| **Step** | **Form / Note** | **TSO Navigation Path / Screen Line** | **Learning Points** |
| --- | --- | --- | --- |
| **0** | **Intake Sheet** |  |  |
|  | SS Cards |  | Notice that there are middle initials on all 3 Social Security cards |
|  | Notes | Dependent Section, grey-shaded area labeled "To Be Completed by Certified Volunteer Preparer" | Fill in Page 1, shaded area, based on info in Notes:  - Question 1 – NO for George, YES for John  - Question 2 – NO for both  - Question 3 – YES for both  - Question 4 – YES for both  - Question 5 – YES for both  Based on these answers & Pub 4012 (Page C-5), George can be claimed as a Qualifying Child for dependency; John's dependency will be claimed by Laura's ex-husband |
|  | Notes in Step 12 | Health Care Coverage Section, gray-shaded area labeled “To Be Completed by Certified Volunteer Preparer” | Based on your client interview, you should fill in Section VI shaded area for Health Care Coverage. You can then modify as needed when you complete the TSO Health Insurance section (Step 12)  Enter Laura on taxpayer line and check MEC Entire Year box  Enter John on dependent line and check MEC Entire Year box  Enter George on dependent line and check MEC Entire Year box |
| **1** | **Intake Sheet** |  | **Federal Basic Information** |
|  | Part II | Basic Information \ Filing Status | Use Chart on 4012 Page B-8 or TSO Filing Status Wizard to determine filing status. Click on appropriate circle.  NOTE: If you use TSO Wizard, you must still manually click circle; TSO will not automatically populate based on filing status it determines |
|  | Part I | Basic Information \ Personal Information | TSO automatically populates spouse's last name the same as taxpayer's |
|  |  |  | To enter a date, choose from drop-down menu or type without leading zeroes |
|  |  |  | Enter current street address & zip code; TSO will automatically populate city & state. TSO will also default populate the same state as the resident state as of 12/31 of the tax year; change if the taxpayer moved. TSO uses this to start the correct state return |
|  | Part VII | Basic Information \ Personal Information | Check box that Laura wishes to contribute $3 to the Presidential Election Campaign Fund |
|  |  | Start of NJ Return | Based on the state selected as the resident state as of 12/31, TSO automatically starts the NJ return by asking you 4 basic questions: |
|  | Part I |  | * Municipality Code - Since Pluckemin is not listed in the drop-down menu, use the NJ Municipality Code Lookup Tool on TaxPrep4Free.org Preparer page to determine the proper township for Pluckemin (Somerset-Bedminster Twp) |
|  | Notes |  | * Dependent's Health Care Coverage - Answer YES to indicate that dependents have health care coverage as of now. It does not matter if they did not have coverage all of last year for this NJ question (See ACA information).   This info is not used for income tax purposes; it is used to identify and reach out to residents who are uninsured to make them aware of the availability of health care coverage under the Medicaid and NJ FamilyCare Programs |
|  | Notes |  | * Gubernatorial Elections Fund - Answer YES to indicate that Laura wishes to contribute to the Gubernatorial Elections Fund |
|  |  |  | * NJ PINs - Enter any 5-digit PIN for taxpayer and spouse; does not have to be the same as Federal PINs. You do not have to remember these PINs |
|  |  |  | Once the NJ return has been started, TSO automatically displays a refund monitor for both the Federal and the state as information is entered and saved |
|  | Part I  Part VII  Notes | NJ Checklist   * Municipality Code Row * Health Insurance for Children Row * Gubernatorial Elections Fund Row * Part Year Resident Row | Do not enter any other information in the TSO State section until you have finished all the Federal and Health Insurance inputs. Instead, as you go through the Federal section, note any information where NJ tax law requires different handling from the Federal. Capture that info on the NJ Checklist. You will then use the Checklist to enter items in the TSO State section later  Capture the information for the Municipality Code, Health Insurance, Gubernatorial Elections Fund, and Part Year Resident rows now. Even though you have already entered this information in TSO as you started the return, it is good to document it on the Checklist for the Quality Reviewer **SEE WORK PRODUCT – NJ CHECKLIST** |
|  | Part II  Notes | * Disabled Row | Since Laura is disabled, circle Yes for taxpayer on the NJ Checklist Disability row in the Basic Information section for entry later when you get to the TSO State section  Also circle Yes for taxpayer on the Disability Status row in the Subtractions from Income section  **SEE WORK PRODUCT – NJ CHECKLIST** |
|  | Part II  Notes | * Number of Dependents Under Age 22 that Attended College Full Time Row | Since neither George nor John is a college student, enter 0 on the NJ Checklist for use later in the State section **SEE WORK PRODUCT – NJ CHECKLIST** |
