Step 0 Intake + Interview 🡺 Filing Status, Dependency





Stephen’s sister, Wanda Winters, is totally and permanently disabled and relies upon her brother for her support. She receives $250 per month in social security benefits. She is covered by Medicare.

Paula has less than 20/200 vision in both eyes. She provided a doctor’s statement.

**Reference:** 4012 Tab A, B, C

**Tool:** IRS Interactive Tax Assistant (link on Preparer page)

**Tool:** AARP Resource Tool for Counselors (Laminated Flow Chart)

**Tool:** TP4F Qualifying Child/Qualifying Relative Flowchart Tool (link on Preparer page)

**Tool:** Dependent Calculator (link on Preparer page)

Step 1 Basic Information

Use the Filing Status from Step 0

Use Intake Sheet and Social Security cards

Extra Interview information for New Jersey:

* All dependents have health insurance (as of the time the return is filed)
* The Hales want their contribution to the Gubernatorial Election Campaign Fund to be handled the same as their contribution to the Presidential Election Campaign Fund.

**Reference:** 4012 Tab B

**Tool:** NJ Municipality Code Lookup Tool (link on Preparer page)

**Tool:** NJ 1040 Instructions – Municipality Code Table

**Hint:** For Profile, use Basic (No Profile)

**Hint:** Use names from SS Cards (NOT Intake Sheet)

**Hint:** A simple NJ return will be added after filling in the Federal Personal Information screen. Answer only the subset of the NJ Basic questions asked

**Hint:** Do not go to the State Section and do anything until you are done with the Federal Section and Health Insurance sections. Use the NJ Checklist to record things you will need to remember when doing the State Section later.

**Hint:** You do not need to remember or record the NJ PIN

**NJ:** Fill in Basic Information section of NJ Checklist now

**Federal Refund: 0 NJ Refund Amount: 0**

Step 2a Prior Year Return – State Income Taxes paid

Although they received a federal refund on last year’s return, they owed $203 to NJ (which they paid on time). The also owed $42 from their NJ return from three years ago, which they paid on 06-15-2016.

**Hint:** Search for “STATE” and select “Go to Form Additional Paid State Tax now”

**Federal Refund: 0 NJ Refund Amount: 0**

Step 2b Prior Year Return – Capital Loss Carryover

Their prior year return (only available on paper) shows a long-term capital loss carryover of $12,454. There is no short-term capital loss carryover.

**Federal Refund: 0 NJ Refund Amount: 0**

Step 3 1099-R



**Federal Refund: 2,379 NJ Refund Amount: 0**

Step 4 CSA 1099-R

 

Stephen started receiving this pension on February 1, 2009. Paula is also covered by the plan.

They confirm that the amount in Box 5 is for medical insurance.

**Tool**: Annuity Calculator (link on Preparer page)

**Hint:** Use the Annuity Calculator to figure out the entries for the TSO Simplified Method worksheet

**NJ:** Add untaxed portion (Box 1 – Box 2a) to NJ Checklist (Adjustments to Line 19b)

Step 4a Form 1099-R

**Federal Refund: 3,088 NJ Refund Amount: 472**

Step 4b Schedule A – Medical Deductions

**BP:** Enter the insurance costs on Sch A now (to avoid forgetting to do so later)

**Federal Refund: 3,088 NJ Refund Amount: 498**

**Q:** Why did NJ Refund go up?

Step 5 1099-R



**Federal Refund: 3,088 NJ Refund Amount: 483**

**Q:** Paula took this distribution in November – If she had taken it in June, then a) would the 1099-R be different? and b) would the federal and/or NJ refund change?

