the taxpayer meets eligibility criteria and any of the following are true:

1. The taxpayer made a traditional or Roth IRA contribution before the filing deadline.
2. The taxpayer or spouse's Form W-2 includes box 12 entries of D, E, F, G, H, S, AA, BB, or box 14 amounts that are marked as "Qualifies for Form 8880."

Verify total contribution amounts with the taxpayer.

Retirement Savings Contributions Credits

TAXPAYER

Enter Any Qualifying Retirement Distributions in 2015, 2014, or 2013

Enter Any Other Taxable Distributions in 2015 or 2014

Enter Any Current Year Roth IRA Contributions

Elective Deferrals from W-2(s)

Enter any Elective Deferrals to a 401(k) or other Qualified Plan not reported on a W-2

SPOUSE

Enter Any Qualifying Retirement Distributions in 2015, 2014, or 2013

Enter Any Other Taxable Distributions in 2015 or 2014

Enter Any Current Year Roth IRA Contributions

Elective Deferrals from W-2(s)

Enter any Elective Deferrals to a 401(k) or other Qualified Plan not reported on a W-2

Note: Certain distributions received after 2013 and before the due date (including extensions) of your 2016 tax return from any of the following types of plans must be entered on Form 8880:

- Traditional or Roth IRAs (including myIRAs)
- 401(k), 403(b), governmental 457, 501(c)(18)(D), SEP, or SIMPLE plans
- Qualified retirement plans (including the federal Thrift Savings Plan).

Distributions from the 3 prior years and current year normal distributions must be entered manually on this form.

Don't include any:

- Military pensions
- Distributions not taxable as the result of a rollover or a trustee-to-trustee transfer
- Distributions from your IRA (other than a Roth IRA) rolled over or converted to your Roth IRA
- Loans from a qualified employer plan treated as a distribution
- Distributions of excess contributions or deferrals (and income allocable to such contributions or deferrals)
- Distributions of contributions made during a tax year and returned (with any income allocable to such contributions) on or before the due date (including extensions) for that tax year
- Distributions of dividends paid on stock held by an employee stock ownership plan under section 404(k)
- Distributions that are taxable as the result of an in-plan rollover to your designated Roth account
- Distributions from an inherited IRA by a nonspousal beneficiary

The credit is calculated using the percentages below:

If line 8 is—		And your filing status is—		
Over—	But not over—	Married filing jointly	Head of household	Single, Married filing separately, or Qualifying widow(er)
---	\$ 18,500	.5	.5	.5
\$ 18,500	\$ 20,000	.5	.5	.2
\$ 20,000	\$ 27,750	.5	.5	.1
\$ 27,750	\$ 30,000	.5	.2	.1
\$ 30,000	\$ 30,750	.5	.1	.1
\$ 30,750	\$ 37,000	.5	.1	.0
\$ 37,000	\$ 40,000	.2	.1	.0
\$ 40,000	\$ 46,125	.1	.1	.0
\$ 46,125	\$ 61,500	.1	.0	.0
\$ 61,500	---	.0	.0	.0

Note: If line 9 is zero, stop; you cannot take this credit.

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



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 \$1,000 per qualifying child.

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 the ITIN Returns tab.
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 **Interview Tips for Child Tax Credit for Exception to Time Lived with You** section if the child didn't live with the taxpayer for more than half the year.)

* 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 on page C-3 for the rules governing who may be claimed as a dependent.

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



Additional Child Tax Credit – General Eligibility

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 \$3,000 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.

Schedule 8812 is used to calculate the allowable additional child tax credit.

See Tab C, Exemptions/Dependency, 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: Taxpayers claiming the Child Tax Credit must now have a valid identification 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 TIN for the child is issued after the due date of the tax return.

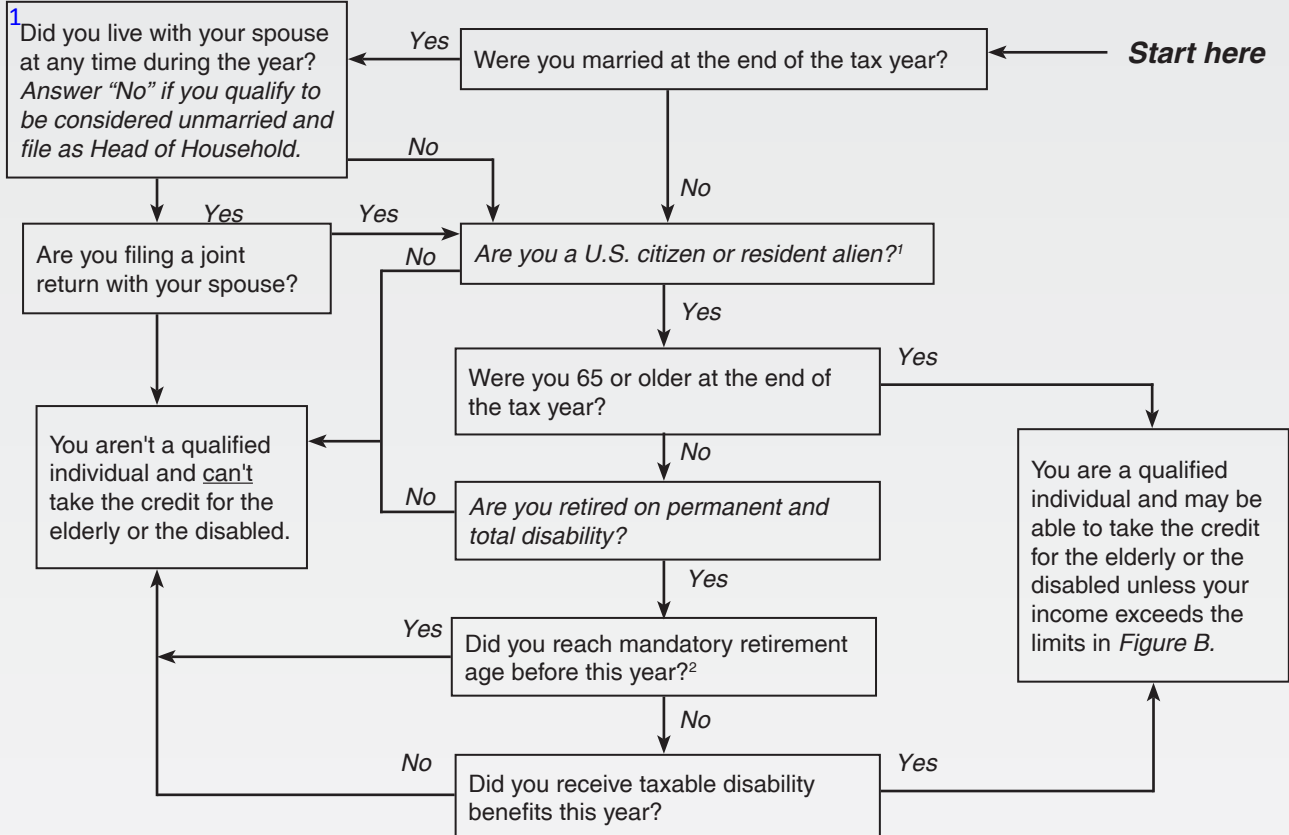
Note: You must claim the child as a dependent on your return to qualify for the Child Tax Credit

Note: If you claim the foreign earned income exclusion, the housing exclusion, or the housing deduction on Form 2555 or Form 2555-EZ, you can't claim the additional child tax credit.

Credit for the Elderly or the Disabled – Decision Tree

Use the following chart to determine if the taxpayer is eligible for the Credit for the Elderly or the Disabled:

Figure A. Are You a Qualified Individual?



¹ If you were a nonresident alien at any time during the tax year and were married to a U.S. citizen or resident alien at the end of the tax year, see *U.S. Citizen or Resident Alien* under Qualified Individual. If you and your spouse choose to treat you as a U.S. resident alien, answer “yes” to this question.

² Mandatory retirement age is the age set by your employer at which you would have been required to retire, had you not become disabled.

Figure B. Income Limits

IF you are . . .	THEN you generally can't take the credit if..	
	Your adjusted gross income (AGI)* is . . .	OR the total of your nontaxable social security and other nontaxable pension annuities or disability income is equal to or more than . . .
single, head of household, or qualifying widow(er) with dependent child	\$17,500	\$5,000
married filing a joint return and both spouses qualify in <i>Figure A</i>	\$25,000	\$7,500
married filing a joint return and only one spouse qualifies in <i>Figure A</i>	\$20,000	\$5,000
married filing a separate return and you lived apart from your spouse for all of 2016	\$12,500	\$3,750

* AGI is the amount on Form 1040A, line 22, or Form 1040, line 38.

Tax Software Hint: Be sure to include the taxpayer's total social security benefits, regardless of the taxability, to ensure the correct calculation of the credit. If the taxpayer appears to qualify for the credit, click on line 54 from 1040 View>Credit for the Elderly or Disabled or click on Deductions from Federal Section>Credits Menu>Credit for the Elderly or Disabled and answer the questions.

Other Taxes and Payments

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

Other Taxes	57	Self-employment tax. Attach Schedule SE	57		
	58	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	58		
	59	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	59		
	60a	Household employment taxes from Schedule H	60a		
	b	First-time homebuyer credit repayment. Attach Form 5405 if required	60b		
	61	Health care: individual responsibility (see instructions) Full-year coverage <input type="checkbox"/>	61		
	62	Taxes from: a <input type="checkbox"/> Form 8959 b <input type="checkbox"/> Form 8960 c <input type="checkbox"/> Instructions; enter code(s)	62		
	63	Add lines 56 through 62. This is your total tax	63		

For those with HSA certification only. Additional taxes for HSA distributions not used for qualified medical expenses may be applicable unless age 65, disabled, or deceased See Form 8889. All other taxes on this line are out-of-scope.

Form 5329

Form 5329 Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts

OMB No. 1545-0074
2015
Attachment Sequence No. 29

Department of the Treasury Internal Revenue Service (99) Attach to Form 1040 or Form 1040NR. Information about Form 5329 and its separate instructions is at www.irs.gov/form5329.

Name of individual subject to additional tax. If married filing jointly, see instructions. Your social security number

Home address (number and street), or P.O. box if mail is not delivered to your home Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, also complete the spaces below (see instructions). If this is an amended return, check here
Foreign country name Foreign province/state/county Foreign postal code

If you **only** owe the additional 10% tax on early distributions, you may be able to report this tax directly on Form 1040, line 59, or Form 1040NR, line 57, without filing Form 5329. See the instructions for Form 1040, line 59, or Form 1040NR, line 57.

Part I Additional Tax on Early Distributions. Complete this part if you took a taxable distribution before you reached age 59½ from a qualified retirement plan (including an IRA) or modified endowment contract (unless you are reporting this tax directly on Form 1040 or Form 1040NR—see above). You may also have to complete this part to indicate that you qualify for an exception to the additional tax on early distributions or for certain Roth IRA distributions (see instructions).

1	Early distributions included in income. For Roth IRA distributions, see instructions	1	
2	Early distributions included on line 1 that are not subject to the additional tax (see instructions). Enter the appropriate exception number from the instructions:	2	
3	Amount subject to additional tax. Subtract line 2 from line 1	3	
4	Additional tax. Enter 10% (.10) of line 3. Include this amount on Form 1040, line 59, or Form 1040NR, line 57. Caution: If any part of the amount on line 3 was a distribution from a SIMPLE IRA, you may have to include 25% of that amount on line 4 instead of 10% (see instructions).	4	

Part II Additional Tax on Certain Distributions From Education Accounts and ABLER Accounts. Complete this part if you included an amount in income, on Form 1040 or Form 1040NR, line 21, from a Coverdell education savings account (ESA), a qualified tuition program (QTP), or an ABLER account.

5	Distributions included in income from a Coverdell ESA, a QTP, or an ABLER account	5	
6	Distributions included on line 5 that are not subject to the additional tax (see instructions)	6	
7	Amount subject to additional tax. Subtract line 6 from line 5	7	
8	Additional tax. Enter 10% (.10) of line 7. Include this amount on Form 1040, line 59, or Form 1040NR, line 57	8	

Part III Additional Tax on Excess Contributions to Traditional IRAs. Complete this part if you contributed more to your traditional IRAs for 2015 than is allowable or you had an amount on line 17 of your 2014 Form 5329.

9	Enter your excess contributions from line 16 of your 2014 Form 5329 (see instructions). If zero, go to line 15	9	
10	If your traditional IRA contributions for 2015 are less than your maximum allowable contribution, see instructions. Otherwise, enter -0-	10	
11	2015 traditional IRA distributions included in income (see instructions)	11	
12	2015 distributions of prior year excess contributions (see instructions)	12	
13	Add lines 10, 11, and 12	13	
14	Prior year excess contributions. Subtract line 13 from line 9. If zero or less, enter -0-	14	
15	Excess contributions for 2015 (see instructions)	15	
16	Total excess contributions. Add lines 14 and 15	16	
17	Additional tax. Enter 6% (.06) of the smaller of line 16 or the value of your traditional IRAs on December 31, 2015 (including 2015 contributions made in 2016). Include this amount on Form 1040, line 59, or Form 1040NR, line 57	17	

Part IV Additional Tax on Excess Contributions to Roth IRAs. Complete this part if you contributed more to your Roth IRAs for 2015 than is allowable or you had an amount on line 25 of your 2014 Form 5329.

18	Enter your excess contributions from line 24 of your 2014 Form 5329 (see instructions). If zero, go to line 23	18	
19	If your Roth IRA contributions for 2015 are less than your maximum allowable contribution, see instructions. Otherwise, enter -0-	19	
20	2015 distributions from your Roth IRAs (see instructions)	20	
21	Add lines 19 and 20	21	
22	Prior year excess contributions. Subtract line 21 from line 18. If zero or less, enter -0-	22	
23	Excess contributions for 2015 (see instructions)	23	
24	Total excess contributions. Add lines 22 and 23	24	
25	Additional tax. Enter 6% (.06) of the smaller of line 24 or the value of your Roth IRAs on December 31, 2015 (including 2015 contributions made in 2016). Include this amount on Form 1040, line 59, or Form 1040NR, line 57	25	

For Privacy Act and Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 13329Q Form 5329 (2015)

When using TaxSlayer® enter the amount not subject to additional tax. Select the appropriate exception from the drop down menu.

- Self Employment Tax –**
Entered automatically from Schedule SE. TaxSlayer® calculates the amount using the entries from Schedule C.
- Unreported Social Security and Medicare Tax –**
Comes from Form 4137 Tip income not reported on Form W-2.
- Additional Tax on IRA's and Other Qualified Plans –**
A 10% penalty is calculated on Form 5329 for early withdrawal before age 59-1/2. If an exception applies, enter the code and the amount on line 2 of Form 5329. See codes on next page.
- Household Employment Taxes – (out-of-scope)**
- Repayment of First-Time Homebuyer Credit Form 5405 –**
2008 homebuyers who received the First Time Homebuyer Credit (\$7,500 loan) started repayments in 2010 and must enter the repayment on page 2 of Form 1040, Other Taxes section or complete Form 5405, Part II if required. (See 5405 instructions for when it is required.)

Other Taxes and payments (continued)

Exception codes and explanations for early distributions from IRA 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.)

See following pages for further explanations.

No	Exception
01	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).
02	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).
03	Distributions due to total and permanent disability.
04	Distributions due to death (doesn't apply to modified endowment contracts).
05	Qualified retirement plan distributions up to (1) the amount you paid for unreimbursed medical expenses during the year minus (2) 10% (7.5% if TP or Spouse is 65 or older) of your adjusted gross income for the year.
06	Qualified retirement plan distributions made to an alternate payee under a qualified domestic relations order (doesn't apply to IRAs).
07	IRA distributions
08	IRA distributions made for higher education expenses.
09	IRA distributions made for purchase of a first home, up to \$10,000.
10	Distributions due to an IRS levy on the qualified retirement plan.
11	Qualified distributions to reservists while serving on active duty for at least 180 days.
12	Other (see Other, below). Also, enter this code if more than one exception applies. *

*Other: 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 for additional exceptions.

For additional exceptions that apply to annuities, see Pub. 575.

Payments If you have a qualifying child, attach Schedule EIC.	64	Federal income tax withheld from Forms W-2 and 1099	64		
	65	2015 estimated tax payments and amount applied from 2014 return	65		
	66a	Earned income credit (EIC)	66a		
	b	Nontaxable combat pay election 66b			
	67	Additional child tax credit. Attach Schedule 8812	67		
	68	American opportunity credit from Form 8863, line 8	68		
	69	Net premium tax credit. Attach Form 8962	69		
	70	Amount paid with request for extension to file	70		
	71	Excess social security and tier 1 RRTA tax withheld	71		
	72	Credit for federal tax on fuels. Attach Form 4136	72		
	73	Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> Reserved c <input type="checkbox"/> 8885 d <input type="checkbox"/>	73		
	74	Add lines 64, 65, 66a, and 67 through 73. These are your total payments ▶	74		

Failure of Taxpayer to Take Required Minimum Distribution

- If taxpayer has failed to take RMD from a qualified retirement plan, go to entry screen for Form 5329. Complete Part IX and request a waiver of the 50% penalty. Describe the reasons the taxpayer failed to take the distribution (illness, relied on trustee, clerical error in calculation, etc.). Taxpayer needs to correct the error by taking the missed distribution as soon as possible. This will result in paying tax on two distributions in following year. [TaxSlayer procedure to be included in 2016 production mode. If not included, return should be prepared without Form 5329, then Form 5329 (with waiver request and explanation attached) should be mailed. Download the form and instructions from irs.gov.]