|  | Part II | Basic Information \ Dependents/Qualifying Person | List information about first dependent (order does not matter). Add a separate screen for each additional dependent by clicking on the Add a Dependent or Qualifying Child line  John (TSO automatically populates last name the same as taxpayer’s) – Son, 12 months lived in home, "Check if this qualifying child is NOT YOUR DEPENDENT" box checked (since John is claimed by his father)   * Do not check the box that says, "Check if you wish NOT to claim this dependent for Earned Income Credit purposes." Laura can still claim John for EIC as the custodial parent, even though she does not claim his dependency   George (TSO automatically populates last name the same as taxpayer’s) Son, 12 months lived in home, no boxes checked |
| **2** | **Prior Year Return** |  | **State Income Tax Refund** |
|  |  |  | Since Laura did not itemize deductions last year, she did not receive any tax benefit from the State Income Taxes she paid (Schedule A Line 5a). Therefore, when she receives a NJ income tax refund this year, it is not taxable |
| **3** | **W-2** |  | **W-2 for Acme Corp** |
|  |  | Federal section \ Income \ Enter Myself \ Wages and Salaries (W-2) |  |
|  | Box e | Employee | TSO automatically tells you that this is Laura's W-2 |
|  |  | Employee's Name & Address fields | TSO populates Laura's name & address info from the Basic Information section. If printed W-2 info is different, make necessary changes |
|  | Boxes b & c | Employer's EIN & Name & Address fields | Enter Employer ID # (EIN). TSO populates name & address if in database. Always check to make sure it matches printed W-2; address can frequently change. Make necessary corrections. If TSO does not populate name & address, type it in |
|  | Box 1 | Wages, Tips | Enter $14,598 as Federal wages. TSO automatically populates the amounts in Boxes 3-6. If you change Box 3 or 5 amount to match printed W-2, TSO will recalculate Box 4 or 6  TSO transfers Box 1 wages to 1040 Line 7 |
|  | Box 2 | Federal Tax Withheld | Enter $1002 as Federal tax withheld  TSO transfers to 1040 Line 64 |
|  | Box 12 | Box 12 Codes & Amounts | Choose code DD from the drop-down menu and enter $3,000. This represents the total cost that employee and employer paid for employer-sponsored health coverage plan |
|  | Box 14 | Box 14 Codes & Amounts | Choose the type of other NJ withholdings listed in Box 14 from the drop-down menu & enter associated amounts  Use a scratch pad on TaxPrep4Free.org Preparer page to add the amounts for UNEMP and WF/SWF together. Enter on the NJ Unemployment line. **SEE WORK PRODUCT – SCRATCH PADS**  TSO transfers the appropriate withholdings to Sch A Line 5a for the State Income Taxes deduction. Total is now $103 |
|  | Box 15 | State Name  State EIN | Choose New Jersey from the drop-down menu  Enter employer's state ID number (if not automatically populated) |
|  | Box 16 | State Wages | TSO automatically populates state wages with the amount from Box 1. Verify that state wages match the paper W-2; change if needed  TSO transfers to NJ 1040 Line 14. |
|  | Box 17 | State Income Tax | Enter $575 as state income tax withheld  TSO transfers to NJ 1040 Line 48 & to Sch A line 5a. Line 5a is now $678 |
| **4** | **W-2** |  | **W-2 for Acme Diner** |
|  |  | Federal section \ Income \ Enter Myself \ Wages and Salaries (W-2) | Add another copy of W-2 Wage Statement by clicking on Add a W-2 Wage Statement line |
|  | Box e | Employee | TSO automatically tells you that this is Laura's W-2 |
|  |  | Employee's Name & Address fields | TSO populates Laura's name & address info from the Basic Information section. If printed W-2 info is different, make necessary changes |
|  | Boxes b & c | Employer's Name & Address fields | Enter Employer ID # (EIN). TSO populates name & address if in database. Always check to make sure it matches printed W-2; address can frequently change. Make necessary corrections. If TSO does not populate name & address, type it in |
|  | Box 1 | Wages, Tips | Enter $2,532 as Federal wages. TSO automatically populates the amounts in Boxes 3-6  Notice that the Social Security Wages in Box 3 are less than the Wages in Box 1. That is because there are also Social Security Tips in Box 7. Box 3 + Box 7 = Box 1. You must manually correct Box 3  Also notice that when TSO originally calculates Boxes 3 and 4, it bases the calculations on your entry in Box 1. Once you manually adjust Box 3 to match the printed W-2, TSO re-calculates Box 4 based on the new amount in Box 3. Since Social Security taxes are also withheld from the SS tips in Box 7, you must now manually correct Box 4  TSO transfers Box 1 wages to 1040 Line 7. Total wages are now $17,130 |
|  | Box 2 | Federal Tax Withheld | Enter $328 as Federal tax withheld  TSO transfers to 1040 Line 64. Total Federal tax withheld is now $1,330 |
|  | Box 7 | SS Tips | This box shows the tips that were reported to the employer. The employer withholds SS and Medicare taxes as appropriate  Enter $588 as the Social Security tips |
|  | Box 8 | Allocated Tips | The employer legally must also account for estimated unreported tips (calculated from the difference between the reported tips and a percentage of food & drink sales). That difference must be allocated between all employees, and each employee’s share is reported on the W-2 as Allocated Tips in Box 8  Enter $250 as allocated tips. TSO transfers allocated tips to 1040 Line 7. Total wages are now $17,380 |
