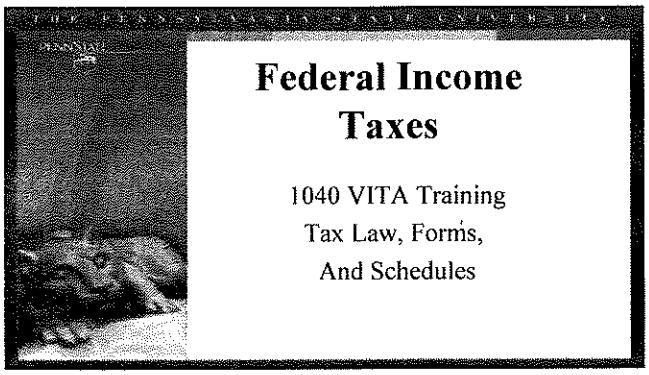

1

Self Assessment

- VITA Tax Training
- Quiz – Basic Tax terms

- Amounts that are subtracted from the total income to arrive at the adjusted gross income are called _____
- Amounts subtracted from the adjusted gross income to get the taxable income are called _____
- What are the two types of deductions _____
- What determines the amount of a taxpayers standard deduction ? _____
- What is the difference between an adjustment and a credit?

- Bonus : Explain the difference between a refundable and a non refundable credit.

2

Today's Objectives

- To introduce you to basic tax law and forms
- To familiarize you with some of the resources available to you
- To provide you with some of the information needed to complete a tax return for VITA taxpayers.
- To complete a tax return using Taxslayer

3

Is everyone required to file taxes?

- How can you determine who must file a tax return?

4

Who is required to file taxes?

- How can you determine who must file a tax return?

- Look in Publication 4012!
- Page A-2

5

Question -Filing Requirement

Q.

If you had earned income but are not required to file a return according to the IRS chart, why might you file a return?

6

Question -Filing Requirement

- Q.
- If you had earned income but are not required to file a return according to the IRS chart, why might you file a return?
- A: To get taxes refunded that have been withheld or if you qualify for a refundable credit.

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Major Components of a Tax Return

- Basic Information
- Income
- Adjustments to Income
- Deductions – Standard/Itemized
- Tax Owed/Paid
- Nonrefundable Credits
- Refundable Credits
- Affordable Care Act
- Refund/Balance Due

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Basic Information

- Identification – must see picture ID
- Name, Address, Phone Number, Birthdate, etc (Form 13614-C or NR)
- Social Security Number (taxpayer must show you)
- Filing Status (you must figure it out, 4012 page B-13)
- Dependents (Form 13614-C, interview, and 4012 tab C)

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Filing Status

- Single
- Married filing jointly
- Married filing separately. Need spouse SS#,name, address
- Head of household: when to use?
- Qualifying Surviving Spouse
- See 4012 page B-13

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Head of Household

- **Qualifying child:** son, daughter, grandchild who lived with TP more than ½ of year
- **Qualifying relative** (Mom or Dad)
- Other qualifying relative who lived with TP more than ½ year
- Not sure--use decision tree in Publication 4012 B-15

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Qualifying Surviving Spouse

- Spouse died in past two years and you did not remarry.
- Year of death, TP could have filed a joint return
- You paid more than ½ cost of home upkeep
- Your dependent child or stepchild lived in your home all year.

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Question-Filing Status

Q:
Mary is not married and has a 5 year old child who lives with her. What is Mary's filing status?

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Question-Filing Status

Q:
Mary is not married and has a 5 year old child who lives with her. What is Mary's filing status?

A:
Head of Household

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Question-Filing Status

Q.
Dave's wife died in a car accident in June 2024. He filed a joint return in 2024. He is now a single parent with two school age children who live with him. What filing statuses could he use on his 2026 tax return?

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Question-Filing Status

Q.
David's wife died in a car accident in June 2024. He filed a joint return in 2024. He is now a single parent with two school age children who live with him. What filing statuses could he use on his 2026 tax return?

A. Head of Household
B. Single
C. Qualifying Surviving Spouse

Which one SHOULD he use?

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Question-Filing Status

Q.
David's wife died in a car accident in June 2023. He is now a single parent with two school age children. What filing status should he use on his 2025 tax return?