Early Distribution Exceptions – Form 5329 Part I

Notes:

- Some codes apply only to IRAs, some apply only to employer plans such as a 401(k); some apply to both.
- Code 03 applies if the taxpayer was considered disabled when the distribution occurred, i.e., it does not apply if the disability occurred after the distribution.
- For codes 05, 07 and 08, the distributions do not have to be specifically for the stated expenses, but the distribution and the expenses must occur in same tax year.
- For all other codes, the distribution must be specifically for the reason applicable to that code – see Pub 590-B and Form 5329 Instructions for details

05 Qualified retirement plan distributions up to the amount paid for unreimbursed medical expenses during the year minus 10% (or 7.5% if taxpayer or spouse were 65 or older) of adjusted gross income (AGI) for the year. Applies to IRA and employer plan distributions.

Example: Joyce, age 50 withdrew \$10K from her 401(k). Her total unreimbursed qualified medical expenses for the year were \$8K. Her AGI is \$50K.

Item	Amount
Early distribution included in income	\$10,000
Amount of early distribution not subject to additional tax	\$8,000 of medical expenses less 10% of her \$50K AGI or \$8,000 minus \$5,000 = \$3,000
Amount subject to additional tax	\$10,000 minus \$3,000 = \$7,000
10% Additional tax	\$700

08 IRA distributions made for qualified higher education expenses. It does not apply to employer plan distributions. [Click here to see pages J-2 and J-3 for more information.](#)

Example: Bob, age 54, withdrew \$10,000 from his traditional IRA. Bob’s son James is a more than half-time student at a local college. Bob can apply expenses paid for himself, his spouse, his or his spouse's child, foster child, adopted child, or descendant of any of them to this exception. Note – the student does **not** have to be a dependent. If the student is at least a half-time student, room and board are qualified education expenses only to the extent they are not more than the greater of the allowance for room and board, as determined by the educational institution, that was included in the cost of attendance (for federal financial aid purposes) for the academic period, and the actual amount charged if the student is residing in housing owned or operated by the educational institution.

Scenario	Applicable to Exception
Bob pays college \$12,000 for tuition, books and fees	\$10,000
Scholarship covers tuition, books and fees. <ul style="list-style-type: none"> – James lives in on-campus housing with room and board* – James lives at home* – James lives in off-campus housing* 	<ul style="list-style-type: none"> – Standard cost for school-operated housing – Actual cost for room and board limited to amount determined by Institution for students residing at home – Actual cost for room and board limited to amount determined by Institution for students residing off-campus in private facilities

* Taxpayer must obtain the appropriate room and board allowance from the Institution. This allowance represents either the only amount (on-campus housing) or the maximum amount that can be claimed toward this exception. See <https://www.admissions.ucla.edu/prospect/budget.htm> for an example. If the Institution has no allowance for a specific room and board situation, then nothing can be claimed.

Payments and Estimates

Federal Income Tax Withheld –

Entered automatically from the entries made on Forms W-2, 1099, SSA 1099, etc. For Form 1099 withholding not listed elsewhere, go to Other Federal Withholdings from the Payments & Estimates menu.

2016 Estimated Tax Payments –

Open Federal Estimated Payments for 2016 and enter:

- Any refund amount from last year that was credited toward estimated taxes for the current year.
- Enter actual amount paid in each quarter.

Amount Paid with Extension Request Directly enter any payment made. When preparing a Prior year return, remember to ask if payments have been made.

Excess Social Security –

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

Credits from Form –

2439, 4136, 8801, 8885, 8689 (all out-of-scope)

	73	Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> Reserved c <input type="checkbox"/> 8885 d <input type="checkbox"/>	73		
	74	Add lines 64, 65, 66a, and 67 through 73. These are your total payments	74		
Refund	75	If line 74 is more than line 63, subtract line 63 from line 74. This is the amount you overpaid	75		

Amount Overpaid –

Calculated automatically.

Amount to be Refunded –

Calculated automatically.

Amount to be Applied to 2017 Estimated Tax –

From the Payments & Estimates screen select Apply Overpayment to Next Year's Taxes and enter the amount of overpayment to apply to 2017.

	76a	Amount of line 75 you want refunded to you . If Form 8888 is attached, check here <input type="checkbox"/>	76a		
Direct deposit? See instructions.	b	Routing number	c	Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
	d	Account number			
	77	Amount of line 75 you want applied to your 2016 estimated tax	77		

Estimated Tax Penalty –

Out of Scope

In TaxSlayer to remove 1040, line 79 Estimated tax penalty:

Federal Section > Payments & Estimates > Underpayment of Estimated Tax:

Fill in form, check box to request a waiver, and use reason of "To be calculated by IRS"

TIP

Earned Income Table

Earned Income	
Includes	Doesn't include
<ul style="list-style-type: none"> ■ Taxable wages, salaries, and tips ■ Union strike benefits ■ Taxable long-term disability benefits received prior to minimum retirement age ■ Net earnings from self-employment ■ Gross income of a statutory employee ■ Household employee income ■ Nontaxable combat pay election ■ Non-Employee compensation ■ The rental value of a home or a housing allowance provided to a minister as part of the minister's pay (Out of Scope) 	<ul style="list-style-type: none"> ■ Interest and dividends ■ Social security and railroad retirement benefits ■ Welfare benefits ■ Workfare payments ■ Pensions and annuities (except if disability pension and taxpayer is under minimum retirement age) ■ Veteran's benefits (including VA rehabilitation payments) ■ Workers' compensation benefits ■ Alimony ■ Child support ■ Nontaxable foster-care payments ■ Unemployment compensation ■ Taxable scholarship or fellowship grants that aren't reported on Form W-2 ■ Earnings for work performed while an inmate at a penal institution or on work release* ■ Salary deferrals (for example, under a 401(k) or 403(b) plan or the Federal Thrift Savings Plan) ■ The value of meals or lodging provided by an employer for the convenience of the employer ■ Disability Insurance payments ■ Excludable dependent care benefits (line 24 of Form 2441) ■ Salary reductions such as under a cafeteria plan ■ Excludable employer-provided educational assistance benefits (may be shown in box 13 of Form W-2) ■ 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.

TIP

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

***Note:** This particular income is entered both as normal income and again as other income> other compensation>prisoner income on the return. It is not counted as earned income for EITC, ACTC or CDCC.

TIP

Summary of EIC Eligibility Requirements

Part A Rules for Everyone	Part B Rules If You Have a Qualifying Child	Part C Rules If You Don't Have a Qualifying Child
Taxpayers & qualifying children must all have SSN that is valid for employment. (See note below regarding new requirement.)	Child must meet the relationship, age, residency test and joint return tests. If child is married, see footnote 1.	Must be at least age 25 but under age 65 as of December 31. See footnote 2.
Filing status can't be married filing separately.	Qualifying child can't be used by more than one person to claim the EIC.	Can't be the dependent of another person.
Must be a U.S. citizen or resident alien all year.	The taxpayer can't be a qualifying child of another person.	Must have lived in the United States more than half the year.
Can't file Form 2555 or Form 2555-EZ (relating to foreign earned income).		Can't be a qualifying child of another person.
Investment income must be \$3,400 or less.		
Can't be a qualifying child of another person.		
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: <ul style="list-style-type: none"> ■ \$47,955 (\$53,505 for married filing jointly) if you have three or more qualifying children, ■ \$44,648 (\$50,198 for married filing jointly) if you have two qualifying children, ■ \$39,296 (\$44,846 for married filing jointly) if you have one qualifying child, or ■ \$14,880 (\$20,430 for married filing jointly) if you don't have a qualifying child. 		

TIP

Disallowance of the Earned Income Credit

Form 8862, *Information to Claim Earned Income Credit After Disallowance*, must be completed for any taxpayer whose EIC claim was denied or reduced for any reason other than a math or clerical error. If the taxpayer's EIC was denied or reduced as a result of a math or other clerical error, Form 8862 isn't required.

If the IRS determined a taxpayer claimed the EIC due to reckless or intentional disregard of the EIC rules the taxpayer can't claim the EIC for 2 tax years. If the error was due to fraud, then the taxpayer can't claim the EIC for 10 tax years. See Publication 596, *Earned Income Credit*, for specific guidance.

¹ If your child was married, he does not meet the joint return test unless you can claim his exemption.

² Taxpayers turning 25 on January 1st are considered to be 25 as of December 31st. Taxpayers reaching the age of 65 on January 1st are still considered 64 as of December 31st.

Note: Taxpayers meeting the above age criteria should file a paper return to avoid a potential rejected electronic filed return.

Caution: New law passed requiring taxpayers to have a valid SSN by the due date of the return (including extension) in order to claim EITC. Taxpayers can't file amended returns to claim the credit for a year that the taxpayer didn't originally have a valid social security number.



interview tips

EIC General Eligibility Rules

Probe/Action: Ask the taxpayer:

<p>step 1</p>	<p>Calculate the taxpayer's earned income and adjusted gross income (AGI) for the tax year. Are both less than:</p> <ul style="list-style-type: none"> • \$47,955 (\$53,505 married filing jointly) with three or more qualifying children; • \$44,648 (\$50,198 married filing jointly) with two qualifying children; • \$39,296 (\$44,846 married filing jointly) with one qualifying child; or • \$14,880 (\$20,430 married filing jointly) with no qualifying children? 	<p>If YES, go to Step 2. If NO, STOP. You can't claim the EIC.</p>
<p>step 2</p>	<p>Do you (and your spouse, if filing jointly) have a social security number (SSN) that allows you to work?*</p> <p>Note: Answer "no" if the taxpayer's social security card has a "NOT VALID FOR EMPLOYMENT" imprint, and if the cardholder obtained the SSN to get a federally funded benefit, such as Medicaid.</p>	<p>If YES, go to Step 3. If NO, STOP. You can't claim the EIC.</p>
<p>step 3</p>	<p>Is your filing status married filing separately?</p>	<p>If YES, STOP. You can't claim the EIC. If NO, go to Step 4.</p>
<p>step 4</p>	<p>Are you (or your spouse, if married) a nonresident alien? Note: Answer "no" if the taxpayer is married filing jointly, and one spouse is a citizen or resident alien and the other is a nonresident alien.</p>	<p>If YES and you are either unmarried or married but not filing a joint return, STOP. You can't claim the EIC. If NO, go to Step 5.</p>
<p>step 5</p>	<p>Are you (or your spouse, if filing jointly) filing Form 2555 or Form 2555-EZ (Foreign Earned Income) to exclude income earned in a foreign country?</p>	<p>If YES, STOP. You can't claim the EIC. If NO, go to Step 6.</p>
<p>step 6</p>	<p>Is your investment income (interest, tax exempt interest, dividends & capital gains) more than \$3,400?</p>	<p>If YES, STOP. You can't claim the EIC. If NO, go to Step 7.</p>
<p>step 7</p>	<p>Are you (or your spouse, if filing jointly) the qualifying child of another taxpayer?</p>	<p>If YES, STOP. You can't claim the EIC. If NO, go to the interview tips for EIC—With a Qualifying Child or EIC—Without a Qualifying Child.</p>

***Note:** If your Social Security card says **VALID FOR WORK ONLY WITH DHS AUTHORIZATION**, you can use your Social Security number to claim EITC if you otherwise qualify.



EIC with a Qualifying Child

interview tips

Probe/Action: Ask the taxpayer:

<p>step 1</p>	<p>Does your qualifying child have an SSN that allows him or her to work? Note: Answer NO if the child's social security card says "NOT VALID FOR EMPLOYMENT" and his or her SSN was only obtained to get a federally funded benefit.</p>	<p>If YES, go to Step 2. If NO, STOP. You can't claim the EIC on the basis of this qualifying child.</p>
<p>step 2</p>	<p>Is the child your son, daughter, stepchild, adopted child, or eligible foster child, brother, sister, half brother, half sister, stepbrother, stepsister, or a descendant of any of them?</p>	<p>If YES, go to Step 3. If NO, STOP. This child isn't your qualifying child. Go to interview tips for EIC without a Qualifying Child.</p>
<p>step 3</p>	<p>Was the child any of the following at the end of the tax year:</p> <ul style="list-style-type: none"> • Under age 19 and younger than the taxpayer (or spouse, if filing jointly) • Under age 24 and a full-time student and younger than the taxpayer (or spouse, if filing jointly), or • Any age and permanently and totally disabled? 	<p>If YES, go to Step 4. If NO, STOP. This child isn't your qualifying child. Go to interview tips for EIC without a Qualifying Child.</p>
<p>step 4</p>	<p>Did the child file a joint return for the year?¹ Note: Answer NO if the child and his or her spouse filed a joint return only as a claim for a refund.</p>	<p>If NO, go to Step 5. If YES, STOP. This child isn't your qualifying child (failed the joint return test). Go to interview tips for EIC without a Qualifying Child.</p>
<p>step 5</p>	<p>Did the child live with you in the United States for more than half (183 days for 2016) of the tax year? Note: Active duty military personnel stationed outside the United States are considered to live in the United States for this purpose.</p>	<p>If YES, go to Step 6. If NO, STOP. This child isn't your qualifying child. Go to interview tips for EIC without a Qualifying Child.</p>
<p>step 6</p>	<p>Is the child a qualifying child of another person? Note: There may be a case when a qualifying child can't be claimed by anyone. Example: The only parent that the child lives with doesn't work nor files a tax return and another adult can't meet the general eligibility rules. In this example no one qualifies to claim this child as a qualifying child for EIC.</p>	<p>If YES, explain to the taxpayer what happens when more than one person claims the EIC using the same child (Qualifying Child of More than One Person rule). If the taxpayer chooses to claim the credit with this child, compute the EIC using the appropriate EIC worksheets. If no, compute the EIC using the appropriate EIC worksheet.</p>

¹ If your child was married at the end of the year, he or she doesn't meet the joint return test unless you can claim the child's exemption or you can't claim the child's exemption because you gave that right to the child's other parent.



EIC Without a Qualifying Child

interview
tips

Probe/Action: Ask the taxpayer:

step
1

Can you (or your spouse, if filing jointly) be claimed as a dependent by another person?

If NO, go to Step 2.
If YES, STOP. You can't claim the EIC.

step
2

Were you (or your spouse, if filing jointly) at least 25 but under age 65 on December 31 of the tax year? Taxpayers born on January 1st are considered to be of age as of December 31st. Taxpayers reaching the age of 65 on January 1st are still considered 64 as of December 31st.

If NO, STOP. You can't claim the EIC.
If YES, go to Step 3.

step
3

Did you (and your spouse, if filing jointly) live in the United States for more than half (at least 183¹ days) of the tax year?

If NO, STOP. You can't claim the EIC.
If YES, compute EIC using the appropriate EIC worksheet.

¹ More than 183 days in a leap year.

Note: If you can't claim the EIC because your qualifying child is treated under the tiebreaker rules as the qualifying child of another person for 2016, you may be able to take the EIC using a different qualifying child, but you can't take the EIC using the rules for people who don't have a qualifying child.



Qualifying Child of More than One Person

If the child meets the conditions to be the qualifying child of more than one person, only one person can claim the child. The following rules apply if multiple taxpayers claim the same qualifying child.

- If only one of the persons is the child's parent, the child is treated as the qualifying child of the parent, *but see 4th bullet.*
- If the parents don't file a joint return together but both parents claim the child as a qualifying child, the IRS will treat the child as the qualifying child of the parent with whom the child lived for the longer period of time in 2016. If the child lived with each parent for the same amount of time, the IRS will treat the child as the qualifying child of the parent who had the higher adjusted gross income (AGI) for 2016.
- If no parent can claim the child as a qualifying child, the child is treated as the qualifying child of the person who had the highest AGI for 2016.
- If a parent can claim the child as a qualifying child but no parent does so claim the child, the child is treated as the qualifying child of the person who had the highest AGI for 2016, but only if that person's AGI is higher than the highest AGI of any of the child's parents who can claim the child.

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

Answering the Due Diligence Questions for Earned Income Credit, Child Tax Credit and American Opportunity Credit

- Volunteers are not paid preparers and are not required to complete Form 8867.
- TaxSlayer requires answers to due diligence questions to include EITC, CTC and AOTC in the return.
- Volunteers solicit information as part of the normal intake and Interview process.
- The paid preparer’s due diligence standards do not apply.

EIC Checklist

Qualifying Information

Was the taxpayer a nonresident alien for any part of the year? Yes No

Is the taxpayer (or spouse) a qualifying child of another person? Yes No

Did you complete form 8867 and/or perform the due diligence required based on current information provided by the taxpayer or reasonably obtained by you? Yes No

Did you ask this taxpayer any additional questions that are necessary to meet your knowledge requirement? Does Not Apply

Did you comply with the EIC due diligence knowledge requirements? Yes No

i To comply with the EIC knowledge requirement, you must not know or have reason to know that any information used to determine the taxpayer’s eligibility for, and the amount of, the EIC is incorrect. You must not ignore the implications of information furnished to or known by you, and you must make reasonable inquiries if the information furnished appears to be incorrect, inconsistent, or incomplete. At the time you make these inquiries, you must document in your files the inquiries you made and the taxpayer’s responses.

Records

Did you keep the records found below? Yes No

i --Form 8867 (or your own form or files).
 --The EIC worksheet(s) or your own worksheet(s).
 --Record of how, when, and from whom the information used to prepare the form and worksheet(s) was obtained.

Documents Used To Confirm Business Existence And Income

- Business License
- Forms 1099
- Records of gross receipts provided by taxpayer
- Taxpayer summary of Income
- Records of expenses provided by taxpayer
- Taxpayer summary of expenses
- Bank Statements
- Reconstructions of income and expenses
- Other
- Did not rely on any documents, but made notes in file
- Did not rely on any documents

Answer according to the situation

Answer YES

Answer "Does Not Apply"

Answer NO

Answer NO

Selecting No will not prohibit the return from being electronically filed. The Form 8867 is not included in the forms that have to be e-filed.

Answer "Did not rely on any documents."