|  |  |  | The employer does not withhold SS or Medicare taxes on allocated tips, so the employee must pay those with their tax return. TSO automatically completes Form 4137 to calculate the taxes due ($16 for SS; $4 for Medicare). You can see this form in the PDF you create to print  TSO transfers the total taxes due ($20) to 1040 Line 58 and checks that these taxes were from Form 4137 (Check mark only appears on 1040 in PDF; it does not show on the Summary/Print 1040) |
|  | Box 15 | State Name  State EIN | Choose New Jersey from the drop-down menu  Enter employer's state ID number (if not automatically populated) |
|  | Box 16 | State Wages | TSO automatically populates state wages with the amount from Box 1. Verify that this matches the printed W-2; change if needed  TSO transfers Box 16 NJ wages to NJ 1040 Line 14. Total NJ wages is now $17,130  TSO transfers the allocated tips from Box 8 to NJ 1040 Line 25 Other Income, not to Wages on Line 14. We are verifying if this is correct |
|  | Box 17 | State Income Tax | Enter $201 as state income tax withheld  TSO transfers to NJ 1040 Line 48 (now $776) & to Sch A line 5a (now $879) |
|  | Box 19 | Box 14 Codes & Amounts | Notice that this W-2 indicates the other NJ taxes withheld in Box 19, not Box 14 where you usually see them. Just enter in Box 14 in TSO  Choose the type of other NJ withholdings listed in Box 14 from the drop-down menu & enter associated amounts  TSO transfers the appropriate withholdings to Sch A Line 5a for the State Income Taxes deduction. Line 5a is now $964 |
|  |  |  | There is a maximum amount that an employer should withhold for each of these special NJ taxes ($138.56 for unemployment, $65.20 for disability, $26.08 for family leave for 2016). If any one employer withholds more than the maximum, the employee would have to obtain the excess back from the employer. However, when an employee works for two or more employers, each can withhold up to the maximum, and the employee can end up paying too much in total. In the case of multiple employers, the employee can claim the excess on the NJ 1040 2450  Notice that Acme Diner withheld $72 for disability. Laura would have to talk to her employer to get reimbursed for the excess that was mistakenly withheld  TSO transfers the unemployment, disability, and family leave amounts from the W-2s to NJ Form 2450. It will only transfer up to the maximum amount for each tax for any given employer. TSO then totals the amounts from the two W-2s. The total for the disability column ($29 + the maximum for Acme Diner of $65 = $94) exceeds the maximum disability withholding amount by $29. Therefore, TSO will transfer $29 to NJ 1040 Line 53 so that Laura can claim the excess withholdings against her NJ income taxes  NOTE: NJ-2450 is for an individual taxpayer, not a couple. Therefore, under the appropriate circumstances, there could be two 2450s in a return—one for the husband and one for the spouse |
|  |  |  | Once you click on Continue, TSO gives you a warning message, "Your Social Security withholdings (Box 4) appear to be too large. Generally, your Social Security withholdings should not be larger than 6.2% of the amount in Box 3." In this case, SS withholdings should be 6.2% of Box 3 + tips in Box 7, so the Box 4 SS withholdings amount is not too large  The second warning message about amounts that are taxable to another state does not apply  Just click on Continue |
| **5a** | **1099-R** |  | **1099-R for Acme IRAs** |
|  |  | Federal section \ Income \ Enter Myself \ IRA/Pension Distributions (1099-R, RRB-1099-R, SSA-1099) \ Add or Edit a 1099-R |  |
|  | Payer's Name & Address  Payer Federal ID # | Payer Information | Enter Payer's Federal ID # (EIN). TSO populates name & address if in database. Always check to make sure it matches printed 1099-R; address can frequently change. If TSO does not populate name & address, type it in |
|  | Recipient's Name & Address | Whose 1099-R is this? | TSO tells you that the 1099-R is for Laura |
|  |  | Recipient Information | TSO populates Laura's name & address info from the Basic Information section. If printed 1099-R info is different, make necessary changes |
|  | Box 1 | Gross Distribution | Enter gross distribution amount ($5,000) |
|  | Box 2a | Taxable Amount | TSO automatically transfers the gross amount from Box 1 into Box 2a as the taxable amount ($5,000). If the taxable amount should be something different, you must manually change it |
|  | Box 7 | Distribution Code | Enter code 1 as the distribution code. Refer to Pub 4012 Page D-41 to learn that code 1 indicates an early distribution, no known exception. Since Laura is withdrawing money from her IRA before age 59½, she is subject to a 10% early withdrawal penalty unless she qualifies for an exemption. Refer to Pub 4012 Page H-2 to see if there is an appropriate exemption. Normally, using an early withdrawal from an IRA to pay off credit card debt does not qualify for an exemption. However, Laura is eligible for exemption 03 because she was totally and permanently disabled before she took this distribution, so it does not matter how she spent the money  Ensure that the IRA box is checked in Box 7 so that amounts will transfer to 1040 Line 15 for IRAs, not Line 16 for pensions |
