What If …?

What would change if Kara’s education expense could be treated as an expense on Sch. C?

Step A-0 Confirm Starting Point

**BP:** Start with final state of regular Kent return – Confirm Refund numbers

 **Federal Refund: 5,533 NJ Refund Amount: 2,630**

 Step A-1 Remove Kara’s LLC Credit

First, we remove Kara’s LLC Credit

 **Federal Refund: 5,333 NJ Refund Amount: 2,630**

Step A-2 Add Education expense to Sch C

Then, add the Education expense to Sch C

 **Federal Refund: 5,707 NJ Refund Amount: 2,644**

Step A-3 Adjust Sch A deduction amount

Because Form 8962 changed, we also need to adjust the Sch A Medical deduction for the Marketplace policy

 **Federal Refund: 5,692 NJ Refund Amount: 2,644**

Analysis…

Explain the difference (or lack of difference) in each of the following lines:

**Federal**

 **Line Description Before After**

 12 Business income or (loss) 2,364 1,364

 27 Deductible part of self-employment tax 167 97

 40 Itemized deductions 26,936 26,928

 50 Education credits from Form 8863, line 19 1,610 1,410

 57 Self-employment tax 334 193

 61 Health care: individual responsibility 296 291

 69 Net premium tax credit 90 168

**New Jersey**

 **Line Description Before After**

 17 NET PROFITS FROM BUSINESS 2,364 1,364

 30 MEDICAL EXPENSES 15,753 15,695