Qualifying Child #1 - MORRIS PETERSON 013-00-0002

Is this child currently, or intended to be, a qualifying child on any other individual's tax return? Yes No

Qualifying Child #2 - KAREN VASQUEZ 015-00-0002

Is this child currently, or intended to be, a qualifying child on any other individual's tax return? Yes No

Qualifying Child #3 - BEVERLY DANIELS 014-00-0002

Is this child currently, or intended to be, a qualifying child on any other individual's tax return? Yes No

Qualifying children who are NOT the taxpayer's son or daughter (MORRIS PETERSON, KAREN VASQUEZ)

Did you ask why the parents were not claiming the child and document the answer? Yes No

Documents used to determine Residency

- School records or statement
- Landlord or property management statement
- Health care provider statement
- Medical records
- Child care provider records
- Placement agency statement
- Social service records or statement
- Place of worship statement
- Indian tribal official statement
- Employer Statement
- Other
- Did not rely on any documents, but made notes in file
- Did not rely on any documents

Documents used to determine Disability (KAREN VASQUEZ)

- Doctor Statement
- Other Health care provider statement
- Social services agency or program statement
- Other
- Did not rely on any documents, but made notes in file
- Did not rely on any documents

Answer NO even if taxpayer would win the tie-breaker. If answer would be YES, change it in Dependents Section.

Answer "Did not rely on any documents."

Answer "Did not rely on any documents."

NOTE: Quality Site Requirement 2 – Intake/Interview & Quality Review Process, states: All IRS tax law-certified volunteers are required to exercise due diligence. This means, as a volunteer, you are required to do your part when preparing or quality reviewing a tax return to ensure the information on the tax return is correct and complete. Doing your part includes: confirming a taxpayer's (and spouse, if applicable) identity and providing top-quality service by helping them understand and meet their tax responsibilities. Generally, as an IRS tax law-certified volunteer, you can rely in good faith on information from a taxpayer without requiring documentation as verification. However, part of due diligence requires asking a taxpayer to clarify information that may appear to be inconsistent or incomplete. When reviewing information for its accuracy, you need to ask yourself if the information is unusual or questionable.

Tax Treatment of Scholarship and Fellowship Payments

A scholarship or fellowship is tax free (excludable from gross income) **only if**:

- You are a **candidate for a degree** at an eligible educational institution. You are a candidate for a degree if you attend a primary or secondary school or are pursuing a degree at a college or university, or attend an educational institution that offers a program of training to prepare students for gainful employment in a recognized occupation and is authorized under federal or state law to provide such a program and is accredited by a nationally recognized accreditation agency.

A scholarship or fellowship is tax free **only to the extent**:

- It doesn't exceed your qualified education expenses;
- It isn't designated or earmarked for other purposes (such as room and board), and doesn't require (by its terms) that it can't be used for qualified education expenses; and
- It doesn't represent payment for teaching, research, or other services required as a condition for receiving the scholarship. (But for exceptions, see *Payment for services* in Publication 970).

Use *Worksheet 1-1* to figure the amount of a scholarship or fellowship you can exclude from gross income.

Education Expenses

The following are **qualified education expenses** for the purposes of tax-free scholarships and fellowships:

- **Tuition and fees** required to enroll at or attend an eligible educational institution
- Course-related expenses, such as **fees, books, supplies, and equipment** that are required for the courses at the eligible educational institution. These items must be required of all students in your course of instruction.

Qualified education expenses **don't include** the cost of:

- Room and board
- Research
- Equipment and other expenses not required for enrollment in or attendance at an eligible educational institution
- Travel
- Clerical help

Worksheet 1-1. Taxable Scholarship and Fellowship Income

<p>1. Enter the total amount of any scholarship or fellowship for the tax year.</p> <ul style="list-style-type: none"> • If you are a degree candidate at an eligible educational institution, go to line 2. • If you aren't a degree candidate at an eligible educational institution, stop here. The entire amount is taxable. 	<p>1. _____</p>
<p>2. Enter the amount from line 1 that was for teaching, research, or any other services required as a condition for receiving the scholarship. (Don't include amounts received for these items under the National Health Service Corps Scholarship Program or the Armed Forces Health Professions Scholarship and Financial Assistance Program.)</p>	<p>2. _____</p>
<p>3. Subtract line 2 from line 1</p>	<p>3. _____</p>
<p>4. Enter the amount from line 3 that your scholarship or fellowship required you to use for other than qualified education expenses</p>	<p>4. _____</p>
<p>5. Subtract line 4 from line 3.</p>	<p>5. _____</p>
<p>6. Enter the amount of your qualified education expenses (see Education Expenses above)</p>	<p>6. _____</p>
<p>7. Enter the smaller of line 5 or line 6. This amount is the most you can exclude from your gross income¹ (the tax-free part of the scholarship or fellowship)</p>	<p>7. _____</p>
<p>8. Subtract line 7 from line 5</p>	<p>8. _____</p>
<p>9. Taxable part. Add lines 2, 4, and 8. This amount is taxable to the person in whose name the scholarship was received.</p>	<p>9. _____</p>

¹ However, a scholarship or fellowship grant isn't treated as tax free to the extent the student includes it in gross income (the **student** may or may not be required to file a tax return) for the year the scholarship or fellowship grant is received and either:

- The scholarship or fellowship grant (or any part of it) **must** be applied (by its terms) to expenses (such as room and board) other than qualified education expenses.

- The scholarship or fellowship grant (or any part of it) **may** be applied (by its terms) to expenses (such as room and board) other than qualified education expenses.

You may be able to increase the combined value of an education credit and certain educational assistance if the student includes some

or all of the educational assistance in income in the year it is received.

NEW: Unused expenses for professional development of an educator can be claimed as an educator expense adjustment.

Highlights of Education Tax Benefits for Tax Year 2016

This chart highlights some differences among the benefits discussed in this publication. See the text for definitions and details. Don't rely on this chart alone.

Caution: You generally can't claim more than one benefit for the same education expense.

What is your benefit?	Scholarships, Fellowships, Grants, and Tuition Reductions	American Opportunity Credit	Lifetime Learning Credit	Student Loan Interest Deduction	Tuition and Fees Deduction	Coverdell ESA†	Qualified Tuition Program (QTP)†	Education Exception to Additional Tax on Early IRA Distribution†	Education Savings Bond Program†	Employer-Provided Educational Assistance†	Business Deduction for Work-Related Education
	Amounts received may not be taxable	Credits can reduce the amount of tax you have to pay. 40% of the credit may be refundable (limited to \$1,000 per student).	Credits can reduce amount of tax you must pay	Can deduct interest paid	Can deduct expenses	Earnings not taxed	Earnings not taxed	No 10% additional tax on early distribution See examples on Page H-2-3.	Interest not taxed	Employer benefits not taxed	Can deduct expenses
What is the annual limit?	None	\$2,500 credit per student	\$2,000 credit per tax return	\$2,500 deduction	\$4,000 deduction	\$2,000 contribution per beneficiary	None	Amount of qualified education expenses	Amount of qualified education expenses	\$5,250 exclusion	Amount of qualifying work-related education expenses
What expenses qualify besides tuition and required enrollment fees?	Course-related expenses such as fees, books, supplies, and equipment	Course-related books, supplies, and equipment	Amounts paid for required books, etc., that must be paid to the educational institution, etc., ARE required fees	Books Supplies Equipment Room & board Transportation Other necessary expenses	Amounts paid for required books, etc., that must be paid to the educational institution, etc., ARE required fees	Books Supplies Equipment Expenses for special needs services Payments to QTP Higher education: Room and Board if at least half-time student Elem/sec (K-12) education: Tutoring Room & board Uniforms Transportation Computer access Supplementary expenses	Books Supplies Equipment Room & board if at least half-time student Expenses for special needs Computer Equipment & Technology	Books Supplies Equipment including computer or peripheral equipment, computer software and internet access and related services if used primarily by the student enrolled at an eligible education institution Room & board if at least half-time student Expenses for special needs services	Payments to Coverdell ESA Payments to QTP	Books Supplies Equipment	Transportation Travel Other necessary expenses

What education qualifies?	Scholarships, Fellowships, Grants, and Tuition Reductions	American Opportunity Credit	Lifetime Learning Credit	Student Loan Interest Deduction	Tuition and Fees Deduction	Coverdell ESA†	Qualified Tuition Program (QTP)†	Education Exception to Additional Tax on Early IRA Distributions†	Education Savings Bond Program†	Employer-Provided Educational Assistance†	Business Deduction for Work-Related Education
	Undergraduate & graduate K-12	Undergraduate & graduate A graduate student can claim the American Opportunity Credit if and only if the student hasn't completed the first four years before the beginning of the tax year	Undergraduate & graduate Courses to acquire or improve job skills	Undergraduate & graduate	Undergraduate & graduate	Undergraduate & graduate K-12	Undergraduate & graduate	Undergraduate & graduate	Undergraduate & graduate	Undergraduate & graduate	Required by employer or law to keep present job, salary, status Maintain or improve job skills
What are some of the other conditions that apply?	Must be in degree or vocational program Payment of tuition and required fees must be allowed under the grant	Can be claimed for only 4 tax years (which includes years Hope credit claimed) Must be enrolled at least half-time in degree program for at least 1 term No felony drug conviction(s) Must not have completed first 4 years of postsecondary education before end of preceding tax year	No other conditions	Must have been at least half-time student in degree program	Can't claim both deduction & education credit for same student in same year	Assets must be distributed at age 30 unless special needs beneficiary	No other conditions	No other conditions	Applies only to qualified series EE bonds issued after 1989 or series I bonds	No other conditions	Can't be to meet minimum educational requirements of preset trade/business Can't qualify you for new trade/business
In what income range do benefits phase out?	No phaseout	\$80,000 - \$90,000 \$160,000 - \$180,000 for joint returns	\$55,000 - \$65,000 \$111,000 - \$131,000 for joint returns	\$65,000 - \$80,000 \$130,000 - \$160,000 for joint returns	\$65,000 - \$80,000 \$130,000 - \$160,000 for joint returns	\$95,000 - \$110,000 \$190,000 - \$220,000 for joint returns	No phaseout	No phaseout	\$76,000 - \$91,000 \$113,950 - \$143,950 for joint and qualifying widow(er) with a dependent child returns	No phaseout	No phaseout

† Any nontaxable distribution is limited to the amount that doesn't exceed qualified education expenses. Education savings bonds are out of scope, as are QTP and ESA if taxable.

Tuition and Fees Deduction at a Glance

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

Question	Answer
What is the maximum benefit?	You can reduce your income subject to tax by up to \$4,000.
Limit on modified adjusted gross income (MAGI)	\$160,000 if married filing joint return; \$80,000 if single, head of household, or qualifying widow(er).
Where is the deduction taken?	As an adjustment to income on Form 1040.
For whom must the expenses be paid?	A student enrolled in an eligible educational institution who is either; <ul style="list-style-type: none">• you• your spouse, or• your dependent for whom you claim an exemption
What tuition and fees are deductible?	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.
What records does the taxpayer need?	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.



Education Credits

Probe/Action: To determine if a taxpayer qualifies for the Education Credit.

Comparison of Education Credits

American Opportunity Credit	Lifetime Learning Credit
Up to \$2,500 per eligible student	Up to \$2,000 credit per return
Available only for 4 tax years per eligible student (including any year(s) Hope Scholarship Credit was claimed). (see note at bottom of page)	Available for all years of post secondary education and for courses to acquire or improve job skills
Forty percent (.40) of the credit is refundable ¹ (Up to \$1,000 even if no taxes are owed)	Non refundable credit
Student must be pursuing a program leading to a degree or other recognized education credential	Student doesn't need to be pursuing a degree or other recognized education credential
Student must be enrolled at least half time (as defined by the institution) for at least one academic period beginning during the year	Available for one or more courses
No felony drug conviction on student's record	Felony drug conviction rule doesn't apply
Credit is reduced if modified AGI is between \$80,000 and \$90,000 (\$160,000 and \$180,000 if married filing jointly)	Credit is reduced if modified AGI is between \$55,000 and \$65,000 (\$111,000 and \$131,000 if married filing jointly)

Who Can Claim the Credit?

- Taxpayers who paid qualified educational expenses of higher education for an eligible student.
- Taxpayers who paid the education expenses for a student enrolled at or attending an eligible educational institution. (to determine if eligible, see <http://ope.ed.gov/accreditation>)
- The eligible student is either the taxpayer, taxpayer's spouse or a dependent for whom the taxpayer claims an exemption on the tax return.

Note: Qualified education expenses paid by a dependent for which an exemption is claimed, or by a third party for that dependent, are considered paid by the taxpayer. If a student isn't claimed as a dependent (even if eligible to be claimed), only the student can claim an education credit no matter who paid the expenses. **This doesn't entitle the student to claim a personal exemption on his/her tax return.** Anyone paying the expenses (even directly to the institution) are considered to have given a gift to the student who in turn is treated as having paid the expenses.

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

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



Education Credits (Continued)

Probe/Action: To determine if a taxpayer qualifies for the Education Credit.

Who Can Claim a Dependent's Expenses?

If the taxpayer...	Then only...
Claims an exemption on the return for a dependent who is an eligible student	The taxpayer can claim the credit based on that dependent's expenses. The dependent can't claim the credit.
Doesn't claim the exemption on the tax return	The dependent can claim the credit. The taxpayer can't claim the credit based on the dependent's expenses.

Who Can't Claim the Credit?

- Married filing separate filing status
- Anyone listed as a dependent on another person's tax return
- Taxpayers whose modified AGI is more than the allowable income limits
- Taxpayer (or the spouse) was a nonresident alien for any part of the tax year unless one of the exceptions listed in Pub. 519 applies

What Expenses Qualify?

- Expenses paid for an academic period starting in 2016 or the first 3 months of 2017
- Expenses not refunded when the student withdraws from class
- Expenses paid with the proceeds from a loan

What are Qualifying Expenses?

- The term "qualified tuition and related expenses" is expanded for the American Opportunity credit (AOC) to include expenditures for course materials. For this purpose, course materials are books, supplies, and equipment needed for a course of study whether or not the materials are purchased from the educational institution as a condition of enrollment or attendance.

What is Tax-Free Educational Assistance?

- Tax-free parts of scholarships and fellowships
- Pell grants (see chapter 1 of Publication 970)
- Employer-provided educational assistance (see Publication 970)
- Veterans' educational assistance
- Any other nontaxable payment (other than gifts or inheritances) received as educational assistance

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

Note: New law enacted in 2015 requires a taxpayer claiming the American Opportunity Credit to report the EIN of the educational institution of the student claimed on the return.

Note: Taxpayers claiming the AOC must have a valid identification number (SSN, ATIN, ITIN) by the due date of the return (including extensions). Further, any student claimed must also have a valid identification number by the due date of the return. Taxpayers can't file amended returns to claim the credit for any year that the taxpayer and/or student didn't originally have a valid number.

Determining Qualified Education Expenses

Box 1 may include non-taxable scholarship and grant amounts. Be sure to subtract these before using an amount from this box as qualifying expenses. Some students may choose to pay non-qualifying expenses with scholarship/Pell Grant funds, making the scholarship/Pell Grant taxable. This is true even if the scholarship/grant was paid directly to the school. This may increase the amount of qualifying expenses that can be used in calculating an education credit.

Box 2 Shows the total amount billed in 2016 for qualified tuition and related expenses less any reduction in charges made in 2016 that relate to those billed in 2016.

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone number		1 Payments received for qualified tuition and related expenses \$	OMB No. 1545-1574 2016 Form 1098-T	Tuition Statement
FILER'S federal identification no. STUDENT'S social security number		2 Amounts billed for qualified tuition and related expenses \$	3 If this box is checked, your educational institution has changed its reporting method for 2016 <input type="checkbox"/>	Copy B For Student This is important tax information and is being furnished to the Internal Revenue Service.
STUDENT'S name		4 Adjustments made for a prior year \$	5 Scholarships or grants \$	
Street address (including apt. no.)		6 Adjustments to scholarships or grants for a prior year \$	7 Checked if the amount in box 1 or 2 includes amounts for an academic period beginning January - March 2017 <input type="checkbox"/>	
City or town, state or province, country, and ZIP or foreign postal code		8 Check if at least half-time student <input type="checkbox"/>	9 Checked if a graduate student <input type="checkbox"/>	
Service Provider/Acct. No. (see instr.)		10 Ins. contract reimb./refund \$		
Form 1098-T (keep for your records)		www.irs.gov/form1098t		Department of the Treasury - Internal Revenue Service

Determine the amount paid by verifying the payment received from the student account statement with the amount shown in Box 1 or 2 of Form 1098-T. Remember to include books, supplies, materials and equipment if claiming the American Opportunity Credit. Also remember to include out of pocket payments made by the student or on the student's behalf. This includes student loans, payments, credit cards and **taxable portions of scholarships/grants.**

Adjusted Qualified Education Expenses Worksheet (Form 8863 instructions)	
1. Total qualified education expenses paid for on behalf of the student in 2016 for the academic period	5,500
2. Less adjustments:	
a. Tax-free educational assistance received in 2016 allocable to the academic period.	3,000
b. Tax-free educational assistance received in 2017 (and before you file your 2016 tax return) allocable to the academic period	0
c. Refunds of qualified education expenses paid in 2016 if the refund is received in 2016 or in 2017 before you file your 2016 tax return	0
3. Total adjustments (add lines 2a, 2b, and 2c)	3,000
4. Adjusted qualified education expenses. Subtract line 3 from line 1. If zero or less, enter -0-	2,500

Example - Bill and Sue are eligible to claim the American Opportunity Credit for their daughter Sarah, who is in her first year of college. They have a Form 1098-T with \$10,000 in box 2 and a \$3,000 Pell grant in box 5. During your interview with Bill and Sue, you determine that \$5,000 was paid in September 2016 for the fall semester; \$3,000 was paid by Pell Grant and \$2,000 was paid by loan proceeds. Also, \$5,000 was billed in December for the Spring 2017 semester, which was paid in January 2017. They paid \$500 for books in 2016. To calculate the eligible expenses for their credit, take the \$5,000 (\$3,000 grant + \$2,000 loan) paid in 2016 plus the \$500 for books and enter on line 1 of the worksheet above. The \$3,000 will be entered on line 2a. The line 3 amount would be \$3,000. Subtracting line 3 from line 1, you get qualified education expenses of \$2,500. In this same example, if the taxpayers opted to include all the income as wages, they wouldn't have any adjustments to subtract to determine their expenses.