**Q:** Why didn’t the Federal Refund change from the previous step?

Step 6 SSA-1099 – Stephen



**Federal Refund: 2,552 NJ Refund Amount: 514**

**Q:** Social Security is not taxable in NJ - Why did the NJ Refund change?

Step 7 K-1



In addition to the above, Box 18a shows $31.00 of Tax Exempt Interest Income. This amount is all from Tax-exempt Federal obligations

You determine that a) This is a Passive Entity, b) All Investment is At-Risk, c) The entire investment has not been disposed, d) This is not a PTP, and e) there is no Prior Year Unallowed Loss

**Reference**: 4012 D-47 to D-49

**Federal Refund: 2,162 NJ Refund Amount: 490**

**Check:** Fed 1040, line 8a=blank; 8b=31; 9a=474; 9b=101

**Check:** NJ-1040, line 15a=blank; 15b=31; 16=474

**NOTE: As of 11-24-2017 there is a bug in TSO where it is not including amounts from K-1 box 5 (Interest Income) in NJ-1040, box 15a (Taxable Interest).**

Step 8 Brokerage Statement Page 1 of 4 – 1099-INT

|  |  |  |  |
| --- | --- | --- | --- |
| Acme Brokerage | End of Year Tax Information StatementTax Year 2016 • Account 203040506 | Statement Date: 01-30-2017Page 1 of 4 | 2016 |
| 123 MainP.O. Box 07978-123Pluckemin, NJ 07978PAYER’S Federal ID No: **92-2XXXXXX** | Stephen S. Hale123 ElmPluckemin, NJ 07978RECIPIENT’S ID No: **821-XX-XXXX** | Your Broker:SERGE BRONSKI888-555-5555sbronski@acme.com |

|  |
| --- |
| **Interest Income – 1099-INT – Reported to IRS** |
| 1 | Interest Income (not included in line 3) | 124.73 |
| 2 | Early withdrawal penalty | 0.00 |
| 3 | Interest on US Savings Bonds & Treasury obligations | 506.00 |
| 4 | Federal Income tax withheld | 50.00 |
| 5 | Investment expenses | 0.00 |
| 6 | Foreign tax paid | 0.00 |
| 7 | Foreign country or US possession |  |
| 8 | Tax-exempt interest (includes line 9) | 337.86 |
| 9 | Specified private activity bond interest (AMT) | 4.00 |
| 10 | Tax-exempt bond CUSIP numbers (see instructions) |  |
| 11 | State |  |
| 12 | State ID numbers |  |
| 13 | State tax withheld | 0.00 |
|  | FATCA filing requirement | NO |

**Interest Detail (only summary 1099-INT reported to IRS)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Date | **1** Interest Income | **2** Early withdrawal penalty | **3** Interest on US Savings Bonds | **4** Federal withholding | **8** Tax-exempt interest |
| **Safe Stuff** |  |  |  |
| 12-30-2016 | 124.73 | 0.00 | 506.00 | 50.00 | 0.00 |
|  |  |  |  |  |  |
| **New Jersey Muni Bond** |  |  |  |
| 12-30-2016 | 0.00 | 0.00 | 0.00 | 0.00 | 148.64 |
|  |  |  |  |  |  |
| **New York Muni Bond** |  |  |  |
| 12-30-2016 | 0.00 | 0.00 | 0.00 | 0.00 | 189.22 |
| **Totals:** | **124.73** | **0.00** | **506.00** | **50.00** | **337.86** |

The Savings Bond interest was not used for any tax-exempt purpose.

**Note:** There are three separate sub-steps (Screens) necessary to handle this document

Step 8a Interest Income Screen

**Federal Refund: 2,040 NJ Refund Amount: 488**

**Check:** Fed 1040, line 8a=631; 8b=31; 9a=474; 9b=101

**Check:** NJ-1040, line 15a=125; 15b=537; 16=474

Step 8b Tax-Exempt / Schedule B Other Interest Screen

**Federal Refund: 1,995 NJ Refund Amount: 485**

**Q:** The interest entered was tax-exempt federally - Why did the Federal Refund change?

**Check:** Fed 1040, line 8a=631; 8b=369; 9a=474; 9b=101

**Check:** NJ-1040, line 15a=314; 15b=686; 16=474

Step 8c Form 6251

**Hint:** 1099-INT, Line 9 goes on Form 6251 (Line “Interest from specified private activity bonds exempt from the regular tax”) in TSO (search for 6251 or AMT)