|  |  |  | When you click Continue after entering the 1099-R data, TSO brings up a page that explains about the penalty. Read it carefully  In the middle of the page, TSO asks "What type of plan did you receive this distribution from?" You must click on Retirement Plan  NOTE: There is another checkbox on this page that TSO says you can click if you are unsure if the withdrawal qualifies for an exemption. Checking this box does not do anything in Practice Lab |
|  |  |  | TSO transfers the taxable amount in Box 2a ($5,000) to 1040 Line 15b and to NJ 1040 Line 19a |
|  |  |  | Since Laura now has retirement income on NJ 1040 Line 19a, you must now consider whether she is eligible for a pension exclusion on Line 27a. Although she is not yet age 62+, she is permanently and totally disabled per SSA guidelines. She also meets the other eligibility requirements for a pension exclusion. However, you have not yet entered her disability status in the Subtractions from Income section of the NJ Checklist into the TSO State section. Therefore, the pension exclusion will not appear on NJ 1040 Line 27a until you complete the State section in Step 12 |
| **5b** | **1099-R** |  | **Form 5329** |
|  |  | Federal section \ Other Taxes \ Tax on Early Distribution (Form 5329) | Enter the information needed to claim the early withdrawal penalty exemption on Form 5329 now so that you do not forget |
|  |  | Part I  Early Distributions that are not subject to 10% tax | Enter $5,000 to claim an exemption of the entire distribution from the 10% penalty |
|  |  | Select the reason for exemption | Choose "Total and permanent disability" from the drop-down menu as the reason for the exemption |
|  |  |  | TSO will not calculate a 10% early withdrawal penalty on 1040 Line 59 |
| **6** | **1099-R** |  | **1099-R for Acme Pensions** |
|  |  | Federal section \ Income \ Enter Myself \ IRA/Pension Distributions (1099-R, RRB-1099-R, SSA-1099) \ Add or Edit a 1099-R | Add another copy of Form 1099-R IRA/Pension Distribution(s) by clicking on Add a Form 1099-R IRA/Pension Distribution(s) line |
|  | Payer's Name & Address  Payer Federal ID # | Payer Information | Enter Payer's Federal ID # (EIN). TSO populates name & address if in database. Always check to make sure it matches printed 1099-R; address can frequently change. Make necessary corrections. If TSO does not populate name & address, type it in |
|  | Recipient's Name & Address | Whose 1099-R is this? | TSO tells you that the 1099-R is for Laura |
|  |  | Recipient Information | TSO populates Laura's name & address info from the Basic Information section. If printed 1099-R info is different, make necessary changes |
|  | Box 1 | Gross Distribution | Enter gross distribution amount ($5,400) |
|  | Box 2a | Taxable Amount | TSO automatically transfers the gross amount from Box 1 into Box 2a as the taxable amount ($5,400) |
|  | Box 7 | Distribution Code | Enter 3 as the distribution code. Refer to Pub 4012 Page D-41 to learn that code 3 indicates a disability pension |
|  |  |  | Federal tax law says that if the taxpayer is under the minimum retirement age for the company she retired from (59), this disability income should be reported on 1040 Line 7 as wages, rather than on Line 16 for pension income. This will include the disability in earned income for calculation of the EIC, the Child Care credit, and the Additional Child Tax Credit, which all require earned income  Click on the checkbox under Line 10 that says, "Check here to report on Form 1040, Line 7 (Distribution code must be a "3")” |
|  |  |  | TSO transfers $5,400 to 1040 Line 7. Total wages are now $22,780 |
|  |  |  | NJ tax law says that disability is not taxable if the recipient is under age 65  To subtract the disability pension from NJ income, note the disability amount on the NJ Checklist on the Adjustments to Line 19a row in the Income Subject to Tax section for entry later when you get to the TSO State section **SEE WORK PRODUCT – NJ CHECKLIST**  NJ total wages stays at $17,130 |
| **7a** | **1099-MISC** |  | **1099-MISC and Self Employment for Acme Services** |
|  |  | Federal section \ Income \ Enter Myself \ Form 1099-MISC |  |
|  | Payer's Name & Address  Payer Federal ID # | Payer Information | Enter Payer's Federal ID # (EIN). TSO populates name & address if in database. Always check to make sure it matches printed 1099-MISC; address can frequently change. Make necessary corrections. If TSO does not populate name & address, type it in |
|  | Recipient's Name & Address | Whose 1099-MISC is this? | TSO tells you that the 1099-MISC is for Laura |
|  |  | Recipient Information | TSO populates Laura's name & address info from the Basic Information section. If the 1099-MISC info is different, make necessary changes |
|  | Box 7 | Nonemployee Compensation | Enter $5,000 as nonemployee compensation |
|  |  | Create a New Schedule C Income from Business | Once you click Continue, TSO will ask you, "Where would you like to add the income?" Click on + Create a New Schedule C Income from Business line |
| **7b** | **Notes** |  | **Sch C - Basic Information** |
|  |  | **Basic Information**  Federal section \ Income \ Enter Myself \ Profit or Loss From A Business (Schedule C) \ Basic Information about Your Business |  |