C. Qualifying Surviving Spouse

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Dependent Overview (4012 C-3)

Qualifying Child
- Relationship
- Less than 19 or less than 24 if a fulltime student, any age if disabled
- Lives with TP more than ½ the year away at college counts as living with TP
- TP provides more than ½ of dependents support

Qualifying Relative
- Not a qualifying child
- Relationship
- Any age
- Do not have to live with you
- You provide more than ½ their support
- Dependents income is less than $5350

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Dependent – Special Situation

- Any person who lives with a taxpayer all year, the taxpayer provides more than ½ of their support, and the person does not make more than $5350 can be claimed as a dependent.
- Note – this dependent does not qualify the taxpayer to file as Head of Household.

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INCOME SECTION

4012 – Tab D

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20

Types of In Scope Taxable Income

- Wages, Salaries, Tips
- Interest, Dividends
- Pensions, Annuities, IRAs
- Social Security
- Capital Gains or Losses
- Business Income (Loss) - NIL
- Unemployment
- Alimony (if divorced before 2019)
- Refunds of State and Local Taxes (only if deductions were itemized in 2022)
- Other Income (Taxable Scholarships, Gambling)

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W-2 Income – Wages,Salary

- Various styles of w-2s
- Read each carefully.
- Pay attention to numbered boxes
- Check carry forward information
- Check TP address (especially if TP moved)
- Enter wages, social security, medicare, state, and local wages
- Enter data into the computer as it appears on W-2

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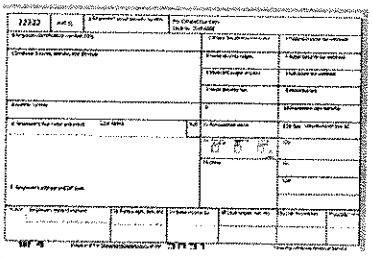
W-2 form



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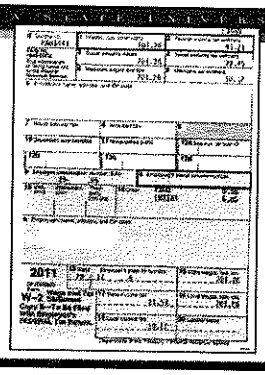
Not all W-2 forms
Look the same!



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1099 Forms

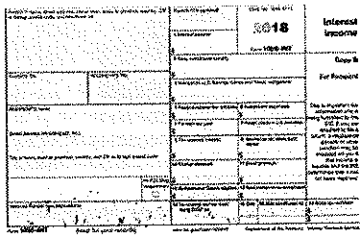
1099-Int; 1099-Div, 1099-Misc, 1099 NEC, 1099-G, SSA-1099
1099-R

You should enter whatever is on the form into Taxslayer

There are numerous different 1099-forms. Each showing a different type of income

25

1099 INT



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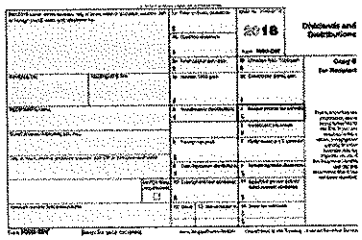
1099 Div



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Schedule B

- 1099 Int
- 1099 Div
- Broker and Barter transactions – Stock sales
- Example Publ 6744 – page 101

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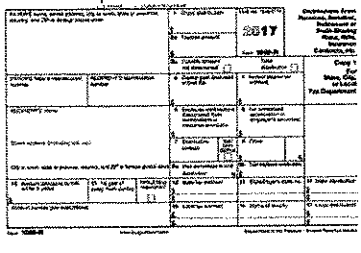
Retirement Income

- Pensions and Annuities: reported on 1099-R



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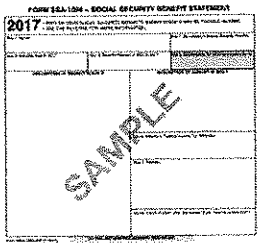
SSA-1099



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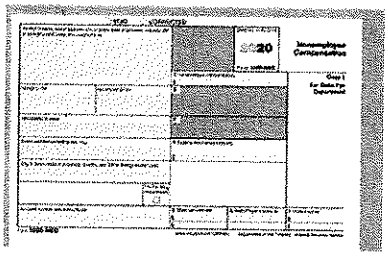
1099 - NEC