**Federal Refund: 1,995 NJ Refund Amount: 485**

Step 9 Brokerage Statement Page 2 of 4 – 1099-DIV

|  |  |  |  |
| --- | --- | --- | --- |
| Acme Brokerage | End of Year Tax Information StatementTax Year 2016 • Account 203040506 | Statement Date: 01-30-2017Page 2 of 4 | 2016 |
| 123 MainP.O. Box 07978-123Pluckemin, NJ 07978PAYER’S Federal ID No: **92-2XXXXXX** | Stephen S. Hale123 ElmPluckemin, NJ 07978RECIPIENT’S ID No: **821-XX-XXXX** | Your Broker:SERGE BRONSKI888-555-5555sbronski@acme.com |

|  |
| --- |
| **Dividends and Distributions – 1099-DIV – Reported to IRS** |
| 1a | Total ordinary dividends (includes line 1b) | 231.86 |
| 1b | Qualified dividends | 125.25 |
| 2a | Total capital gain distributions (includes lines 2b, 2c, 2d) | 68.75 |
| 2b | Unrecaptured Section 1250 gain | 0.00 |
| 2c | Section 1202 gain | 0.00 |
| 2d | Collectibles (28%) gain | 0.00 |
| 3 | Nondividend distributions | 32.44 |
| 4 | Federal Income tax withheld | 80.00 |
| 5 | Investment expenses | 0.00 |
| 6 | Foreign tax paid | 43.75 |
| 7 | Foreign country or US possession |  |
| 8 | Cash liquidation distributions | 0.00 |
| 9 | Noncash liquidation distributions | 0.00 |
| 10 | Exempt-interest dividends (includes line 11) | 400.00 |
| 11 | Specified private activity bond interest dividends (AMT) | 22.00 |
| 12 | State |  |
| 13 | State ID number |  |
| 14 | State tax withheld | 0.00 |
|  | FATCA filing requirement | NO |

**Dividend Detail (only summary 1099-DIV reported to IRS)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Date | **1a** Ordinary dividends | **1b** Qualified dividends | **2a** Capital gains | **3** Nondiv. Dists. | **4** Federal w/h | **6** Foreign tax paid | **10** Exempt Interest | **11** Sp. PAB |
| **Boring Mutual Fund (BMF)** |  |  |  |  |  |  |
| 12-30-2016 | 231.86 | 125.25 | 68.75 | 32.44 | 80.00 | 43.75 | 0.00 | 0.00 |
|  |  |  |  |  |  |  |  |  |
| **Select US Tax-Exempt Fund (SUSTE)** |  |  |  |  |  |  |
| 12-30-2016 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 200.00 | 0.00 |
|  |  |  |  |  |  |  |  |  |
| **Select NJ Qualified Fund (SNJQTE)** |  |  |  |  |  |  |
| 12-30-2016 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 200.00 | 22.00 |
| **Totals:** | **231.86** | **125.25** | **68.75** | **32.44** | **80.00** | **43.75** | **400.00** | **22.00** |

**Exempt-Interest Dividends by Area**

|  |  |  |
| --- | --- | --- |
| **Area** | **SUSTE** | **SNJQTE** |
| Alabama | 1.3% | -  |
| Alaska … Nevada | 28.2% | -  |
| New Hampshire | 0.5% | -  |
| New Jersey | 10.0% | 70.0% |
| New Mexico | 0.7% | -  |
| New York … Wisconsin | 29.1% | 7.0% |
| Wyoming | 0.2% | -  |
| District of Columbia | 0.2% | 1.0% |
| Puerto Rico | 9.7% | 2.0% |
| US Possessions | 20.1% | 20.0% |
| **Total** | **100.0%** | **100.0%** |