|  |  | Business Owner | TSO tells you that this business belongs to Laura, the taxpayer |
|  |  | Name & Address | Leave blank since there is no separate business name |
|  |  | Business Code | When you search for "Editing" using the TSO tool, you do not get any results. So, instead, use the NAICS Search Tool on TaxPrep4Free.org Preparer’s page. Use Ctrl + F to search for the specific word "Editing"  Enter 561410 as business code |
|  |  | Description of Business | When you enter the business code, TSO will automatically populate the description associated with that code, "Document preparation" |
|  |  |  | Since Laura has a second 1099-MISC, enter that first before clicking on any of the other Schedule C menu sections. Just click Continue |
| **7c** | **1099-MISC** |  | **1099-MISC and Self Employment for Acme Services** |
|  |  | Federal section \ Income \ Enter Myself \ Form 1099-MISC | Click on Add a Form 1099-MISC line to add Laura’s second Form 1099-MISC |
|  | Payer's Name & Address  Payer Federal ID # | Payer Information | Enter Payer's Federal ID # (EIN). TSO populates name & address if in database. Always check to make sure it matches the printed 1099-MISC; address can frequently change. Make necessary corrections. If TSO does not populate name & address, type it in |
|  | Recipient's Name & Address | Whose 1099-MISC is this? | TSO tells you that the 1099-MISC is for Laura |
|  |  | Recipient Information | TSO populates Laura's name & address info from the Basic Information section. If the 1099-MISC info is different, make necessary changes |
|  | Box 7 | Nonemployee Compensation | Enter $7,000 as nonemployee compensation |
|  |  |  | TSO will ask "Where would you like to add the income?" Click on the Add button (looks like the pencil symbol that is normally used for Edit) for the existing Schedule C to add the second 1099-MISC income  This should bring you back to the Schedule C menu |
| **7d** |  |  | **Schedule C - Questions about the Operation of Your Business** |
|  |  | Federal section \ Income \ Enter Myself \ Profit or Loss From A Business (Schedule C) \ Questions About the Operation of Your Business |  |
|  |  | Accounting Method | TSO has already chosen Cash as the accounting method since anything else is Out of Scope |
|  |  | Method Used to Value Closing Inventory | TSO has already chosen Cost. Click on Not Applicable since the business does not have any inventory |
|  |  | Material Participation | TSO has already checked the box that says, " Check here if you "materially participated" in the operation of this business during the tax year."  None of the other boxes should be checked since they do not apply. |
| **7e** |  |  | **Schedule C - Income** |
|  |  | Federal section \ Income \ Enter Myself \ Profit or Loss From A Business (Schedule C) \ Income |  |
|  |  | Gross Receipts or Sales | TSO has already included $12,000 as Total Income from the 2 Forms 1099-MISC. Now enter the $176 (Laura’s cash income)  TSO transfers the total income ($12,176) to Sch C Line 1 |
| **7f** |  |  | **Schedule C - Car and Truck Expenses** |
|  |  | Federal section \ Income \ Enter Myself \ Profit or Loss From A Business (Schedule C) \ Car & Truck Expenses |  |
|  |  | Description of Vehicle | Enter a description of Laura’s vehicle (CHEVY IMPALA or 1969 CHEVY) |
|  |  | Date You Placed Your Vehicle in Service for Business Purposes | Enter 07/01/2012 as the date the car was placed into service for the business (the date Laura started her business – Step 7) |
|  |  | Business Miles | Enter 366 business miles. TSO calculates the business mileage expense of $198 (366 miles x $.54 per mile) |
|  |  | Other | Enter 10,000 as other miles |
|  |  | Checkboxes | Do not check box that says, "Check if you have (or your spouse has) another vehicle available for personal use" since Laura only has one car |
|  |  |  | Check box that says, "Check if your vehicle was available for personal use during off-duty hours." |
|  |  |  | Check box that says, "Check if you have evidence to support your deduction." |
|  |  |  | Check box that says, "If yes, check if the evidence is written." |
|  |  |  | TSO transfers the $198 business mileage expense to Sch C Line 9 & all the other car & truck info to Sch C Part IV |
| **7g** |  |  | **Schedule C - Other Expenses** |
|  |  | Federal section \ Income \ Enter Myself \ Profit or Loss From A Business (Schedule C) \ General Expenses |  |
|  |  | Office expense | Enter other expenses ($2,025 for paper + $1,048 for printer cartridges + $8,850 for copies). You could also enter these expenses in the General Expenses menu under Office Supplies instead  TSO transfers the individual expenses to Schedule C Part V. It totals them on Line 48 ($11,923) and then transfers the total to Line 27a |
|  |  |  | Total business expenses are now $12,121 ($198 + 11,923), which TSO populates on Sch C Line 28 |
|  |  | **Sch C** | TSO calculates net profit/loss from business of $55 on Sch C Line 31 (losses are Out of Scope)  TSO transfers the net profit to 1040 Line 12 & to NJ 1040 Line 17 |
|  |  |  | **Self-Employment Taxes & Adjustment** |