Note: If the student doesn't have a copy of their student account statement, ask them to go online thru their College or University to get this information.

See "Education Cookbook" from OneSupport>Tax Training>Tools and "Education Calculator" at <http://tools.cotaxaide.org> for help in maximizing tax benefits from education expenses.

Entering Education Benefits

Income Deductions Other Taxes Payments & Estimates Miscellaneous Forms

Deductions

Adjustments	BEGIN
Standard Deduction	BEGIN
Itemized Deductions	BEGIN
Credits Menu	BEGIN
Compare Deductions	BEGIN

Continue

Credits

Foreign Tax Credit (Form 1116)	BEGIN
Child Care Credit (Form 2441)	BEGIN
Education Credits (Form 1098-T)	BEGIN

Form 8863 - Educational Credit

Credit Type	Name/SSN	Qualifying Expenses		
American Opportunity Credit	Dependent Taxpayer 411-00-XXXX	1500.00	Edit	Delete
Lifetime Learning	Mrs Taxpayer 411-00-XXXX	400.00	Edit	Delete
Tuition and Fees	Mr Taxpayer 411-00-XXXX	250.00	Edit	Delete

Continue

Note: TaxSlayer® will allow you to compare the education benefits and determine the largest refund using each benefit.

Determining the Last Name of Taxpayer

A name control is a sequence of letters derived from a taxpayer's last name that is used by IRS in processing the tax return filed by the taxpayer. It is important that the combination of name control and taxpayer identification number (TIN) provided on an electronically filed return match IRS's record of name controls and TINs.

In e-file, a taxpayer's TIN and name control must match the data in the IRS database. If they don't match, the e-filed return will reject and generate an Error Reject Code.

Individuals may create a mySocialSecurity account at <https://secure.ssa.gov/RIL/SiView.do> to see how their information shows up on Social Security Administration records.

Name Controls for Individual Tax Returns

1. Primary Name Control (SEQ 0050) of Form 1040/1040A/1040EZ must equal the first significant characters of the primary taxpayer's last name. No leading or embedded spaces are allowed. The first left-most position must contain an alpha character. Omit punctuation marks, titles and suffixes within last name field.

Examples:

Individual Name Primary/Secondary Name Control

Individual Name on SSN/ITIN Card(s)	Enter in TaxSlayer®		IRS Database Primary/Secondary Name Control
	First Name Field	Last Name Field	
John Brown	John	Brown	BROW
Walter Di Angelo	Walter	Di Angelo	DIAN
Ronald En, Sr.	Ronald	En	EN
Thomas LeaSmith	Thomas	Lea-Smith	LEA-
Joseph Corn & Mary Smith	Joseph	Corn	CORN
	Mary	Smith	SMIT
Roger O'Neil	Roger	O'Neil	ONEI
Kenneth McCarty	Kenneth	McCarty	MCCA
FNU Smith (First Name Unknown)	FNU	Smith	SMIT
Smith (No First Name)		Smith	SMIT

2. Consider certain suffixes as part of the last name (i.e., Armah-Bey, Paz-Ayala, Allar-Sid). Particular attention must be given to those names that incorporate a mother's maiden name as a suffix to the last name. For example, traditional Hispanic last names include the taxpayer's father's name followed by a space and the taxpayer's mother's maiden name. A married taxpayer's last name remains the same and either simply adds on the spouse's father's name (resulting in 3 names forming the last name) or deletes the mother's maiden name and adds on the spouse's father's name (sometimes the spouse's father's name is preceded by "de").

Examples:

Individual Name Primary Name Control

Individual Name on SSN/ITIN Card	Enter in TaxSlayer®		IRS Database Primary Name Control
	FirstName Field	LastName Field	
Abdullah Allar-Sid	Abdullah	Allar-Sid	ALLA
Jose Alvarado Nogales	Jose	Alvarado Nogales	ALVA
Juan de la Rosa Y Obregon	Juan	de la Rosa Y Obregon	DELA
Pedro PazAyala	Pedro	Paz-Ayala	PAZ -
Donald Vander Neut	Donald	Vander Neut	VAND
Otto Von Wodtke	Otto	Von Wodtke	VONW
John Big Eagle	John	Big Eagle	BIGE
Mary Her Many Horses	Mary	Her Many Horses	HERM
Ted Smith Gonzalez	Ted	Gonzalez	GONZ
Maria Acevedo Smith	Maria	Smith	SMIT
Robert Garcia Garza Hernandez	Robert	Garza Hernandez	GARZ

3. Below are examples of Indo-Chinese last names and the derivative Name Control. Some Indo-Chinese names have only two characters. Indo-Chinese names often have a middle name of "Van" (male) or "Thi" (female).

Examples:

Individual Name Primary/Secondary Name Control

Individual Name on SSN/ITIN Card	Enter in TaxSlayer®		IRS Database Primary/Secondary Name Control
	FirstName Field	LastName Field	
Binh To La	Binh	La	LA
Kim Van Nguyen	Kim	Nguyen	NGUY
Nhat Thi Pham	Nhat	Pham	PHAM
Jin Zhang Qui & Yen Yin Chiu	JinZhang	Qui	QUI
	Yen Yin	Chiu	CHIU

Navigating in TaxSlayer

After selecting "Start a new return," you can select a client profile. Each profile will send you to appropriate data input screens for that kind of taxpayer, e.g. working family with kids, retired with investments, retired without investments.

Alternatively, after you enter the basic information you can go to Quick Files (from the dropdown menu beside the taxpayer's name) and list the entry screens you want to see.

Additional forms or screens can be added by entering their name or number in the form search box.

Selecting Summary/Print will bring up a navigational 1040 View. This is not a perfect representation of the 1040, but it includes a way to navigate through the return. Click on any dollar amount and the associated entry screen will open. Do not rely solely on this view for quality review.

Preparing the Return

Filing Status Personal Information Dependents

Basic Information

Filing Status

Personal Information

Dependents / Qualifying Person

After collecting necessary information from Form 13614-C, Intake/Interview & Quality Review Sheet and properly applying the tax law, you should choose your client's filing status. If you are unsure of which filing status to select, select the **Filing Status Wizard** button. The Filing Status Wizard will ask you a series of questions to help determine the correct filing status for the taxpayer. Select the circle next to the correct filing status and click **Continue**.

Filing Status Personal Information Dependents

What's your filing status?

Single

Married Filing Joint

Married Filing Separate

Head of Household

Qualifying Widow(er) with Dependent Children

Need help determining your filing status?

Do NOT use the Wizard. It has errors. Use the tri-fold or the chart on Page B-1 to determine filing status.

Use Tab B to determine Filing Status

Use Tab B to determine Filing Status

In this section you will input the Filing Status by using the customer's response on the Form 13615-C and verbal statement. You can also use the decision tree within Tab B.

Filing Status Personal Information Dependents

Married Separate

Check here if the Spouse lived with the Taxpayer at any time during the year:

Check here to claim the exemption for your spouse if he/she has NO Gross Income, is NOT filing a return, and CANNOT be claimed as a dependent on another person's return

The second screen, under the Filing Status tab, is used to determine the spouse's return status.

Preparing the Return (continued)

After filing status the next screen is an input screen that gathers the taxpayer's personal information.

Personal Information Part 1

Must input birth date. Include spouse if joint return. Use drop down boxes to select Month, Date and Year.

This section is important for calculation of filing status, exemption, standard deduction, Presidential Election Fund, and military status.

This will generate a Date of Death box, which must be completed. Once completed, click 'Continue' at the bottom of the page to proceed.

Verify spouse last name with SS card. If different from taxpayer, enter last name here *after deleting taxpayer's last name*

Throughout TaxSlayer, to enter Feb. 29, 2016, you must enter the year first.

If the taxpayer is filing MFS and does not know the SSN of the spouse, enter the spouse's SSN as 000-11-0000. You may leave the spouse's DOB blank. Without the spouse's SSN, the return must be paper-filed.

Enter spouse SSN.

After entering personal information, ALWAYS click Continue.

The Personal Information tab is divided into Taxpayer Information, Spouse's information, and Address and phone number.

Note: If the taxpayer or spouse is deceased, check the appropriate box from the list and enter the date of death when prompted. When you print the return, the tax software prints the Deceased and the date of death next to the deceased person's name at the top of Form 1040 page 1, as required by the IRS.

ID Theft PINs are entered in the Miscellaneous Forms Section.

Preparing the Return (continued)

Personal Information Part 2

The screenshot shows a form titled "Address and Phone Number" with the following fields and controls:

- Two checkboxes: "Check here if Stateside Military address." and "Check here if foreign address."
- Text input fields for "Address (Number and Street)" and "Apartment".
- Text input fields for "Zip Code" (with a hyphen separator).
- Text input field for "City, Town, or Post Office".
- Dropdown menu for "State" (currently showing "- Please Select -").
- Dropdown menu for "Resident State Return" (currently showing "None").
- Text input fields for "Daytime Telephone Number" (with parentheses and hyphen separators).
- Text input fields for "Secondary Telephone Number" (with parentheses and hyphen separators).
- Buttons: "Filing Status", "Cancel", and "Continue".

Annotations with arrows point to the "Check here if foreign address" checkbox, the "Zip Code" field, the "Resident State Return" dropdown, the "Daytime Telephone Number" field, and the "Continue" button.

Check the Military and foreign address boxes if they apply.

Enter zip code first. (See note 1.)

See Note 2.

Always ask for at least one telephone number. The daytime phone will appear on the printed return. Enter area code first.

Click the "Filing Status" button for assistance in determining the customer's correct filing status.

Dependent/Qualifying Child Information: Dependents or Qualifying Person(s) are entered next. If the taxpayer is claiming dependents or other qualifying persons on their tax return, select the **YES** button to begin filling in applicable information pertaining to each dependent. To bypass the dependent entry menu, select the **NO** button.

Note 1: Once the ZIP code is entered TaxSlayer® will then auto-fill the city. Correct City name if needed.

Note 2: Resident State Return - This option will allow you to select the taxpayer state of residency. Once the state has been selected, clicking on **Continue** will prompt the state questions. The program will create the state return based on the state selected. If there isn't a state return to complete, choose **None** from the list. The program will automatically transfer all the necessary information into the state return for you. [If you lived in more than one state during 2016, choose the state you lived in with the highest federal poverty level \(FPL\). That FPL will be used to make ACA calculations.](#)

Note 3: This option will allow you to select the taxpayer state of residency. Once the state has been selected, clicking on **Continue** will prompt the state questions. The program will create the initial state return based on this selection. If there is not a state return, choose **"None"** from the list. Any additional states to be attached will be selected within the State Return section of the return.

Preparing the Return (continued)

To add multiple dependents, click the **Add** button on the following **Dependent or Qualifying Child** screen:

Dependent or Qualifying Child

First Name	Last Name	Social Security Number		
John	Doe	400-00-XXXX		
 Add a Dependent or Qualifying Child				
				

Note: In order for the IRS to accept the tax return electronically, ensure that:

- The correct year of birth is entered
- The dependent's name is spelled correctly
- The correct social security number is entered

If any of these three items are entered incorrectly, the IRS will **reject** the tax return for electronic filing purposes.

Preparing the Return (continued)

Dependent or Qualifying Child

Child Without an SSN or ITIN

Filing Status Personal Information Dependents

Dependent / Qualifying Child Information

First Name Middle Last Name

Date of Birth: MM DD YYYY

Check if the dependent does not have an SSN/ITIN/ATIN

Social Security Number: - -

Relationship: - Please Select -

Number of months this person lived in your home during 2015: 12

(Note: If this dependent was born in 2015, you must select 12 months)

Please answer the following:

Check if this person was a FULL-TIME student.

Check if this person was DISABLED.

Check if this qualifying child is NOT YOUR DEPENDENT.

Check if you wish NOT to claim this dependent for Earned Income Credit purposes.

Check if this dependent is married.

Cancel Continue

Click the box under the Child's name if they do not have a SSN, ITIN or ATIN. A statement will appear asking, "This dependent will be completing a Form W-7, Application for ITIN and yes or no buttons. The Form W-7 is located within the "Federal Section" under the "Miscellaneous Forms" tab. If not applying for an ITIN, select "No" and enter the reason (such as the death of the child) that the child does not have a TIN.

If you are the noncustodial parent, enter "divorce/separation" for the number of months. And the custodial parent should check the NOT YOUR DEPENDENT box.

If the dependent is not eligible for EIC, Check this box. This will eliminate forms and questionnaire geared to determine EIC eligibility.

Relatives with relationships not listed in TaxSlayer should be entered with a relationship that has the same tax treatment. For example, a great grandchild as a grandchild, a brother-in-law as a brother marked not eligible for EIC.

* EIC is considered for every return until the program determines that it is not viable. If you know that the dependent is not eligible for consideration, click the box beside "Check if you wish NOT to claim the dependent for Earned Income Credit purposes". Verify names, SSN, and dates of birth with social security card to prevent rejected returns. Children should be listed from youngest to oldest.

Qualifying Child(ren) for Earned Income Credit (EIC):

TaxSlayer® calculates the amount of earned income credit if the client qualifies based on income and other requirements. Reminder: Although age, relationship and residency requirements are the same for EIC as for dependency, support is NOT an issue for EIC (it does not matter whether or not the child, parent, or another provides over half of the child's support).

Enter number of months each individual lived in the taxpayer's home or use "Lived in Mexico" if the dependent lived in Mexico or "Lived in Canada" if the dependent lived in Canada – use the drop-down list. Enter 12 months if dependent was born or died during the year or was temporarily absent (school, vacation, etc.).

Carefully read the selections under the "Please answer the following" list. Check all that apply.

Preparing the Return (continued)

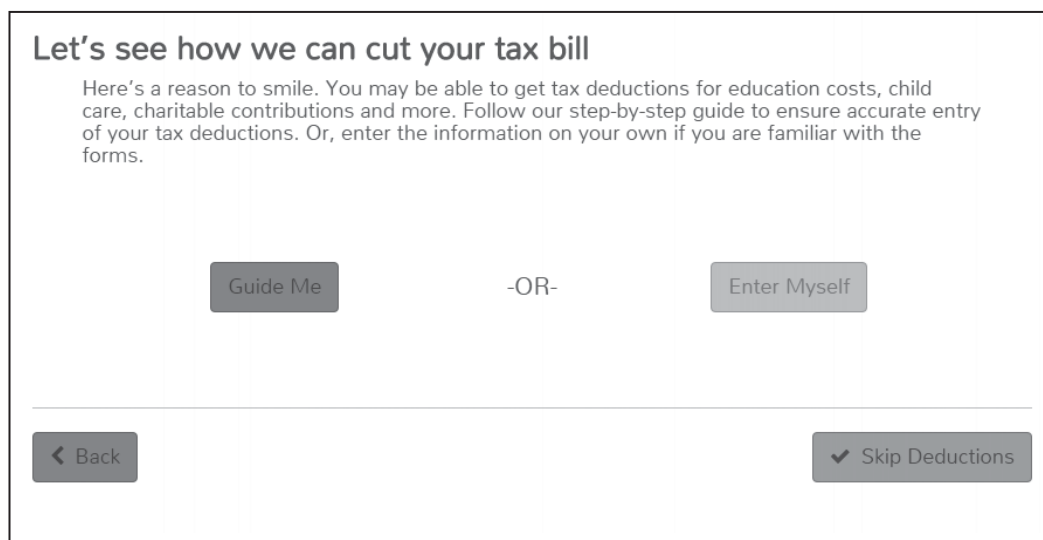
Income

The **Income** portion of the Federal Section is used to enter all items of income on the tax return. You will be given two options from the main income page.

Select **Guide Me** to launch a step-by-step series of questions to help determine the various types of income that should be entered on the tax return. If you prefer to enter in items of income without the help, select **Enter Myself**. This will take you to the income entry screen which lists the various types of income that should be reported on the tax return. Select a **Begin** or an **Edit** button to enter/edit an item of income. See the **Income tab** for more directions on entering specific types of income.

Deductions

The **Deductions** portion of the Federal Section is used to enter all deductions, adjustments or subtractions on the tax return. You will be given two options from the main income page.



Let's see how we can cut your tax bill

Here's a reason to smile. You may be able to get tax deductions for education costs, child care, charitable contributions and more. Follow our step-by-step guide to ensure accurate entry of your tax deductions. Or, enter the information on your own if you are familiar with the forms.

Guide Me -OR- Enter Myself

< Back ✓ Skip Deductions

Select **Guide Me** to launch a step-by-step series of questions to help determine the various types of deductions that should be entered on the tax return. If you prefer to enter deductions without assistance, select **Enter Myself**. This will take you to the deductions entry screen which lists the various types of deductions that should be reported on the tax return. Select a **Begin** or an **Edit** button to enter/edit a deduction. See the Adjustments, Deductions, Nonrefundable Credits, Earned Income Credit, and Education Benefits tabs for additional information and specific instructions on these topics.

To make a note that will not be transmitted to the IRS but will stay with the file, select the pull-down arrow to the right of the taxpayer's name above the dark blue menu. Choose Notes. Then give the note a descriptive name and enter details. This note will be attached to the page where you created it, but it will also be accessible from the Client Search List.