**Note:** There are three separate sub-steps (Screens) necessary to handle this document

Step 9a Dividend Income Screen

**Federal Refund: 2,074 NJ Refund Amount: 481**

**Check:** Fed 1040, line 8a=631; 8b=369; 9a=706; 9b=226

**Check:** NJ-1040, line 15a=314; 15b=686; 16=706

Step 9b Tax-Exempt / Schedule B Other Interest Screen

**Federal Refund: 2,021 NJ Refund Amount: 478**

**Check:** Fed 1040, line 8a=631; 8b=769; 9a=706; 9b=226

**Check:** NJ-1040, line 15a=468; 15b=932; 16=706

Step 9c Form 6251

**Hint:** 1099-div, Line 11 goes on Form 6251 (Line “Interest from specified private activity bonds exempt from the regular tax”) in TSO (search for 6251 or AMT)

**Federal Refund: 2,021 NJ Refund Amount: 478**

Step 10 Brokerage Statement Page 3 of 4 – 1099-B

|  |  |  |  |
| --- | --- | --- | --- |
| Acme Brokerage | End of Year Tax Information StatementTax Year 2016 • Account 203040506 | Statement Date: 01-30-2017Page 3 of 4 | 2016 |
| 123 MainP.O. Box 07978-123Pluckemin, NJ 07978PAYER’S Federal ID No: **92-2XXXXXX** | Stephen S. Hale123 ElmPluckemin, NJ 07978RECIPIENT’S ID No: **821-XX-XXXX** | Your Broker:SERGE BRONSKI888-555-5555sbronski@acme.com |

**FORM 1099-B 2016 Proceeds from Broker and Barter Exchange Transactions**

**Long-term** transactions for which **basis is not reported** to the IRS - Report on form 8949 with **Box E** checked

**1a** Description, **2** Long-term, **3** Basis not reported to IRS, **6** Net Proceeds

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Quantity | **1b** Date Acquired | **1c** Date Sold | **1d** Proceeds | **1e** Cost or other Basis | **1f** Code | **1g** Adj | Gain / Loss(-) | **4** Federal Tax Withheld |
| **Acme Corp (ZACO)** |  |  |  |  |  |  |
| 50.000 | 09-01-1994 | 05-10-2016 | 3,462.00 | 3.181.00 |  |  | 281.00 | 0.00 |
| 100.000 | 09-01-1994 | 10-20-2016 | 7,226.00 | 6,362.00 |  |  | 864.00 | 0.00 |
| 150.000 |  |  | 10,688.00 | 9,543.00 |  | 0.00 | 1,145.00 | 0.00 |
|  |  |  |  |  |  |  |  |  |
| **Acme Inc (ZAI)** |  |  |  |  |  |  |
| 65.000 | \*\* | 10-20-2016 | 5.663.00 | \*\* | W | 97.00 | \*\* | 0.00 |
| **Totals** |  |  | **16,351.00** |  |  |  |  | **0.00** |
| \*\* Information not available |  |  |  |  |  |  |

Acme Brokerage does not have a record for the purchase of ZAI stock. Stephen inherited the 65 shares from his uncle who paid $6,500 for the shares on 10/15/2006. The stock was worth $7,222 on 08/29/2016, the day his uncle died.

**Federal Refund: 2,021 NJ Refund Amount: 483**

 **Q:** Why did the Federal Refund not change?

**Q:** Why did the NJ Refund go up?

Step 11 Brokerage Statement Page 4 of 4 – 1099-B

|  |  |  |  |
| --- | --- | --- | --- |
| Acme Brokerage | End of Year Tax Information StatementTax Year 2016 • Account 203040506 | Statement Date: 01-30-2017Page 4 of 4 | 2016 |
| 123 MainP.O. Box 07978-123Pluckemin, NJ 07978PAYER’S Federal ID No: **92-2XXXXXX** | Stephen S. Hale123 ElmPluckemin, NJ 07978RECIPIENT’S ID No: **821-XX-XXXX** | Your Broker:SERGE BRONSKI888-555-5555sbronski@acme.com |