|  |  |  | Self-employment taxes and the associated adjustment to income are only due if net self-employment income is $400 or more. Since Laura's Sch C profit is only $55, she is not subject to self-employment taxes on 1040 Line 57 |
|  | **Notes** |  | **Alimony Received** |
|  |  | Federal section \ Income \ Enter Myself \ Alimony Received |  |
|  |  | Taxpayer Amount of Alimony Received | Using a scratch pad on TaxPrep4Free.org Preparer page, calculate the amount of alimony that Laura received last year ($300 per month x 3 months) **SEE WORK PRODUCT – SCRATCH PADS**  Enter $900 as amount of alimony received  TSO transfers to 1040 Line 11 & to NJ 1040 Line 24 |
| **9** | **Notes** |  | **Sch A Itemized Deductions - Medical & Dental Expenses** |
|  |  |  | Based on the small amount of itemized deductions that Laura has, you can tell that they will not exceed her standard deduction of $9,300. However, you should still enter her medical and dental expenses, since they might exceed the 2% of NJ gross income threshold necessary for her to claim NJ medical expenses |
|  |  | Federal section \ Deductions \ Enter Myself \ Itemized Deductions \ Medical & Dental Expenses |  |
|  | Premiums for Supplemental Insurance | Medical and Dental Insurance | Enter $1,000 as the amount Laura paid for her supplemental insurance |
|  | Doctor Bills | Amounts Paid to Doctors/Dentists | Enter $200 as co-pays and deductibles for doctor and dental bills |
|  |  |  | For the Federal return, Laura's medical expenses do not exceed 10% of her AGI so she cannot claim any medical expenses on Sch A |
|  |  |  | For the NJ return, TSO calculates the amount that is greater than 2% of NJ Gross Income ($28,735 x .02 = $575). It further calculates an allowable NJ medical expense deduction of $625 ($1,200 - 575) on NJ 1040 Line 30 |
|  | Gifts to Charity |  | You don't have to probe with Laura to find out the details of her small amount of charitable donations. Since her itemized deductions will not exceed the standard deduction, TSO will just transfer the standard ($9,300) to 1040 Line 40 |
| **10** | **Notes** |  | **Child and Dependent Care Expenses** |
|  |  | Federal section \ Deductions \ Enter Myself \ Credits Menu \ Child Care Credit (Form 2441) | Even though Laura's ex-husband is claiming John as a dependent, Laura can still claim the child-care expenses she paid for John. She is the custodial parent, and John lived with her for more than ½ the year. She can also claim the expenses for George. See Pub 2012 Page G-6 for details |
|  |  |  | Click on Add button in Step 1 section to add a child care provider |
|  | **Child Care Provider Info** | ID Number | Click on EIN, and enter Acme Day Upkeep's EIN # |
|  |  | Provider's Name | Enter Acme Day Care as the provider's name |
|  |  | Provider's Address | Enter Acme Day Care’s address |
|  |  | Amount Paid to Provider for Child Care | Enter $1,793 for child care amount paid to provider |
|  |  |  | Click on Add button to enter the information for the second provider |
|  |  | ID Number | Click on SSN/ITIN, and enter Edna Loy's SS # |
|  |  | Provider's Name | Enter EDNA as the provider’s first name and LOY as the last name |
|  |  | Provider's Address | Enter Enda’s address |
|  |  | Amount Paid to Provider for Child Care | Enter $400 for child care amount paid to Edna  The total amount paid to providers is $2,193 |
|  |  |  | Click on Step 2 Dependents |
|  | **Dependent Info** | Qualifying Dependent Expenses |  |
|  |  | Dependent Expenses for John | Enter $1,103 ($903 + 200) as the amount paid for qualifying dependent expenses for John |
|  |  | Dependent Expenses for George | Enter $1,090 ($890 + 200) as the amount paid for qualifying dependent expenses for George |
|  | **Qualifying Persons Info** |  | You do not need to go to Step 3 since there are no other qualifying persons that were not listed in Step 2 |
|  |  |  | The total amount paid to the providers of the child care must equal the total expenses paid for all qualifying dependents ($1,793 + 400 = $2,193 is the same total as $1,103 + 1,090 = $2,193) |
|  |  |  | Click on Continue to Page 2 |
|  | **2411 Page 2** | Additional Income for Taxpayer for This Credit section | The Credit for Dependent Care Expenses is for individuals who paid for child care so that they could work. For this credit to calculate, the taxpayer and the spouse, if applicable, must each have earned income. There are exceptions to the rule for disabled or full-time students who were unable to work. The Additional Income section on Page 2 is used for these exceptions. It helps you calculate how much to add to income for a nonworking spouse for the purpose of calculating this credit only. No income would actually be added to income on the tax return  Since Laura had earned income on her W-2s, the additional income part of Page 2 does not need to be completed |
|  |  | Employer Paid Dependent Care Benefits | If the employer had paid any dependent care benefits for the employee and noted that amount on the W-2 in Box 10, TSO would automatically subtract that amount when calculating the credit. If the employee receiveond any employer paid dependent care benefits that were not included on the W-2, you would enter the amount manually on this line  Laura did not receive any employer paid dependent care benefits |