Preparing the Return (continued)

Deductions	
Adjustments	BEGIN
Standard Deduction	BEGIN
Itemized Deductions	BEGIN
Credits Menu	BEGIN
Compare Deductions	BEGIN
	✓ Continue

Other Taxes

The Other Taxes portion of the Federal Section is used to enter any other tax types for which the taxpayer may be liable. Select the Begin button next to any other tax item to enter in data applicable to the taxpayer.

Payments & Estimates

The Payments & Estimates portion of the Federal Section is used to enter such items as payments, apply overpayments to next year's return and to print [vouchers for next year's estimated payments](#). Select the Begin button next to any payment or estimate item to enter in data applicable to the taxpayer.

Miscellaneous Forms

The Miscellaneous Forms portion of the Federal Section is used to enter the following:

- Injured Spouse Form - Form 8379
- Claim a Refund Due to a Deceased Taxpayer - Form 1310
- Application for Extension - Form 4868
- Married Filing Separate Allocation
- IRS Identity Protection PIN (IP PIN)
- Installment Agreement (Form 9465)

State Section

If you chose a State of Residency from within the Personal Information screen, this part of the program will be created based on all the necessary information entered into the return for you.

If you don't have a state return, you can click **Continue** or use any of the navigation options on the left side of your screen.

The following states don't have state income tax returns that can be filed through the program:

Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington and Wyoming.*

The **Add Another State Return(s)** will help you to create any state return that you will be including in the tax return. Choose a state from the drop down box located on the State Name page and select **Continue**.

You will be prompted to select the taxpayer's state residency type. Most states have a separate resident, part year resident and non-resident tax return. Select the **Continue**. You will be given two options from the state return page.

Select **Guide Me** to launch a step-by-step State Return which will ask you a series of questions to help prepare the state tax return. If you prefer to enter the state tax return without the help of the State Return, select **Enter Myself**. This will take you to the State Return screen which lists the various sections of the state return.

* New Hampshire and Tennessee will be added

Pointers for Direct Deposit of Refunds

- Using a check or documentation from the financial institution as proof of account, verify:
 - Routing Transit Number (RTN). The RTN must contain 9 digits and begin with 01 through 12 or 21 through 32.
 - Depositor Account Number (DAN). The DAN can be up to 17 characters. Include hyphens but omit spaces and special symbols. Don't include the check number or the dollar amount on canceled checks. On the sample check below, the account number is 20202086.
- Don't use a deposit slip for proof of RTN as this may not be the same RTN used for direct deposit. For direct deposit into a savings account, the taxpayer should obtain a statement from the financial institution to verify the routing and account number for direct deposit. For direct deposit into a checking account, if the taxpayer doesn't have a cancelled check, the taxpayer should also contact their financial institution.
- Entering the incorrect RTN and/or DAN will result in a 4–6 week delay of the refund, or it may go into some else's account. If the direct deposit is voided, a paper check will automatically be mailed to the address on the electronic tax form.
- Double-check the RTN of the financial institution if:
 - You are unfamiliar with the financial institution. (Some types of accounts that exist through brokerage firms can't accept direct deposits.)
 - The RTN is for a credit union, which is payable through another financial institution. The taxpayer should contact his or her credit union for the correct RTN.
- Savings Bonds - Taxpayers can buy U.S. savings bonds with their federal tax refund. Even if the taxpayer doesn't have a bank account or a Treasury account they can elect this option. Taxpayers can make bond purchases for themselves, add beneficiaries or co-owners, and make bond purchases for someone other than themselves. Refer to Form 8888 or www.IRS.gov for more details.
- Remember the split refund option: If a taxpayer chooses to direct deposit his or her refund into two or three accounts, you will need to complete Form 8888, *Allocation of Refund (Including Savings Bond Purchases)*.



Caution: Financial institutions generally don't allow a joint refund to be deposited into an individual account. The IRS isn't responsible if a financial institution refuses a direct deposit.



Caution: Direct deposit of a taxpayer's refund is to be made to an account (or accounts) only in the taxpayer's name. Advise taxpayers their refund may only be deposited directly into his/her own account(s).

Taxpayer's federal and state refunds can't be deposited into VITA/TCE Volunteer or any associated partners' personal or business bank/debit card accounts.

Note: Don't use deposit slip as proof of account because the routing number may be different than on a check.

TONY MAPLE
JENNIFER MAPLE
123 Pear Lane
Anyplace, GA 00000

PAY TO THE ORDER OF \$

ANYPLACE BANK
Anyplace, GA 00000

For

1 250250025 20202086 1234

1234
15-00000000

DOLLARS

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

Do not include the check number.

Note: To combat fraud and identity theft, IRS permits a maximum of three refunds to be electronically deposited into a single financial account. The fourth and subsequent refunds automatically will convert to a paper refund check and be mailed to the taxpayer.

Balance Due Returns (continued)

5. EFTPS (Electronic Federal Tax Payment System)

Taxpayers can use EFTPS to pay their federal taxes, but they must **enroll** first. EFTPS is a fast, easy, convenient and secure service provided free by the Department of Treasury. For more information or to enroll visit [IRS.gov/E-pay](https://www.irs.gov/E-pay) or call EFTPS Customer Service at 1-800-316-6541 (for individual payments). TTY/TDD help is available by calling 1-800-733-4829.

Note: You must have a valid Social Security Number (SSN) to use this application. This application can't accommodate Individual Taxpayer Identification Numbers (ITINs).

6. PayNearMe

Through a partnership with OfficialPayments.com and the PayNearMe Company, taxpayers can now make a cash payment without the need of a bank account or credit card at more than 7,000 7-Eleven stores nationwide. To find a location near you, visit the [PayNearMe locations Web page](#).

Visit the Payments Options Web page on [IRS.gov](https://www.irs.gov) for the most current information about tax payments.

What if the taxpayer can't pay?

- **Can you pay in full within 120 days?** If taxpayers can pay the full amount they owe within 120 days, go to [irs.gov](https://www.irs.gov) to establish your request to pay in full. By doing this, taxpayers can avoid paying the fee to set up an installment agreement.
- **Applying online for a payment agreement.** If the taxpayer's balance due isn't more than \$50,000, the taxpayer can apply online for a payment agreement instead of filing Form 9465. To do that, go to [IRS.gov](https://www.irs.gov) and enter "Online Payment Agreement" or "OPA" in the "Search" box.
- The taxpayer can request an extension of time to pay if paying the tax by the due date will be an undue hardship. For details see Form 1127 (out of scope).

Offer in Compromise

See new fee structure for installment agreements on page NEW-5.

If the taxpayer can't pay through an installment agreement and/or by liquidating assets, they may be eligible for an Offer in Compromise (offer). An offer is an agreement between the taxpayer and the IRS that settles a tax debt for less than the full amount owed. The IRS may accept an offer if:

- The IRS agrees that the tax debt may not be accurate,
- The taxpayer has insufficient assets and income to pay the amount due in full, or
- The taxpayer has exceptional circumstances and paying the amount due would cause an economic hardship or would be unjust.

The taxpayer can use the Offer in Compromise Pre-Qualifier tool located at [irs.gov](https://www.irs.gov) (key word "offer") to determine if an offer is a realistic option to resolve their balance due. The questionnaire format assists in gathering the information needed and provides instant feedback as to eligibility. To apply for an offer, the taxpayer must read and complete the forms located in the Offer in Compromise booklet, Form 656-B. The Form 656-B, Offer in Compromise, may be found at www.irs.gov (key word "offer").

How can a taxpayer avoid a balance due in the future?

TIP: The more withholding allowances claimed, the less taxes withheld.

- If the taxpayer didn't have enough withheld from his/her paycheck or pension income and there is an amount owed on the current return:
 - Advise the taxpayer to access the Withholding Calculator at IRS.gov.
 - On the **Form W-4/Form W-4P**, the taxpayer can reduce the number of allowances or request an additional amount to be withheld.
 - Advise the taxpayer to submit a revised **Form W-4** to the employer. For pension income taxpayers should submit a revised **Form W-4P** to the pension payer. **Form W-4V** is used to request withholding from Social Security or certain other federal government payments.
- If the taxpayer had income that wasn't subject to withholding (such as self-employment, interest income, dividend income, or capital gain income):
 - Explain estimated taxes to the taxpayer. In TaxSlayer®, add Form 1040-ES, Estimated Tax for Individuals, and complete it. Discuss with taxpayer(s) whether to use the minimum required amount or the total amount expected to be due.
 - Advise the taxpayer to review Publication 505, Tax Withholding and Estimated Tax.

Forms or Publications can be obtained from irs.gov.

- If the taxpayer is receiving advanced premium tax credits, they should notify the Marketplace when they have any significant change to income, family size or a life event.

Note: This information only applies to federal balance due returns. For state information, consult the applicable state.

PIN Guidelines

The Practitioner PIN method is the preferred only electronic signature method for taxpayers using TaxSlayer software. The ERO may enter the taxpayer's PINs in the electronic return record before the taxpayers sign Form 8879, but the taxpayers must sign and date the appropriate form before the ERO originates the electronic submission of the return. The taxpayer must sign and date the Form 8879 after reviewing the return and ensuring the tax return information on the form matches the information on the return.

Practitioner PIN Guidelines

What? The PIN can be any five numbers except all zeros. If filing a joint return, a PIN is needed for the taxpayer and their spouse. The Practitioner PIN option requires the completion of Form 8879, IRS e-file Signature Authorization, or Form 8878 if filing Form 4868 with electronic funds withdrawal. The taxpayers may authorize the volunteer to enter their PIN on their behalf using Form 8879.

How to use the Practitioner PIN in TaxSlayer®

- 98765 is defaulted in Office Setup
- The information is pulled from Office Setup to Part III of Form 8879

Form 8453, Transmittal for an IRS E-file Return

Form 8453 will be used to transmit specific supporting documents that can't be *e-filed*. Those paper forms, schedules and supporting documents include:

- Form 2848, Power of Attorney and Declaration of Representative (or POA that states the agent is granted authority to sign the return)
- Form 8332, Release / Revocation of Release of Claim to Exemption for Child by Custodial Parent (or certain pages from a divorce decree or separation agreement, that went into effect after 1984 and before 2009) (see instructions)
- Form 8949, Sales and Other Dispositions of Capital Assets (or a statement with the same information), if you elect not to report

your transactions electronically on Form 8949. Form 8453 is to be mailed to the Austin Submission Processing Center within three business days.

Mail Form 8453 to:
Internal Revenue Service
Attn: Shipping and Receiving, 0254
Receipt and Control Branch
Austin, TX 73344-0254

TIP - Alternatively, a PDF of the attachments can be attached to the electronic return. In that case, no Form 8453 is required. To do this, scan the document to create the PDF.

Tax-Aide volunteers may elect to **NOT** send Form 8453 to Austin. Instead, preparers must tell taxpayer to retain the records and advise them which pages to submit if the IRS has questions.

Sites with scanning capability should continue to attach pdfs of the required pages to the return before e-filing.

Paper returns should have all documents included.

Note: do not send any documents to the local SPEC Relationship Manager.

Return Signature

A return isn't considered valid unless it is signed. Both spouses must sign if the return is filed jointly. The return should be dated and the occupation lines should be completed.

Child's Return

If a child can't sign his or her name, the parent, guardian, or another legally responsible person must sign the child's name in the space provided followed by the words "By (parent or guardian signature), parent or guardian for minor child."

Deceased Taxpayer

If a taxpayer died before filing the return, the taxpayer's spouse or personal representative may have to file and sign a return for the person who died. A personal representative can be an executor, administrator, or anyone who is in charge of the decedent's property.

If the taxpayer didn't have to file a return but had tax withheld, a return must be filed to get a refund.

Filing Returns of Deceased Taxpayers

If filing a paper return, write "Deceased," the decedent's name, and the date of death across the top of the tax return.

TaxSlayer® will automatically note on the top of Form 1040 the decedent's name and date of death.

If the spouse died during the year and the surviving spouse didn't remarry, a joint return can be filed. If the spouse died before signing the return, the executor or administrator must

sign the return for the deceased spouse. If the surviving spouse or anyone else hasn't yet been appointed as executor or administrator, the surviving spouse can sign the return for the deceased spouse and enter "Filing as surviving spouse" in the area where the return is signed.

Form 2848, Power of Attorney and Declaration of Representative is no longer valid because the taxpayer is deceased and therefore, Form 56 or new Form 2848 signed by estate executor or representative must be completed.

Filing Returns for Deceased Taxpayers—Using TaxSlayer®

If taxpayer or spouse died since the beginning of the tax year, enter the date of death in the Personal Information section.

Claiming a Refund for a Deceased Person

If a surviving spouse is filing a joint return with the decedent, file the tax return to claim the refund. Court-appointed representatives should file the return and attach a copy of the certificate that shows their appointment. All other filers requesting the decedent's refund should file the return and attach Form 1310.

Incapacitated Spouse

If one spouse is incapable of signing the joint return and hasn't given someone a POA to sign on their behalf, the other (capable) spouse may be able to sign on behalf of their incapacitated spouse. A statement attached to the return may be required. See Pub 501.

Power of Attorney

1. Read Pub 17 on Power of Attorney & Signatures. For additional details, see Pub 947 and Form 2848 Instructions.
2. See Tab N for TaxSlayer® detailed instructions.
3. Attach a copy of the taxpayer's original paper POA to a copy of Form 8453 for the site to send to the IRS once the return is accepted. Alternatively, you may scan the POA to a PDF and attach the PDF to the return prior to creating the e-file.

Even when the TP's agent is using a POA different than Form 2848, follow the same process.

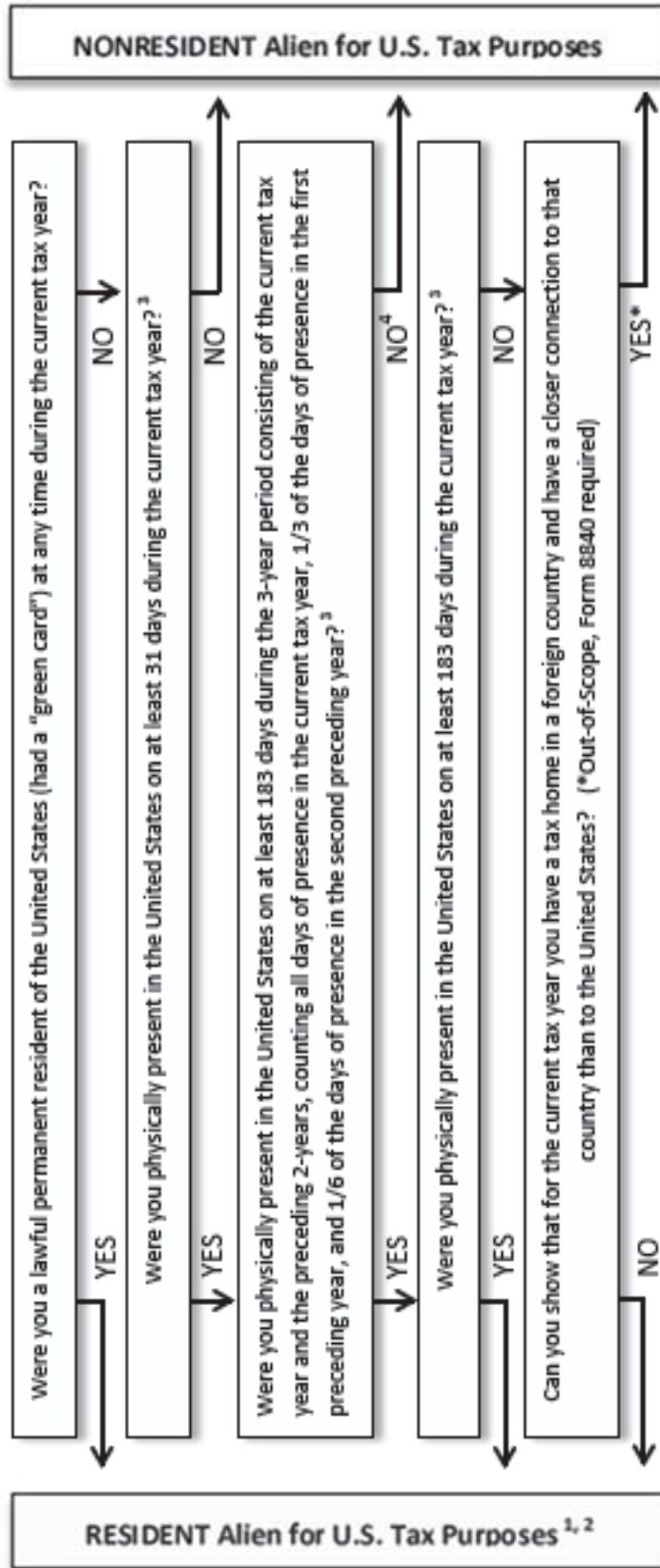
ADDITIONAL INFORMATION ABOUT POWERS OF ATTORNEY (POA)

1. A valid General Power of Attorney (POA), naming a representative as Attorney-in-Fact, is required if s/he asks to have a return completed for someone else and intends to sign that return on behalf of those whom s/he is representing.
2. The POA must be either legally signed by taxpayer and notarized or issued by a court.
3. The POA must contain a statement which defines the authority to prepare, sign, and file income tax returns with federal, state, and local or other governmental bodies. The circumstances under which another person may sign a return are:
 - a. Disease or Injury;
 - b. Continuous absence from the United States for a period of 60 days prior to date required by law for filing the return; or
 - c. Specific permission is requested of and granted by the IRS for other good cause.
3. Form 2848, when properly completed can serve as a Power of Attorney for tax matters only. Tax-Aide volunteers should not complete form 2848 on behalf of clients. It is up to the individual taxpayer to complete the form 2848 and bring it to the site for handling with the return.
4. If the return is mailed to the IRS, then a copy of the POA must be attached to the Form 1040.
5. Normally the Power of Attorney (POA) does not survive the death of the taxpayer and is not valid for a deceased individual. If the return is being prepared for a deceased taxpayer, then signing of the return depends on the specific circumstances:
 - a. A return signed by a surviving spouse—no documentation required;
 - b. A return signed by a court appointed administrator—court appointment papers required;
 - c. A return signed by a court appointed executor—court appointment papers required; or
 - d. A return signed by a personal representative who has not been appointed by a court—Form 1310 required if requesting a refund.
6. If a counselor does not feel comfortable working with a POA, court appointment papers or Form 1310, check with other volunteers. If no-one else is available, refer the client to a paid preparer.