**FORM 1099-B 2016 Proceeds from Broker and Barter Exchange Transactions**

**Long-term** transactions for which **basis is reported** to the IRS - Report on form 8949 with **Box D** checked

**1a** Description, **2** Long-term, **3** Basis reported to IRS, **6** Net Proceeds

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Quantity | **1b** Date Acquired | **1c** Date Sold | **1d** Proceeds | **1e** Cost or other Basis | **1f** Code | **1g** Adj | Gain / Loss(-) | **4** Federal Tax Withheld |
| **Acme Corp (ZACO)** |  |  |  |  |  |  |
| 10.000 | 07-02-2000 | 01-15-2016 | 350.00 | 340.00 |  |  | 10.00 | 0.00 |
| 10.000 | 07-02-2000 | 02-15-2016 | 340.00 | 340.00 |  |  | 0.00 | 0.00 |
| 10.000 | 07-02-2001 | 03-15-2016 | 350.00 | 320.00 |  |  | 30.00 | 0.00 |
| 10.000 | 07-02-2001 | 04-15-2016 | 340.00 | 320.00 |  |  | 20.00 | 0.00 |
| 10.000 | 07-02-2001 | 05-15-2016 | 350.00 | 320.00 |  |  | 30.00 | 0.00 |
| 10.000 | 07-02-2001 | 06-15-2016 | 340.00 | 320.00 |  |  | 20.00 | 0.00 |
| 10.000 | 07-02-2001 | 07-15-2016 | 350.00 | 320.00 |  |  | 30.00 | 0.00 |
| 10.000 | 07-02-2001 | 08-15-2016 | 340.00 | 320.00 |  |  | 20.00 | 0.00 |
| 10.000 | 07-02-2001 | 09-15-2016 | 350.00 | 320.00 |  |  | 30.00 | 0.00 |
| 10.000 | 07-02-2001 | 10-15-2016 | 340.00 | 320.00 |  |  | 20.00 | 0.00 |
| 10.000 | 07-02-2001 | 11-15-2016 | 350.00 | 320.00 |  |  | 30.00 | 0.00 |
| 10.000 | 07-02-2001 | 12-15-2016 | 340.00 | 320.00 |  |  | 20.00 | 0.00 |
| 120.000 |  |  | 4,140.00 | 3,880.00 |  | 0.00 | 260.00 | 0.00 |
|  |  |  |  |  |  |  |  |  |
| **Acme Inc (ZAI)** |  |  |  |  |  |  |
| 30.000 | 07-02-2005 | 03-15-2016 | 330.00 | 300.00 |  |  | 30.00 | 0.00 |
| 30.000 | 07-02-2005 | 06-15-2016 | 330.00 | 300.00 |  |  | 30.00 | 0.00 |
| 30.000 | 07-02-2006 | 09-15-2016 | 330.00 | 340.00 |  |  | -10.00 | 0.00 |
| 30.000 | 07-02-2006 | 12-15-2016 | 330.00 | 340.00 |  |  | -10.00 | 0.00 |
| 120.000 |  |  | 1.320.00 | 1,280.00 |  | 0.00 | 40.00 | 0.00 |
|  |  |  |  |  |  |  |  |  |
| **Acme Ltd (ZALTD)** |  |  |  |  |  |  |
| 30.000 | 07-02-2005 | 03-15-2016 | 3,210.00 | 700.00 |  |  | 2,510.00 | 0.00 |
| 30.000 | 07-02-2005 | 06-15-2016 | 3,220.00 | 700.00 |  |  | 2,520.00 | 0.00 |
| 30.000 | 07-02-2006 | 09-15-2016 | 3,230.00 | 720.00 |  |  | 2,510.00 | 0.00 |
| 30.000 | 07-02-2006 | 12-15-2016 | 3,240.00 | 720.00 |  |  | 2,520.00 | 0.00 |
| 120.000 |  |  | 12,900.00 | 2,840.00 |  | 0.00 | 10,060.00 | 0.00 |
| **Totals** |  |  | **18,360.00** | **8,000.00** |  | **0.00** | **10,360.00** | **0.00** |