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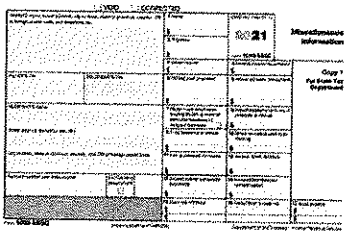
1099- Miscellaneous



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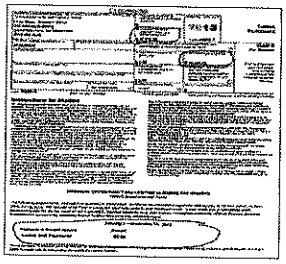
Scholarships 1098-T (large view)



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Scholarship/Assistantship/Fellowship

- Scholarship – will show on form 1098 T – if scholarship is more that tuition then the excess is taxable income.
- Assistantship – the taxpayer should have a w-2 if they have an assistantship. They are considered employees
- Fellowship – students who have a fellowship do not receive any tax income document. They receive a monthly stipend and should be able to show the amount of it by accessing their workday account

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Other Income

- 1099 Misc Box 3 –Other Income
- Gambling - W-2 G
- Unemployment 1099-G
- Cancellation of credit card debt - 1099-C
- 1042-S income received by international students
- Stock transactions, investment income – Broker Statement

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ADJUSTMENTS

4012 – Tab E

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Adjustments

- Contributions to a Health Savings Account (w-2 and/or Form 5498)
- Alimony paid (if divorced before 2019)
- IRA deduction (tax deductible IRA)
- Student loan interest (limited to $2,500) - 1098-E
- All of these require you to enter additional information into the computer

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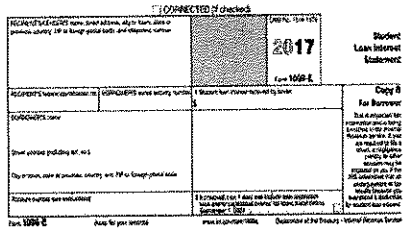
1098 -E Student Loan Interest – must be entered



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Adjustments - educator expenses

- Educator Expense—used by public school teachers for unreimbursed school supplies
- You must enter this
- Must work at least 900 hours
- Up to $300 per educator filing
  - $600 for MFJ educators

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Adjustments-Social Security/MedicareTax

- Self-employment tax deduction. Business and NIL income. TP gets to deduct the portion of tax paid as the employer
- Social Security Tax – automatically calculated

	Social Security	Medicare	Total
Employer	6.20	1.45	7.65
Employee	6.20	1.45	7.65
Total			15.30

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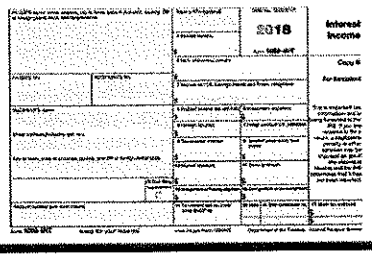
Adjustments

- Penalty on early withdrawal of savings- automatically carries onto return
  - If applicable will be listed on the 1099-INT



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Deductions

Standard Deduction

- Single or MFS - $16,100
- HoH - $24,150
- MFJ or QW(er) - $32,200
- There is an additional deduction for TPs 65 or older and/or blind
- Single or HoH - $2050
- MFJ, MFS, or QW(er) - $1650

Itemized Deductions - Schedule A

- Medical and Dental Expenses – amount in excess of 7.5% of AGI
- Taxes Paid – State and Local limited to $40,000
- Mortgage Interest
- Home Equity Loan Interest –Only if used to build or improve home
- Charitable Contributions
- Miscellaneous

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New Deductions (2025-2028)

- Tips - on w-2 - under $150,000/300,00
- Overtime – maybe on w-2 box 14 – under $150,000/300,000
- Car Loan interest – form 1098 – must have VIN – limited to $10,000 under $100,000/200,000
- Enhanced Senior Deduction – 65 or older – $6,000 per person - reduced by 6% of income over $75,000/150,000
- These will all appear on a Form 1A and the total of all of them will appear on line 13c of the 1040
- Must have SS number
- Married must file MFJ for tips, overtime, and senior deductions

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Qualified Business Income Deduction

- Taxpayers that show a profit on Schedule C (Business Income) may be entitled to a deduction up to 20%
- Taken in addition to the standard or itemized deduction
- Calculated automatically if the business qualifies.