Resident or Nonresident Alien Decision Tree

Nonresident Alien or Resident Alien? - Decision Tree

Start here to determine your residency status for federal income tax purposes



- 1 If this is your first year of residency, you may have a dual status for the year. See Dual-Status Aliens in Pub 519. (Out-of-Scope)
- 2 In some circumstances you may still be considered a nonresident alien and eligible for benefits under an income tax treaty between the U.S. and your country. Check the provision of the treaty carefully. (Out-of-Scope)
- 3 See Days of Presence in the United States in Pub 519 for days that do not count as days of presence in the U.S. (Exempt individuals such as students, scholars, and others temporarily in the U.S. under an F, J, M, or Q visa's immigration status do not count their days of presence in the U.S. for specified periods of time.)
- 4 If you meet the substantial presence test for the following year, you may be able to choose treatment as a U.S. resident alien for part of the current tax year. See Substantial Presence Test under Resident Aliens and First-Year Choice under Dual Status Aliens in Pub. 519. (Out-of-Scope)

Electronic Filing of Returns with Valid ITIN

Returns can be electronically filed when the taxpayer has an Individual Taxpayer Identification Number (ITIN) but has a Form W-2 with a Social Security Number (SSN) not belonging to that taxpayer.

1. The taxpayer's ITIN must be entered on the personal information screen in the space provided for the taxpayer's, or if applicable, spouse's social security number.
2. When completing the Form W-2 in TaxSlayer®, enter the SSN shown on the paper Form W-2. The Internal Revenue Service requires the manual key entry of the Taxpayer Identification Number (TIN) as it appears on Form W-2 received from the employer for all taxpayers with ITINS who are reporting wages. The ITIN that was entered when the return was started won't auto-populate the TIN on Form W-2 for these ITIN filers.

Note: ITIN taxpayers requesting to file Forms 1099-R with an incorrect Social Security Number must file a paper return. These returns can't be e-filed. There are no procedures in place to efile these types of returns.

Creating a Temporary TIN when the Spouse and/or Dependent(s) are Applying for an ITIN

TaxSlayer® will not generate temporary ITINs for the taxpayer, spouse and/or dependents on a return if Form W-7 is needed. ~~TaxSlayer® will generate a unique identifier that will always begin with ITIN followed by five numeric characters.~~ The ITIN application requires a federal tax return be associated with all Form W-7 applications (with some exceptions as noted in the instructions for Form (W-7). Federal tax returns can't be filed using electronic return preparation software without a TIN (taxpayer identification number). If the taxpayer is working under an erroneous social security number, that social security number shouldn't be used **only on the W-2**.

1. In the TIN field for all individuals needing to complete Form W-7, enter all digits as zeros "0". A return requiring three temporary TINs will be entered as follows:

The spouse's	000-00-0000	Go to Miscellaneous Forms to find the W-7.
The first dependent's	000-00-0000	
The second dependent's	000-00-0000	
2. Fill in first and last name in TaxSlayer®. See Preparing the Return tab, determining the Last Name of Taxpayer. Fill in name of each family member applying for an ITIN on a separate Form W-7 application. Make sure that names match required documentation that clients will be submitting with their W-7 application(s).
3. Print the return package, completely cross-out in INK the TIN on each form reflecting the temporary number; and provide the return package to the taxpayer to mail with Forms W-7 to the address shown on the Form **W-7 instructions**.
4. If the taxpayer has a family pack that includes multiple Forms W-7 with one return, or multiple returns with one Form W-7, these forms should be staggered and stapled together to show the entire package as a family pack. This will prevent separation of the forms/returns that could delay the processing time.
5. Have taxpayers mail Form W-7 application(s), all necessary documentation, and tax return or take to local IRS office. **Note: Not all local IRS offices are authorized to process Form W-7 applications. See the list of supporting documentation in the Form W-7 Instructions.**
6. If applicable, prepare a copy of the state with a copy of the Federal attached. If taxpayers will not owe state, suggest they hold the state until they receive their official ITIN cards - may take 6-8 weeks - and record the ITINs on the tax returns before mailing.

Note: ITINs will expire if not used within three years.

The following communication products provide information on changes being made to the Individual Taxpayer Identification Number (ITIN) program this year. They are intended for use in raising awareness among taxpayers with a need to file a federal tax return in 2017 but whose ITIN will expire at the end of 2016. The products, available in multiple languages, are offered in electronic format for electronic distribution or for printing.

Publication 5259 (EN-SP), *ITIN Fact Sheet*

This publication is a guide to changes IRS is implementing resulting from the December 2015 PATH Act legislation requiring expiration of certain ITINs. It also covers changes to the use of a passport as a stand-alone document for dependent ITIN applications.

Publication 5256 (EN-SP), *You May Need to Renew Your Expired ITIN*

This publication provides taxpayers quick facts about which ITINs are expiring and how to get more information. It provides three flyers per page and can be printed and cut/separated for use.

Publication 5257 (EN-SP), *Renewing Your ITIN*

This publication is a full page document detailing the facts about expiring ITINs and basic information about how to renew them. There's an electronic version with resource links and a printable version with instructions on how and where to find more information.

Amended Returns

Caution: Protecting Americans from Tax Hikes (PATH) Act 2015 prevents taxpayers using newly issued ID numbers to retroactively claim refundable tax credits in prior years. For example, someone who filed a tax return under an ITIN and later got an SSN can't file amended return(s) to claim EITC.

Amended returns cannot be electronically filed and must be mailed to the IRS. Direct deposit/debit is not available for amended returns.

TaxSlayer procedure calls for creating the corrected return first, and then entering information from the original return.

CAUTION: Please see the 1040X Guide posted on 12/6/2016 to the VITA/TCE Blog at <https://vitablog.taxslayerpro.com>.

NOTE: If you must change the filing status, TaxSlayer warns that all state returns will be deleted, so it is imperative to have a paper copy of all state returns filed.

Important: If the original return isn't already in TaxSlayer®, you will need to create the corrected return in TaxSlayer®. You will also need the information from a paper copy of their original return.

1. Make sure you use the appropriate year software for the return you are amending, and start the return with the new filing status and dependent information.
2. For a simple return, create the correct return as it as you normally would. Also create a correct state return.
 - If this is a more voluminous return, instead of entering every document, you can add them together to eliminate much of the typing. Because this will be a paper return, much of the information that goes with an e-filed return is not necessary. EINs, addresses, etc. can be eliminated.
 - If the return contains multiple copies of income documents, you can add them together and enter the totals.
 - For example, if there are several W-2s, choose one EIN (needed solely to satisfy TaxSlayer), then enter the total from all Box 1s, the total from all Box 2s, and the totals from any other boxes that will affect the tax return (generally 7, 8, 10, 12, 13, and 17).
 - Do the same for 1099-INTs (separating taxable from tax-exempt interest), 1099-DIVs (separating ordinary dividends from qualified dividends), and 1099-Rs (separating by Box 7 codes)
 - Schedule C's that are not being changed can be created using just the net profit as the total income.
 - Schedule D's that are not being changed can be created using a single transaction for each 1099 code (A, B, C, D, E, and F) and entering the net gain as the sales price with no basis.
 - Enter information for adjustments and credits.
3. If the state return will also be amended, be sure to separate out items that will be treated differently by your state.
4. Create the corrected state return.

Amended Returns (Cont.)

5. Then select Amended Return.

Amended Tax Return - Form 1040X

How To Amend Your Return	BEGIN
Original Federal Return Information	BEGIN
Make Corrections for Amended Return	BEGIN
Amend State Return(s)	EDIT
Explain Changes	BEGIN
Print Amended Return	BEGIN
Delete Amended Return	BEGIN

Continue

Amended Tax Return - Form 1040X

How To Amend Your Return	BEGIN
Original Federal Return Information	BEGIN
Make Corrections for Amended Return	BEGIN
Amend State Return(s)	BEGIN
Explain Changes	BEGIN
Print Amended Return	BEGIN
Delete Amended Return	BEGIN

Continue

6. Select the second button.

Prior Year Returns

Who can prepare prior year returns?

Sites are encouraged to prepare prior year returns if they have the required technical resources described below. Prior year returns may only be prepared and reviewed when the tax topics are within scope for **Tax-Aide and the volunteer's training and certification for that prior tax year**. Determining the certification level of the return is described below in Getting Started.

Getting started:

- TaxSlayer® only provides software for the 3 years prior to the current tax year.
- A **current** year Form 13614-C must be completed for **each** prior year and will be used to determine the scope and certification level of each return
- Taxpayers with out-of-scope returns should be advised to seek assistance from a paid tax preparer.
- Assign prior year returns to experienced volunteers if at all possible.
- Direct deposit or debit isn't available for prior year returns. IRS will mail refund checks to the address on the prior year return.

Beware: Taxpayers can't retroactively claim some tax credits with newly issued ID numbers.

As of December 2015, taxpayers can no longer:

- File a prior year return claiming EITC on the basis of newly issued social security numbers (SSNs) for themselves and/or qualifying dependent(s).
- File a prior year return claiming American Opportunity Tax Credit on the basis of newly issued SSNs, Individual Taxpayer Identification Numbers (ITINs) or Adoption Taxpayer Identification Numbers (ATINs) for themselves and/or qualifying student(s).
- File a prior year return claiming Additional Child Tax Credit on the basis of newly issued SSNs, ITINs, or ATINs for themselves and/or qualifying child.

Technical resources:

The following tools are useful resources:

- Prior year return tax preparation software.
 - TaxSlayer Pro® Online users can access the prior year software from the home page.
 - Desktop sites will need to download and install the prior year software from the TaxSlayer website. Sites will use their current EFIN and setup the software as usual. No registration codes are needed with TaxSlayer®.
- Applicable Publications 17 and 4012 and volunteer quality alerts/volunteer tax alerts (available on irs.gov)
- Forms 13614-C from prior years are helpful. Sites may keep hard copies or rely on electronic copies.
- Taxpayer's Wage and Income Transcripts from their IRS records are extremely useful.

Note: For transcripts, taxpayers can go to irs.gov/individuals/Get-Transcript, register, and secure transcripts online if they have email and can comply with enhanced verification. Taxpayers can also request transcripts to be mailed to the address on file and takes 5 to 10 calendar days for delivery. In addition, taxpayers can request a transcript via Form 4506-T, or by calling 1-800-908-9946.

- Prior year publications and instructions to forms and schedules are available on www.irs.gov.
- Use the online tool Interactive Tax Assistance (ITA) for answers to many current and prior year tax law questions. ITA is available on www.irs.gov.

Prior Year Returns (continued)

Whether to e-file or mail prior year returns:

Only the two most current prior years can be e-filed. Older prior year returns must be mailed to the appropriate IRS address from the list at Tab P, "Where Do You File" page. Also, refer to Tab K for additional information regarding balance due returns and payment options.

Expired Tax Topics and Other Issues Applicable to Prior Years:

Refer to the Publication 17 for the applicable tax year and review the "What's New" section.

What if a site cannot prepare a requested prior year return?

If possible, refer the taxpayer to other VITA/TCE sites that offer prior year return service. Otherwise, advise the taxpayer to seek assistance from a paid tax preparer. (**Note:** Don't refer taxpayers to their local IRS Tax Assistance Center because they no longer prepare tax returns for individuals.)

Filing for an Extension Using TaxSlayer®?

Form 4868 - Application for Extension

How To File Your Extension

1. Enter your Information: Fill out all of the information in the “Required Extension Information” section below. Click “Continue”.
2. E-File Your Extension: Start by selecting efile from the navigation bar. You will then be given the option to file your return (Form 1040 and supporting schedules), or to file your extension (Form 4868). Complete the extension e-file process. You should get an acknowledgement regarding your extension (whether the IRS accepted or rejected it) by email within the 24-48 hours of filing.
3. Pay the Amount Paid with Extension: You will need to pay the amount due that you enter for “Amount Paid with Extension”. You can do this in one of 3 ways
 - a. Pay by Electronic Withdrawal from your checking account: You can choose to pay your “payment” amount as an electronic withdrawal from your checking account. Once you enter the amount you would like to pay, check the box that appears to select this option. You will then enter your banking information, the date you would like the transaction to take place and re-enter the amount to pay for confirmation. When you submit your extension, the withdrawal information will be sent.
 - b. Pay by Credit Card: You can use your credit card and pay by phone by contacting one of the IRS approved service providers.
 - c. Mail in your payment with your Form 4868. **The form will print out with your draft tax return. Mail the form with your payment by check or money order.**

Required Extension Information

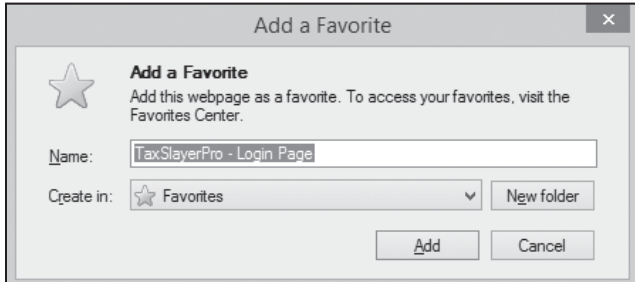
Tax Information

Tax Liability	\$ <input type="text"/>
Tax Payments	\$ <input type="text"/>
Amount Paid with Extension	\$ <input type="text"/>

Setting up TaxSlayer® Pro Online

To set up TaxSlayer® ProOnline as a Favorite in your web browser, use the following steps:

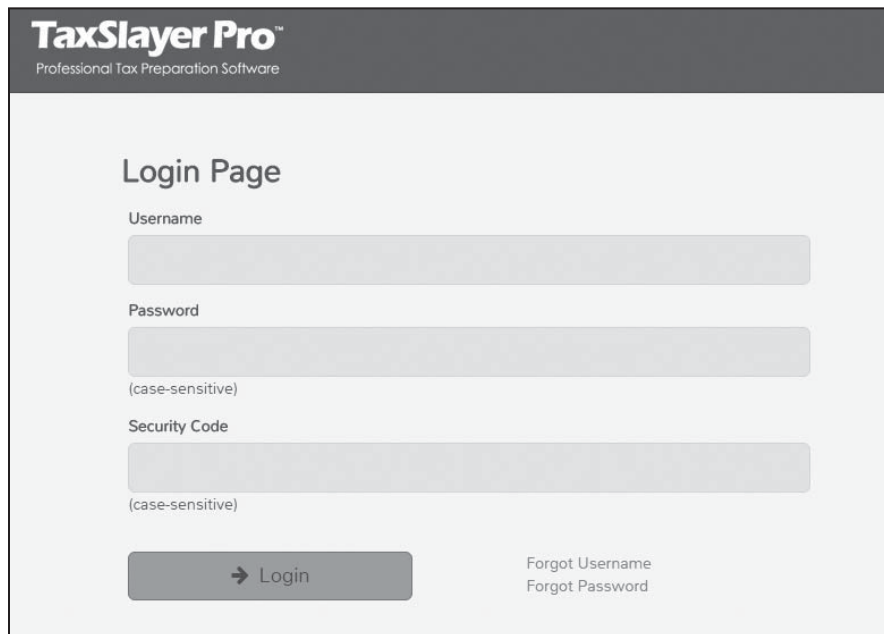
1. Open Internet Explorer, ~~Mozilla-Firefox~~, Google Chrome, or Safari
2. Type <https://online.taxslayerpro.com> in the address line. Current and prior year software can be accessed upon logging in.
3. Click on the **Favorites** icon.
4. Click **Add**.
5. In Name, type the name you want the favorites to display.



6. Click OK.

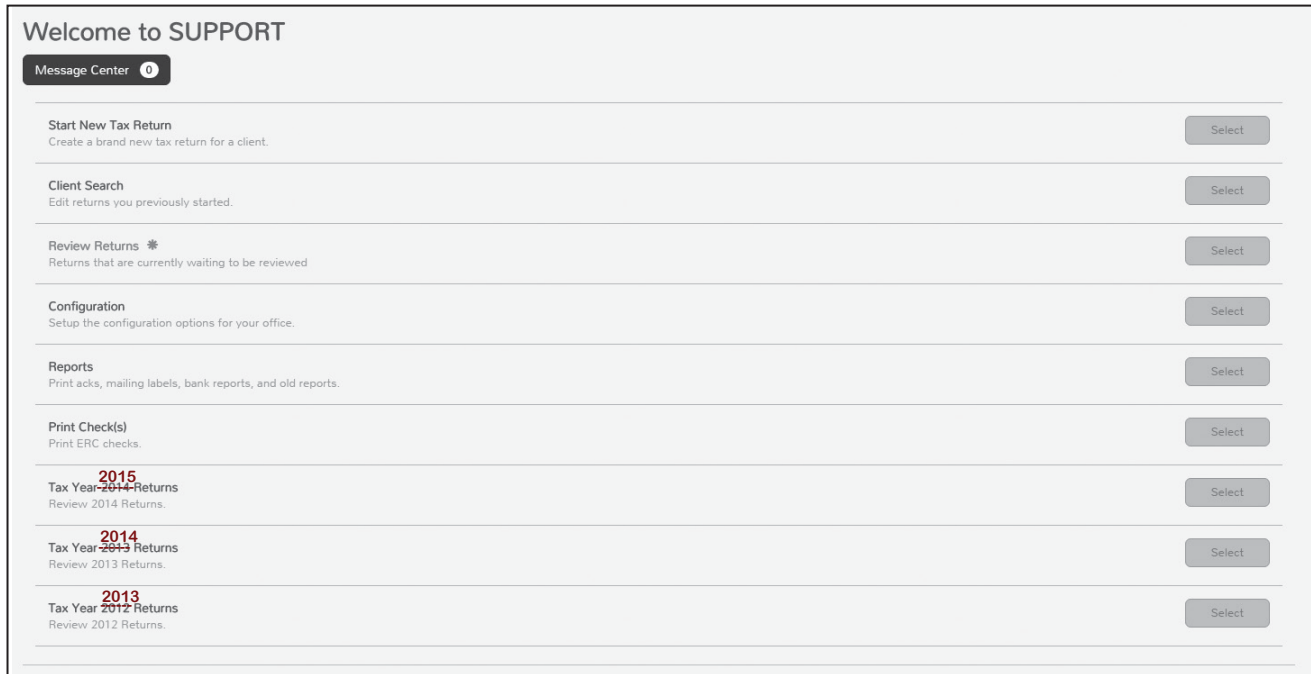
Logging on to Pro Online the first time

The user name isn't case sensitive. To log on to TaxSlayer® ProOnline, enter your Username, Password, and Security Code.