**Hint:** Until guidance is provided by IRS/Tax-Aide, we use 12-31 as the sell date for consolidated transactions.

**Federal Refund: 1,759 NJ Refund Amount: 314**

Step 12 W2-G



**Reference**: 4012 D-53

**Hint:** Gambling Losses ($12,000) will be entered in a later Step.

**NJ:** Record on NJ Checklist (NJ Line 23 – Gambling Winnings)

**Federal Refund: 2,116 NJ Refund Amount: 314**

Step 13 New Jersey Estimated payments

They made the following NJ estimated payments:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Tax Year** | **TY2015** | **TY2016** | **TY2016** | **TY2016** | **TY2016** |
| **Date** | 01-03-2016 | 04-14-2016 | 06-15-2016 | 09-11-2016 | 12-28-2016 |
| **Amount** | $50.00 | $60.00 | $60.00 | $60.00 | $70.00 |

Step 13a Schedule A – Taxes You Paid

**Federal Refund: 2,116 NJ Refund Amount: 314**

Step 13b Payments – State Estimated Payments

**Federal Refund: 2,116 NJ Refund Amount: 564**

Step 14 Notes – Itemized Deductions

**Check:** Before beginning this step, Use Compare Deductions to check that Itemized Deductions = 1,245

**Hint:** Some items in the following sub-Steps may not be deductible or may have already been entered – be alert…

**Annoyance:** The Compare Deductions amount does not seem to update until you click Continue enough times to take you from Deductions to Other Taxes, then go back to Deductions. Keep this in mind if you want to Check the Itemized Deductions value after each sub-step. (After the Itemized deductions amount is greater than the Standard deduction amount, you can just look at 1040, Line 40.)

Step 14a Notes – Deductions – Medical and Dental

Medicare – Part B $1,385

Medicare – Part D $810

Insurance paid by Office of Personnel Management $2,300

Insurance policy from HealthCare.gov $6,360

Doctor co-pays and deductibles $300

Long Term Care (LTC) insurance (Paula) $1,800

**Reference**: 4012 F-5 to F-6

**Hint:** The appropriate deduction amount for Marketplace (HealthCare.gov) policies can only be calculated after form 8962 has been completed – do NOT enter now – we will do this later.

**Federal Refund: 2,116 NJ Refund Amount: 594**

**Check:** After this step, Itemized Deductions = 2,502

**Q:** If you were to look at Sch A now, you would see that Line 1 (Medical and dental expenses) is 6,255. Why is this amount less than the total of all the medical expenses you entered?

Step 14b Notes – Deductions – Taxes You Paid

Real estate tax (Principal residence) $7,135

Real estate tax (Condo in Las Vegas) $1,865

**Reference**: 4012 F-6

**BP:** You must click “Add Sales Tax Worksheet” and enter State, Zip, and Number of days (but not percents) even if you do not have any extra sales tax on cars, etc.

**BP:** Do NOT enter any NJ Property Tax recoveries (Homestead Benefit / PTR) at this point. See the notes on Step 14f for more detail.

**NJ:** Record appropriate Real estate tax on NJ Checklist (Property Tax)

**Federal Refund: 2,116 NJ Refund Amount: 594**

**Check:** After this step, Itemized Deductions = 11,502

Step 14c Notes – Deductions – Mortgage Interest

The Hales received a Form 1098 from Acme Mortgage related to the mortgage on their Principal residence.

Interest $2,135

Points $565

PMI $300

The Hales received a second Form 1098 from Acme Mortgage related to their Home Equity Line of Credit on their Las Vegas condo. The principal amount was $11,000.

Interest $777

**Reference**: 4012 F-7

**Federal Refund: 2,146 NJ Refund Amount: 594**

**Check:** After this step, Itemized Deductions = 15,279

Step 14d Notes – Deductions – Gifts to Charity

Church cash donations with church generated listing $520

Contribution to the Chughtai Foundation with canceled check $80

Cash donations to Santa ringing bell outside grocery store (no records) $22

Donation to a political party $50

**Reference**: 4012 F-7 to F-8

**Tool**: IRS Exempt Organization Search (link on Preparer page)

**Hint:** Use the Exempt Organization Search tool to check if donations to the Chughtai Foundation are tax-exempt. (Just enter Chughtai in the Name search field.)

**Hint:** If you use the Override option for Cash, then all you need to enter is the total (no names, dates, etc.) – Just be sure to document in the TP’s paper file how you arrived at the total.