|  |  |  | TSO creates Form 2441 to claim this credit. It calculates that the allowable credit is $61  TSO transfers this amount to 1040 Line 49 as a nonrefundable credit |
| **11** | **Notes** |  | **Credit for the Elderly or Disabled** |
|  |  | Federal section \ Deductions \ Enter Myself \ Credits Menu \ Credit for the Elderly or Disabled (Schedule R) | TaxSlayer does not automatically check eligibility for the Credit for the Elderly or Disabled; the preparer must use the chart on Pub 4012 Page G-14 to manually determine potential eligibility. If you think the client is potentially eligible, then you must enter the information that TSO needs to calculate official eligibility and the amount of the credit, if any |
|  |  |  | Laura does not qualify for this credit. Her AGI is over the limit for Head of Household. Therefore, you do not have to enter anything into TSO |
| **12** | **Notes** | **Health Insurance Section** | **ACA Health Insurance** |
|  |  | Health Insurance Coverage in 2016 | Answer Yes to question, "Did you or your family have health insurance at any time in 2016?" |
|  |  | Marketplace Coverage | Answer No to question, "Did you purchase health insurance via HealthCare.gov or a State Marketplace?" |
|  |  | Verify Your Household Members | You do not need to do anything on this screen since there are no additional household members that are neither a spouse nor a dependent. Also, you do not need to go to the Basic Information section to add or remove any dependents |
|  |  | 12-Month Coverage | Answer Yes to question, "Was your entire household insured for all 12 months of 2016?" since everyone was insured the whole year |
|  |  |  | TSO checks the full-year coverage box on 1040 Line 61 |
|  |  |  | Now that you have completed the TSO Health Insurance section, you know that your entries in Part VI of the Intake/Interview Sheet are all accurate. No corrections are necessary |
|  |  |  | **State Section (New Jersey)** |
|  |  |  | As you have been completing the Federal section, you have been collecting information for areas where NJ tax law requires different handling than the Federal. Now you will enter that information into the State section |
| **13a** | **NJ Checklist** |  | **NJ Checklist - Basic Information** |
|  |  |  | You need to click Continue a number of times when you are on a NJ screen until you get back to the original State screen. It is only then that TSO will recalculate the refund monitors. Make sure you see the spinning circles that indicate that TSO is recalculating |
|  |  | State section \ Edit \ Enter Myself \ Basic Information | You answered most of the Basic Information questions when the NJ return was started in Step 1. It may appear that TSO did not save all of your answers because some of those questions still say Select in the Answer field. If your answer was the same as TSO's default answer, it will not populate the answer on this screen. Any answers that are different than the default will show your answer  There are a few additional questions that may still need to be completed, based on the client's situation |
|  | Disabled row | Were you disabled as of 12/31/2016? | Answer Yes to indicate that Laura was disabled as of the end of the tax year. Based on this answer, TSO will calculate an additional exemption on Laura's NJ 1040 Line 8 |
| **13b** | **NJ Checklist** |  | **NJ Checklist - Income Subject to Tax** |
|  |  | State section \ Edit \ Enter Myself \ Income Subject to Tax |  |
|  | Adjustments to Line 19a row | Enter Military Pension or Survivor's Benefit Payments Received - Taxpayer | You should have already noted the disability pension amount on the Checklist in Step 6  Enter $-5,400 to subtract the disability pension from NJ pension income on NJ 1040 Line 19a  NOTE: You are entering the disability pension amount on the military pension line as a workaround. Currently, that is the only way to subtract that amount from NJ pension income |
| **13c** | **NJ Checklist** |  | **NJ Checklist - Subtraction from Income** |
|  |  | State section \ Edit \ Enter Myself \ Subtractions from Income |  |
|  | Disability Status | Disabled as Per SSA Guidelines | You should have already noted the fact that Laura is totally and permanently disabled, as per SSA guidelines, on the Checklist in Step 5a  Click on Edit button on Pension Exclusion line  Choose Yes from the drop-down menu to answer the question, “Disabled as per SSA Guidelines?”  Based on this answer and other information that you have already entered, TSO determines that Laura is eligible for a pension exclusion. Since she has $5,000 of NJ taxable income on NJ 1040 Line 19a, TSO will populate an exclusion of $5,000 on Line 27a |
| **13d** | **NJ Checklist** |  | **NJ Checklist - Credits** |
|  |  | State section \ Edit \ Enter Myself \ Credits |  |
|  | Property Tax row | Did You Meet Property Tax Eligibility Requirements? | Answer Yes to indicate that Laura meets the requirements to claim a NJ property tax deduction\credit |
|  |  | Enter Property Taxes Paid | Laura can claim 18% of her rent as property taxes paid. Using a scratch pad on TaxPrep4Free.org Preparer page, calculate the total rent she paid for the year ($755 x 6 = $4,530 + $798 x 6 = $4,788). The total is $9,318. When you calculate 18% of the total, Laura can claim $1,677 as property taxes **SEE WORK PRODUCT – SCRATCH PADS**  Enter $1,677 as property taxes |