Pro Online Homepage

The Welcome Menu is the “Main Menu” of the program. It is the first screen the program takes you to every time you log into your office account. From the Main Menu, you will find nine (9) Menu Options that contain functions pertaining to the program. Each part of the program can be accessed by clicking on the gray Select button.



Start New Tax Return—Select to start a new return.

Client Search—Select to open an existing return.

Review Returns— This option allows the tax preparer to mark the return for further review.

Pro Online Homepage (continued)

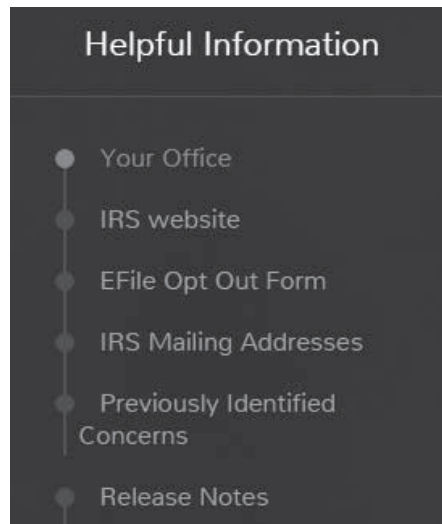
Configuration – Set up the configuration options for your office.

Reports - Select to generate acknowledgements and other reports.

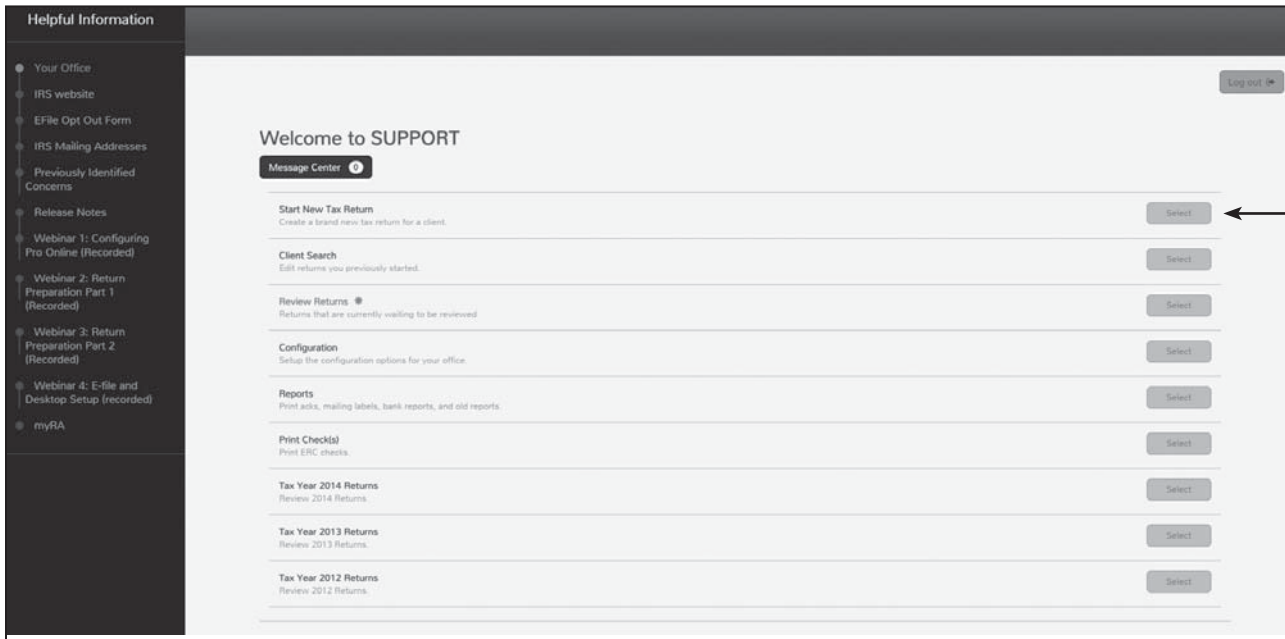
Print Check(s) – This option isn't used in the VITA/TCE Programs

Prior Year Returns – Select any of these options to view, edit, or create a return for the specific prior tax year

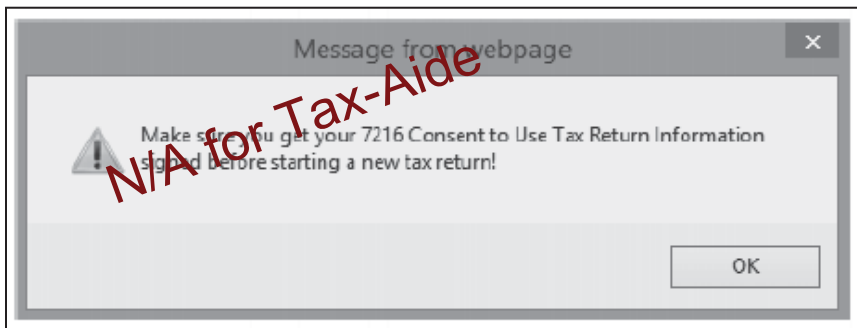
The **Helpful Information** section to the left of the **Welcome Menu** contains links to common websites and forms.



Starting a New Return



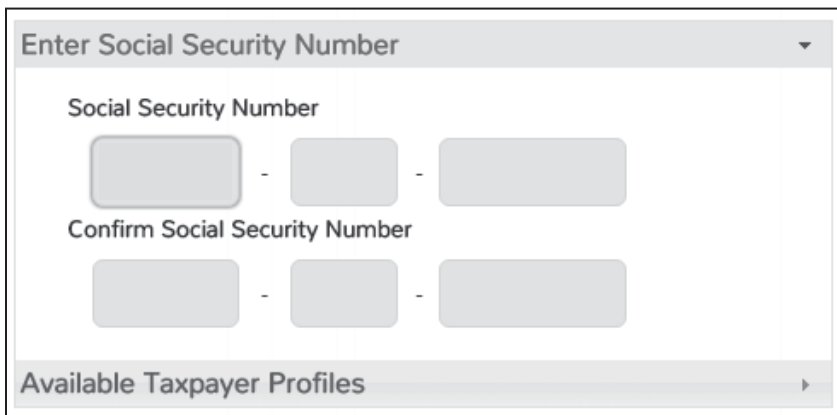
If desired, select the profile that best describes the income and deductions identified on the taxpayer's intake sheet.



The **Start a New Tax Return** option enables you to begin the data input process for a client. When you select this option you will be prompted to have the client sign Form 7216 Consent to Use Tax Return Information form. Before continuing, you should have your client sign the form if required. Select OK.

Social Security Number Entry

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



Starting a New Return (continued)

If the SSN is already in use, ProWeb displays the following:

The screenshot shows a web form titled "Enter Social Security Number". It has two input fields for "Social Security Number" and "Confirm Social Security Number", each with three masked input boxes. Below the fields is a section titled "Available Taxpayer Profiles" with a right-pointing arrow. At the bottom, there is a message: "There is already an active return using this SSN. Please use a new SSN or view the return via the client status list." and a "Start Return" button.

If the SSN doesn't match, Pro Online displays the following:

The screenshot shows a web form titled "Enter Social Security Number". It has two input fields for "Social Security Number" and "Confirm Social Security Number", each with three masked input boxes. The first masked box in the "Confirm Social Security Number" field has a red exclamation mark icon. Below the fields is a section titled "Available Taxpayer Profiles" with a right-pointing arrow. At the bottom, there is a message: "Please fix all fields with errors (marked in red) before starting this return." and a "Start Return" button.

Pulling Prior Year Data

If no prior year data is found for this SSN, you will see the message below. Select Continue.

The screenshot shows a message box with the title "No Prior Data". The text inside says: "Sorry, there was no prior year data found for your return." At the bottom right of the message box is a "Continue" button.

If the SSN is already in use, Pro Online displays the following:

Starting a New Return (continued)

In general, the only time we will see carry forward data will be when we prepare several years' returns at once.

Pull Data To Current Return

TaxSlayer will automatically transfer your name, address and filing status from last year's return when you start this year's return. Please review the additional information below before pulling it forward to your current return. Uncheck any item(s) that you do not wish to pull forward. When you are done, choose "Continue to Next Step" at the bottom of the page.

● Dependents:

Pull Item?	SSN	First	Last	Age
<input checked="" type="checkbox"/>	400-00-XXXX	William	Doe	5

**We have pulled the following information from last year: Social security number, first & last name, date of birth, number of months they lived with you, and whether or not they were disabled or a full time student. When you get to the dependent section of your return please verify all information.

● W-2 Items:

Pull Item?	SSN	First
<input checked="" type="checkbox"/>	Taxpayer	Evans Financial

● Form 1099R Items:

No prior data found.

● Schedule A Miscellaneous Deductions:

No prior data found.

● Schedule B Items:

No prior data found.

● Schedule K-1 Items:

No prior data found.

● Schedule C:

No prior data found.

Select what you would like to pull forward by checking the boxes to the left of the items listed on the Pull Data to Current Return screen. When satisfied, check the Yes field and then hit the continue button located at the bottom right of the screen. Your prior year information will then be pulled to the current year tax return.

- Yes, pull forward the prior year data selected to my current year tax return.
- No, I would not like to pull the prior year data to my current year tax return.

Caution - Be sure to verify that all EINs and addresses on Forms W-2 and 1099-R are still the same as the prior year when using carryforward.

Navigating TaxSlayer® Pro Online

Select the **Begin** button to enter other state data applicable to the taxpayer. The federal and state information entered on the federal return will automatically pull into the state. When you have entered in all applicable state data items select **Continue**.

To **delete** a state return, select **State Return** from the left side of your screen. Select the **delete icon** next to the state that you would like to delete.

Summary/Print Page (1040 View)

Select Summary/Print to see an interactive Form 1040. It shows what's already been entered and allows you to go directly to in input screen for a specific line just by clicking on the amount for that line-- even if it's zero.

Income	7	Wages, salaries, tips, etc. Attach Form(s) W-2	7	0 00
	8a	Taxable interest. Attach Schedule B if required	8a	0 00
	b	Tax-exempt interest. Do not include on line 8a	8b	0 00
	9a	Ordinary dividends. Attach Schedule B if required	9a	0 00
	b	Qualified dividends	9b	0 00
	10	Taxable refunds, credits, or offsets of state and local income taxes	10	0 00
	11	Alimony received	11	0 00
	12	Business income or (loss). Attach Schedule C or C-EZ	12	0 00
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	13	0 00
	14	Other gains or (losses). Attach Form 4797	14	0 00
	15a	IRA distributions	15a	0 00
	b	Taxable amount	15b	0 00
	16a	Pensions and annuities	16a	0 00
	b	Taxable amount	16b	0 00
	17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	0 00
	18	Farm income or (loss). Attach Schedule F	18	0 00
	19	Unemployment compensation	19	0 00
	20a	Social security benefits	20a	0 00
	b	Taxable amount	20b	0 00
	21	Other income. List type and amount	21	0 00
	22	Combine the amounts in the far right column for lines 7 through 21. This is your total income	22	50 00
	Adjusted Gross Income	23	Educator expenses	23
24		Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24	0 00
25		Health savings account deduction. Attach Form 8889	25	0 00
26		Moving expenses. Attach Form 3903	26	0 00
27		Deductible part of self-employment tax. Attach Schedule SE	27	0 00
28		Self-employed SEP, SIMPLE, and qualified plans	28	0 00
29		Self-employed health insurance deduction	29	0 00
30		Penalty on early withdrawal of savings	30	0 00
31a		Alimony paid	31a	0 00
b		Recipient's SSN		
32		IRA deduction	32	0 00
33		Student loan interest deduction	33	0 00
34		Tuition and fees. Attach Form 8917	34	0 00
35		Domestic production activities deduction. Attach Form 8903	35	0 00
36		Add lines 23 through 35	36	50 00
37	Subtract line 36 from line 22. This is your adjusted gross income	37	50 00	

To exit from the 1040 view, use the menu in the upper left-hand corner. Viewing individual schedules and forms after the return is open:

At any input screen, click on "Preview Return" in the upper right-hand corner of the screen. This will generate a pdf of the tax return. Click on "Print your 2016 Tax Return" in the middle of the screen to open the pdf on your computer

Viewing individual schedules and forms after the return is open:

At any input screen, click on "Preview Return" in the upper right-hand corner of the screen. This will generate a pdf of the tax return. Click on "Print your 2016 Tax Return" in the middle of the screen to open the pdf on your computer screen. Scroll through (or search) the pdf to find the schedule or form you want to view.

Navigating TaxSlayer® Pro Online (continued)

Begin IRS e-File Process: Finishing the return--whether it is e-filed or not

When the tax return is ready to be electronically filed, you will be taken through the IRS e-File process. The client's tax return will only be electronically filed after each step in the E-file process is complete based on the type of return you are processing.

See Page I-6-1 for information about the EIC checklist that appears here if the taxpayer qualifies for EIC.

The screenshot shows the 'E-File' interface. At the top right, there are 'Back' and 'Save' buttons. The main heading is 'Return Type'. Below it, a message states: 'Your return is now ready to be e-Filed to the IRS. Please make sure that all information you enter below is correct.' A caution box reads: 'CAUTION: Your client's return will not be sent to the IRS unless you complete ALL steps. None of the information is saved until all information is entered and the "Continue" button below is clicked.' Below this, there is a 'Send State Only' checkbox and a 'Federal Return Type' dropdown menu set to 'Paper Return with Direct E'. Under 'ERO Information', the Efile# is 389288 and EfileName is Support. A 'Next' button is visible. At the bottom, there is a 'Tax Preparation and E-File Information' section with a list of items: State Return(s), Taxpayer Bank Account Information, Third Party Designee Info, and Questions.

Federal Return Type – Select an electronic return type from the drop down menu.

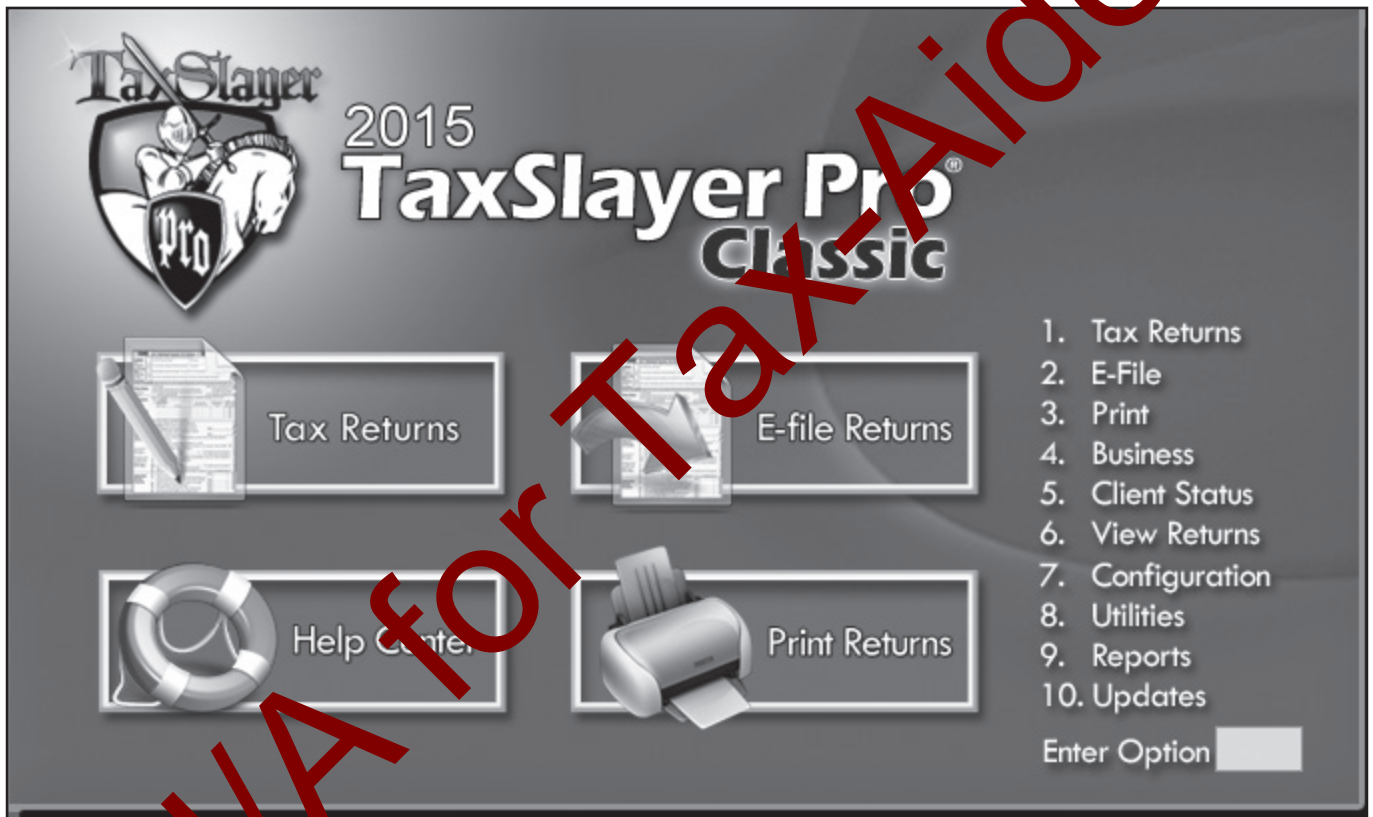
For returns containing a federal refund:

- **Electronic Mailed Check** – An e-filed return requesting the refund check be mailed to the taxpayer's street address that is included on the tax return.
- **Direct Deposit** – The taxpayer's refund will be direct deposited by the IRS into their personal checking or savings account.