**Federal Refund: 2,236 NJ Refund Amount: 594**

**Check:** After this step, Itemized Deductions = 15,879

Step 14e Notes – Deductions – Miscellaneous

Gambling losses $12,000

**Reference**: 4012 F-3 to F-8

**NJ:** Record losses on NJ Checklist (NJ Line 23 – Gambling Winnings)

**Federal Refund: 3,736 NJ Refund Amount: 594**

**Check:** After this step, Itemized Deductions = 25,879

Step 14f Notes – Deductions – Homestead Benefit Recovery

The Hales received a Homestead Benefit of $400 applied to one of their quarterly property tax bills. The amount is shown on their printed tax bills from the township. (If they didn’t have evidence of the amount, you could look up the amount online)

The Homestead Benefit received in TY2016 is for TY2013. You do not have a copy of their TY2013 return, but they assure you that their tax situation has been pretty consistent since Stephen retired, i.e. Their Itemized deductions were several thousand dollars greater than the Standard Deduction and their taxable income was similar to this year.

**Reference:** New Jersey Special Handling

**Tool**: NJ Inquiry for Homestead Benefit (link on Preparer page)

**BP:** Be sure that 1) all Income, Adjustments, and Deductions have been entered, 2) The TP is using Itemized deductions rather than the Standard deduction this year before entering NJ Property Tax recovery adjustments on Sch A, and 3) The TP is still using Itemized deductions after the NJ Property Tax recovery adjustments have been made. See the flowchart in NJ Special handling for more information.

**BP:** Be sure to document the details of your calculation of the final Real Estate Tax amount entered into TSO.

**NJ:** When NJ Property Tax recovery amount is entered on Sch A, it should NOT be included on the NJ Checklist (Adjustments to Line 25)

**Federal Refund: 3,676 NJ Refund Amount: 594**

**Check:** After this step, Itemized Deductions = 25,479

Step 15 Credit for the Elderly or the Disabled

TaxSlayer does not automatically check eligibility for the Credit for the Elderly or the Disabled; the preparer must use the chart on page G-14 of Pub. 4012 to manually determine potential eligibility. If potentially eligible, then the preparer must provide the information necessary to calculate official eligibility and the amount of the credit, if any.

**Reference:** 4012 G-14 to G-16

**Federal Refund: 3,676 NJ Refund Amount: 594**

**Q:** Is TP eligible for this Credit? If not, why not?

Step 16 ACA Health Insurance

Stephen had Medicare all year.

Paula had a Marketplace (HealthCare.gov) policy all year.

Wanda had insurance from her former employer through December 5th of the prior year. She had COBRA coverage from February 25th to June 30th of the current year. She had Medicare from September 1st to December 31st of the current year.

Wanda did not have a federal filing requirement.

 

**Reference**: 4012 Tab H

Step 16a ACA Health Insurance – Health Insurance Section

**Hint:** Your local ACA expert says that the only exemption Wanda might qualify for during the periods when she did not have insurance is the Short Coverage Gap (Code B).

**Federal Refund: 3,817 NJ Refund Amount: 594**

Step 16b ACA Health Insurance – Add Sch A amount

**Hint:** To calculate the correct amount for Sch. A, you need to look at a couple of lines on the 1040 after completing the Health Insurance section in TSO. Use the following procedure:

1. Calculate the “TY Net Premium” by subtracting the 1095-A, Column C total from the Column A total. (e.g. 6,840 – 480 = 6,360)
2. Calculate the “Sch A Deduction Amount”:
	1. If 1040, Line 46 (Excess advance premium tax credit repayment) has a value, add it to the “TY Net Premium”
	2. If 1040, Line 69 (Net premium tax credit) has a value, subtract it from the “TY Net Premium”. (e.g. 6,360 – 330 = 6,030)
3. Enter the “Sch A Deduction Amount” on the Medical Deductions screen in TSO.

**BP:** Be sure to document the calculation of the amount you end up entering into TSO for your Quality Reviewer and for the TP records.