Charitable Contributions

- Must be Cash Contributions - not material donations
- Qualified US Charities
- $1000/ single - $2000 MFJ

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Additional Taxes

- Self Employment Tax (Social Security and Medicaid) Schedule SE
- Tax on IRA-10% penalty for early withdrawal. There are exceptions, check your pub 4012 pg H-7
- Excess Advanced Premium Tax Credit (ACA)
- These are all calculated within the program

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Nonrefundable Credits

- For the following AC = automatically calculated PE – preparer entry required
- Foreign tax credit (mutual funds) (AC)
  - Usually does not require Form 1116 as amounts are low. (Single <$300, MFJ <$600)
- Child and dependent care expenses (PE)
- Child Tax Credit (AC)
- Education Credits (American Opportunity Credit or Lifetime Learning Credit) (PE)
- Retirement Savers Credit (PE)
- Dependent Tax Credit (AC)

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Nonrefundable Credits

- **Child and dependent care expenses (G-14,15)**
  - Dependent child under 13, expenses paid so you can work, must live with TP ½ year
  - Mentally/physically incapable of self-care any age who you can claim as a dependent or could claim except they had income over $4700.
  - **You must enter child care information**

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Education Credits – Tab J

	American Opportunity	Lifetime Learning
Maximum credit	Up to $2,500 credit per eligible student	Up to $2,000 credit per return
Refundable or nonrefundable	40% of credit may be refundable	Credit limited to the amount of tax you must pay on your taxable income (nonrefundable)
Number of years of postsecondary education	ONLY for the first 4 years of postsecondary education	All years of postsecondary education and for courses to acquire or improve job skills
Number of tax years credit available	ONLY for 4 tax years per eligible student	An unlimited number of years

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Education Credits — Must enter 1098 T information

	American Opportunity Credit	Lifetime Learning Credit
Number of courses	Must be enrolled at least half time for at least one academic period during the tax year	Available for one or more courses
Felony drug conviction	No felony drug convictions	Felony drug convictions are permitted
Qualified expenses	Tuition and required enrollment fees. Course-related books, supplies, and equipment **do not** need to be purchased from the institution in order to qualify.	Tuition and required enrollment fees, including amounts required to be paid to the institution for course-related books, supplies, and equipment.

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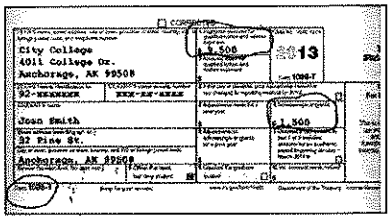
1098-T Tuition Statement

Ex.1 Tuition paid exceeds scholarship



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Nonrefundable Credits

- **Retirement Savers (4012 G-19)**
  - Credit for saving for your retirement
  - May be eligible if box 12 on w-2 is checked
  - Eligible if they have a Roth or traditional IRA
  - Certain income guidelines apply (see page G-20)
  - Full time students cannot take this credit
  - Automatically calculated if retirement shows in box 12 of w-2.
  - If an individual retirement account outside of employer account, you must enter the information

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Nonrefundable Credits

Credit for Other Dependents

Up to $500 per dependent

Don't qualify for CTC ex- 17 or older

Automatically calculated

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Refundable credits

- Earned income credit (Tab I) (AC)
- Additional Child Tax Credit (AC)
- American Opportunity Credit (must enter 1098-T then AC)
- Premium Tax Credit (part of ACA) (must enter 1095-A info then AC)

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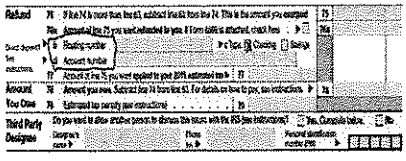
Refund or Amount Due



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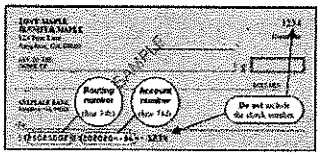
Check Routing & Account Number



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