|  |  | Were You a Homeowner in 2016? | Answer No since the Laura was not a homeowner last year |
|  |  |  | TSO determines that it is better for Laura to claim the property tax credit than the deduction.  TSO transfers $50 to NJ 1040 Line 49 |
| **13e** | **NJ Checklist** |  | **NJ Checklist - Tax** |
|  |  | State section \ Edit \ Enter Myself \ Tax |  |
|  | Use Tax Row | Use Tax Due on Out-of-State Purchases | Laura did not make any purchases that are subject to Use Tax, so you do not have to do anything in this step in TSO |
| **13f** | **NJ Checklist** |  | **NJ Checklist - Payments** |
|  |  | State section \ Edit \ Enter Myself \ Payments | Nothing to enter into TSO |
| **13g** | **NJ Checklist** |  | **NJ Checklist - Miscellaneous Forms** |
|  |  | State section \ Edit \ Enter Myself \ Miscellaneous Forms | Nothing to enter into TSO |
|  |  | **E-File Section** |  |
|  |  |  | Resolve any warnings that TSO displays before moving on to EIC |
| **14** |  | **Form 8867 – Due Diligence Checklist** | **Due Diligence Checklist** |
|  |  | Qualifying Information and EIC Questions | TSO does a preliminary determination that Laura is eligible for EIC based on the AGI and earned income already entered. However, it needs the answers to additional questions before it can make a final determination. You must answer all the questions on the screen. Answer based on the information you have. At a minimum, you must answer Yes to question #3, “Did you complete the return based on information for tax year 2016 provided by the taxpayer or reasonably obtained by you?”  NOTE: Some of the due diligence questions may be removed for 2017 |
|  |  | Child Tax Credit Questions | TSO also asks for some additional information to determine eligibility for the Child Tax Credit |
|  |  |  | TSO brings up Form 8867 - EIC Checklist. For each section, it tells you if you answered the questions or if the section does not apply. If any button says, "Disqualified," you answered one of the questions wrong |
|  |  |  | Just hit Continue on the Miscellaneous Statement screen |
| **15a** | **Intake Sheet** |  | **E-File - Return Type** |
|  | Part VII | Federal Return Type | Per the Intake Sheet, Laura does not want to have her refund direct deposited  Choose E-file: Paper Check from the drop-down menu as the Federal return type |
| **15b** | **Notes** |  | **E-File - Tax Preparation & E-File Information** |
|  |  |  | The fees section does not apply to us |
|  |  | Client Email | Enter LauraLynch657483@mail.com as Laura's email |
|  |  |  | The E-file PINs are automatically generated |
| **15c** | **Notes** |  | **E-File - State Return(s)** |
|  |  | State Return Type | Per her interview, Laura wants to have her NJ refund check mailed also.  Choose E-file: Paper Check from the drop-down menu as the NJ return type |
| **15d** | **Notes** |  | **E-File - Taxpayer Bank Account Information** |
|  |  |  | Since Laura does not want direct deposit, the bank account section does not apply |
| **15e** | **Notes** |  | **E-File - Third Party Designee Info** |
|  |  |  | Do not fill in anything in this section |
| **15f** |  |  | **E-File - Consent Placeholder for Global Carry Forward** |
|  |  | I/we, the taxpayer, have read the above information. By typing in my/our taxpayer PIN(s) and checking this input, I/we hereby grant/deny consent to “Consent placeholder for Global Carry Forward” as stated above  Primary/Secondary PIN and date | Beginning in 2017 tax year, counselor will need to ask taxpayers if they will consent to carry forward their data from ANY still active VITA/TCE sites (global carry forward) into the following year  First, there will be a paragraph that will help the taxpayer understand global carry forward  The taxpayer must then either grant or deny permission for global carry forward, and the appropriate statement must be checked  The taxpayer’s PIN (5 numbers) and the date must be entered. If appropriate, spouse must do the same |
| **15g** | **Intake Sheet**  **Notes** |  | **E-File - Questions** |
|  |  | Other than English what language is spoken in your home? | Choose Polish from the drop-down menu |
|  |  | Are you or your spouse a Veteran from the US Armed Force? | Choose No from the drop-down menu |
|  |  | Do you or any member of your household have a disability? | Choose Yes from the drop-down menu |
|  |  | Was the taxpayer physically present during the entire return preparation and quality review process? | Choose Yes from the drop-down menu |
|  |  |  | Click Save. If you do not do so, you may lose your answers if you leave the E-file section |
| **15h** |  |  | **E-file – State ID (Optional)** |
|  |  |  | Ignore this screen |
| **15i** |  |  | **E-File - Submission** |
|  |  |  | When and How to check boxes on this page varies from one District / Site to another - Please follow local procedures |
|  |  |  | After the return is reviewed, you can print a copy of the returns for the client from this Submission screen or from the Office Client List screen. Custom print sets can be created in your district to choose which pages from the PDF should be printed |