**Federal Refund: 4,717 NJ Refund Amount: 694**

**Check:** After this step, Itemized Deductions = 31,509

State Section (New Jersey)

You have collected information during several Federal Steps on your NJ Checklist – It is now time to enter that information into TSO

Step 17a NJ Checklist – Basic Information

Enter New Jersey State Return – Basic Information

**Hint:** Nothing to do here.

**Federal Refund: 4,717 NJ Refund Amount: 694**

Step 17b NJ Checklist – Income Subject to Tax

Enter New Jersey State Return – Income Subject to Tax

**Annoyance**: You need to click Continue until you get back to the original State Return screen before TSO will recalculate Refunds

**Federal Refund: 4,717 NJ Refund Amount: 694**

Step 17c NJ Checklist – Subtractions from Income

Enter New Jersey State Return – Subtractions from Income

**Hint:** Nothing to do here.

**Federal Refund: 4,717 NJ Refund Amount: 694**

 Step 17d NJ Checklist – Credits

Enter New Jersey State Return – Credits

According to the postcard from the tax office: – Block=50001, Lot-00002, Qualifier is blank.

**Annoyance**: You need to click Continue until you get back to the original State Return screen before TSO will recalculate Refunds

**Federal Refund: 4,717 NJ Refund Amount: 794**

Step 17e NJ Checklist – Tax

Enter New Jersey State Return – Tax

Stephen and Paula discovered last year that they could buy things online and not pay NJ sales taxes so they did some Christmas shopping and purchased various other items online. When the NJ Use Tax rules were explained to them, they decided they better follow the NJ guidelines for reporting Use Tax on their NJ return because they had no easy way to calculate an exact total of purchases. None of the items cost more than $1,000.

**Reference**: NJ 1040 Instructions or link to Use Tax table on Preparer page

**Hint:** The amount on NJ-1040, Line 28 (New Jersey Gross Income) is $35,351 (Ordinarily, you would need to generate the return PDF to find this number)

**Annoyance**: You need to click Continue until you get back to the original State Return screen before TSO will recalculate Refunds

**Federal Refund: 4,717 NJ Refund Amount: 730**

Step 17f NJ Checklist – Payments

Enter New Jersey State Return – Payments

**Hint:** Nothing to do here.

**Federal Refund: 4,717 NJ Refund Amount: 730**

 Step 17g NJ Checklist – Miscellaneous Forms

Enter New Jersey State Return – Miscellaneous Forms

The Hales ask you to create next year’s NJ-1040-ES (Estimated Payment) vouchers for $20 per quarter.

**Annoyance**: You need to click Continue until you get back to the original State Return screen before TSO will recalculate Refunds

**Federal Refund: 4,717 NJ Refund Amount: 730**

e-File

Collect any final information necessary…

You will get a “State Validation Errors” message about NJ 1065 K-1 Begin Date is blank – you can ignore this message for practice returns

Step 18a E-File – Return Type

The Hales have a Federal refund which they want to Direct Deposit (per their Intake Sheet)

**Hint:** Federal Return Type = “E-file: Direct Deposit”

Step 18b E-File – Tax Preparation and E-File Information

Look on the Intake Sheet for the Hale’s email

Step 18c E-File – State Return(s)

**Hint:** Not included due to above NJ 1065 K-1 error

Step 18d E-File – Taxpayer Bank Account Information

The Hales show you a check from the account at Acme Bank where they want their Federal and NJ refunds to be deposited: RTN#=081904808, Acct#=986532

Step 18e E-File – Third Party Designee Info

**Hint:** Do NOT fill in anything here.

Step 15f E-File – Consent placeholder for Global Carry Forward

**Hint:** It looks like the preparer will need to ask the TP whether to GRANT or DENY consent. For now, do whatever you want in this section…

Step 18g E-File – Questions

“Was the taxpayer physically present during the entire return preparation and quality review process?” – answer Yes

Step 18h E-File – State ID (Optional)

Ignore this section

**Hint:** Click Save when done

Step 18i E-File – Submission

**BP:** Do NOT check “Is Complete” or any other boxes on this screen at this point