TaxSlayer Pro Classic (Desktop) Homepage

At the time of printing this publication TaxSlayer Pro Classic (Desktop) was not available.

For additional information refer to the TaxSlayer Desktop user guide.



NIA for TaxAide

Optional Contingency Plans for Maintaining VITA/TCE Return Preparation Operations (During Unexpected Circumstances)

In the event that the following situations occur:

- Software system outages
- The Site's internet or equipment isn't operating
- A Quality Reviewer isn't available (see *Quality Review Only Using the Virtual Model, below*)

Partners may, at their discretion, choose among the following pre-approved options to continue preparing tax returns in lieu of closing the site for the day:

- ~~TaxSlayer® ProWeb Alternative Preparation Solution* using TaxSlayer® Desktop (Not Tax-Aide)~~
- Offer Facilitated Self Assisted** (FSA) services, if available
- ~~Temporary Virtual VITA/TCE Process—explained below (Not Tax-Aide)~~

*This option should be established during the Pre-Planning Phase of site operations.

**This option should be established during the Pre-Planning Phase of site operations. Refer to Publication 1084 (Site Coordinator's Handbook) for more detailed information. Tax-Aide policy 7.13 requires state coordinator to submit a request through OneSupport for information on providing FSA services.

Temporary Virtual VITA/TCE Process

Secure Taxpayer Consent:

- The taxpayer must present proof of identity, which includes a photo identification for him/her and if applicable, their spouse.
- If the taxpayer agrees to use the virtual process for preparing their tax return, the volunteer will prepare Page 1 of the Form 14446, *Virtual VITA/TCE Site Model Taxpayer Consent*, and the taxpayer is required to complete Page 2. Taxpayer must answer "Yes" or "No" to the question regarding "Request to Quality Review your Tax Return."
- The appropriate virtual method(s) and step-by-step procedures will be explained to the taxpayer and timeframes will be established for the taxpayer to return to the site and complete the process.

A secure process for authenticating both the taxpayer and the volunteer must be provided to the taxpayer, in the event that additional information is required to complete the tax return. Please refer to Publication 4299, *Privacy and Confidentiality-A Public Trust* for more information.

Optional Contingency Plans for Maintaining Site Operations (continued)

Intake/Interview:

The intake and interview process must be performed before the taxpayer leaves the site.

- IRS tax law certified volunteers must conduct the initial interview following all the steps outlined in Pub 5101, Intake/Interview and *Quality Review Training*.
- The volunteer will need to make notes on the Form 13614-C indicating the appropriate filing status and dependency exemptions.
 - Eligibility determinations for deductions and credits will be made and documented on the Form 13614-C.
 - All oral testimony must be thoroughly documented on the Form 13614-C for use during the return preparation at a later time.
- The verified SSN's and/or ITIN's will need to be written on the Form 13614-C for all persons that will be included on the tax return.
- A phone number where the taxpayer can be reached will be secured for use by the IRS certified tax return preparer. Refer to Publication 4299, *Privacy and Confidentiality-A Public Trust* for more information on establishing protocols to authenticate the identity of both the volunteer and the taxpayer.
- The taxpayer will leave their tax documents and the completed Form 13614-C for their tax return to be prepared once the software can be accessed and/or when a non-face-to-face quality review will be conducted.
- The taxpayer will be given a date/time to return to the site to participate in the quality review and/or sign the Form 8879, and secure a copy of their return. If a timeframe can't be provided while the taxpayer is still onsite, the Site Coordinator will provide this information to the taxpayer as soon as a timeframe is available.

Quality Review Only Using the Virtual Model:

If the site is able to prepare the return using normal face-to-face procedures but the return isn't able to be Quality Reviewed during the taxpayer's visit:

- Follow all of the procedures above in the "Secure Taxpayer Consent".
- Complete the tax return as normal.
- Explain that the taxpayer will be contacted by the Quality Reviewer.

Refer to Publication 4299, *Privacy and Confidentiality-A Public Trust* for more information.

For more detailed information on how to use a Virtual VITA/TCE process throughout the filing season refer to the Virtual VITA/TCE process located in Publications 1084, Site Coordinators Handbook and 4396-A, Partner Resource Guide.

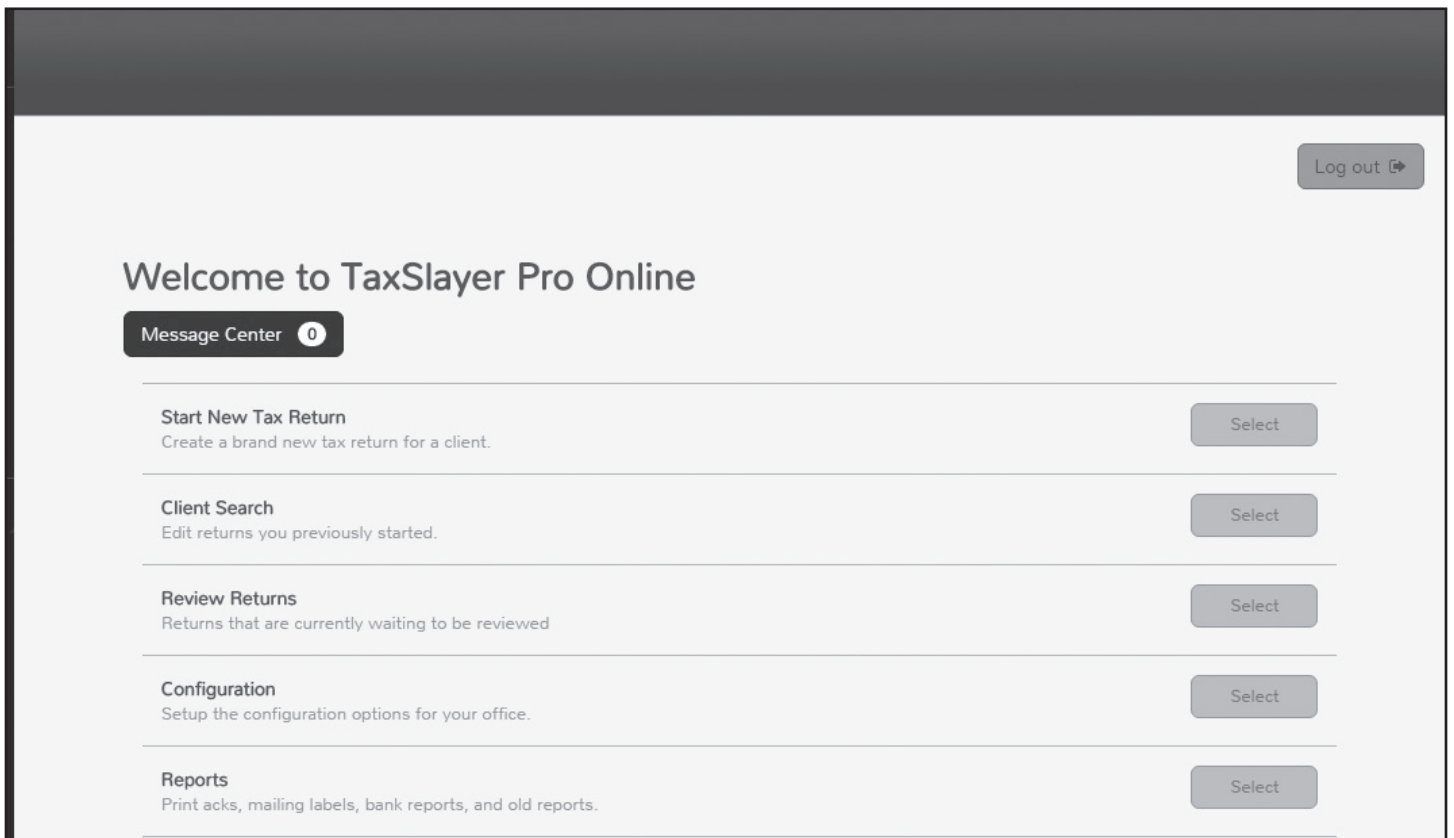
TaxSlayer Pro Admin

TaxSlayer offers three software options:

- **TaxSlayer Pro Online**
- **TaxSlayer Pro Classic (Desktop)**
- **TaxSlayer Pro.com (Self Prep)**

TaxSlayer Pro Online

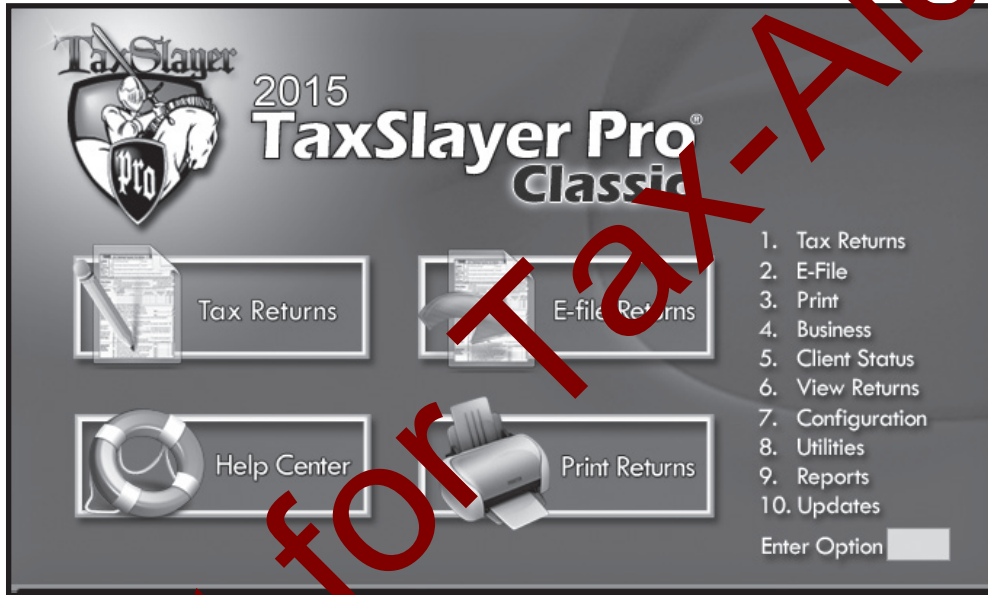
TaxSlayer Pro Online is a web-based professional application that is accessed via the internet. Refer to Tab N for additional information.



TaxSlayer Pro Admin (continued)

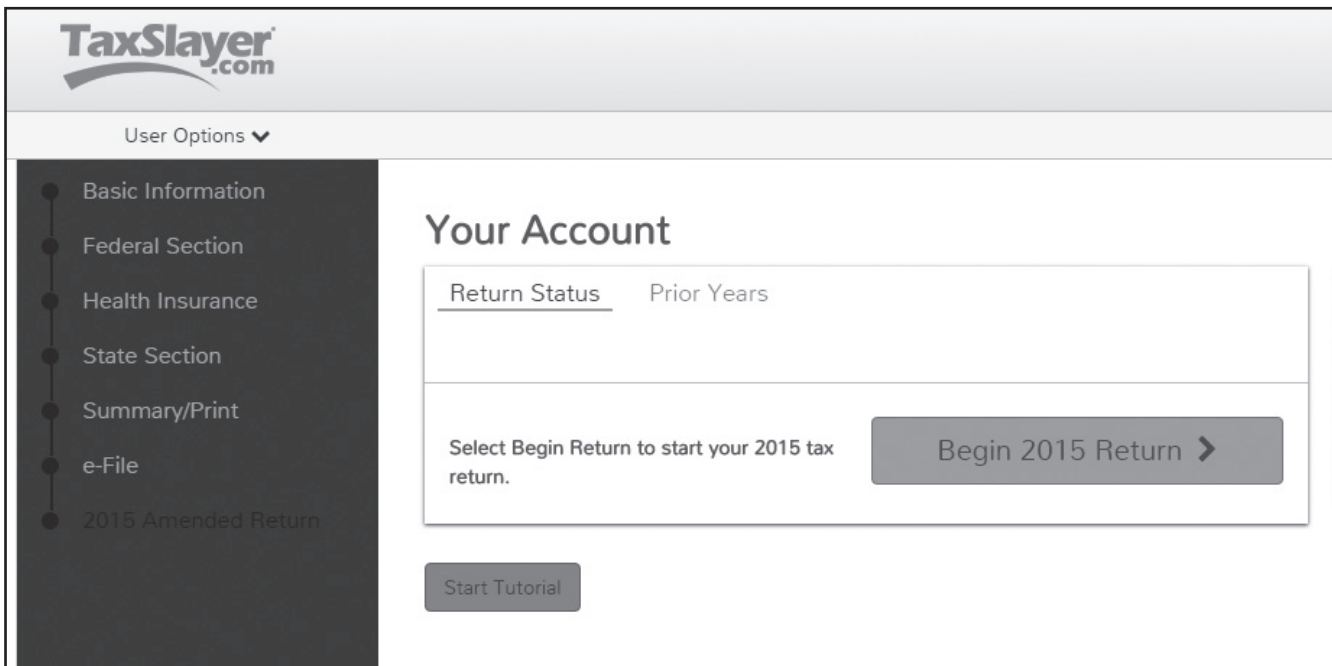
TaxSlayer Pro Classic (Desktop)

TaxSlayer Pro is a client/server based professional application that can be run on a stand-alone computer or in a local network environment. Refer to the user guide for additional information.



TaxSlayer Pro.com

TaxSlayer.com is a web-based self-preparer application that can be accessed via the internet. Refer to the user guide for additional information.



Recommended System Requirements

TaxSlayer Pro Recommends The Following To Run The Software At Optimal Performance:

- Computer: Quad Core Processor
- Memory: 8 GB of Ram
- Disk Space: 1 GB
- Operating System: Windows 7 or 8 Professional
- Removable Storage: USB or Flash Drive for backing up data
- Printer: 100% HP Compatible Laser printer**
- Display: 1024 X 768 screen resolution or higher
- Internet Connection: High Speed Internet Connection*
- Browser: Internet Explorer 11
- Software: Adobe Acrobat Reader & Microsoft .NET Framework 4.5 or Higher Minimum System Requirements

TaxSlayer Pro Will Run Using The Following As Minimum Requirements:

- Computer: Dual Core Processor
- Memory: 4 GB of Ram
- Disk Space: 750 MB
- Operating System: Windows Vista
- Drives: 12x CDRW (For Program Installation)
- Removable Storage: USB or Flash Drive for backing up data
- Printer: HP Compatible Inkjet Printer (Inkjet not recommended for check printing)
- Display: 1024x768
- Internet Connection: Internet Explorer 8
- Browser: High Speed Internet Connection
- Software: Adobe Acrobat Reader & Microsoft .NET Framework 4.5 or Higher

Note: TaxSlayer Pro should not be installed on any computers running:

- Windows 95, 98, ME, NT, 2000 or XP

Microsoft has ended all support for these operating systems and therefore the programming languages used to develop TaxSlayer Pro are no longer compatible with these versions of Windows. In addition, TaxSlayer Pro is not compatible with Mac computers. High speed Internet, such as cable, is preferred. Inkjet printers are not recommended for check printing Windows Vista TaxSlayer Pro will run on Microsoft Vista. TaxSlayer Pro must be run as an Administrative account or with User Account Control turned off to function properly.

Security Templates

The options available to the user are based on the assigned security template. A user with a return preparer security template will have the following options available:

- Start New Tax Return
- Client Search
- Tax Year 2015 Returns
- Tax Year 2014 Returns
- Tax Year 2013 Returns

A user with an administrator security template will have the following options available:

- Client Search
- Review Returns
- Configuration
- Reports
- Transmission
- Tax Year 2015 Returns
- Tax Year 2014 Returns
- Tax Year 2013 Returns

Networking TaxSlayer Pro Desktop

Many sites are now successfully using simple Local Area Networks (LANs) for improved productivity and security. Using LANs at sites is strongly encouraged. For TaxSlayer Pro software, a sub-network with its own router creates a secure system, separate from your site host's computers and simplifies printer setup.

Using a LAN for Desktop software also has numerous advantages especially for the e-file site manager, as listed below:

- Better security - only one computer actually holds the data;
- Only one computer requires TaxSlayer Pro Desktop updates;
- Only one computer needs to be backed up;
- All networked computers have access to all returns when the network is running;
- Quality Review can be conducted from any one of the networked workstations;
- Printer sharing is easy as printer switches are not required.

Note: When using network printers, always set them up with a "static IP address" to ensure the printer will not be "lost" by the network when a router is allowed to randomly reassign IP addresses each time the network is setup.

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