| **Step** | **Form / Note** | **TSO Navigation Path / Screen Line** | **Learning Points** |
| --- | --- | --- | --- |
| **0** | **Intake Sheet** |  |  |
|  | SS Cards |  | On Intake/Interview Sheet, change first name of grandson to David, which is name on Social Security card |
|  | Notes |  | Fill in Page 1, shaded area, based on info in Notes: - Question 1 – NO for all - Question 2 – NO for all - Question 3 – YES for all - Question 4 – YES for all - Question 5 – YES for allBased on these answers & Pub 4012 (Page C-5), each of the 3 can be claimed as a Qualifying Child for dependency |
|  | Notes in Step 16 | Health Care Coverage Section, gray-shaded area labeled “To Be Completed by Certified Volunteer Preparer” | Based on your client interview, you should fill in the shaded area in Section VI for Health Care Coverage. You can then modify as needed when you complete the TSO Health Insurance section (Step 16)Enter Karl on taxpayer line and check MEC Entire Year boxEnter Karla on spouse line; under Part Year MEC, circle April through December; under Notes, enter “SRP for January – March”Enter Kendra on dependent line; under Part Year MEC, circle January through June and September through December; under Exemption, circle July and August; under Notes write, “short-term coverage gap exemption”Enter Dave on dependent line; the rest of Dave’s entries are the same as Kendra’sEnter Carmen on dependent line and check MEC Entire Year box |
| **1** | **Intake Sheet** |  | **Basic Information** |
|  | Part II | Basic Information \ Filing Status | Use Chart on 4012 Page B-1 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; change Kara's last name to Bryant |
|  |  |  | 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. If the taxpayer has moved, change the resident state. TSO uses this to start the correct state return  |
|  | Part VII | Basic Information \ Personal Information | Check box that taxpayer wishes to contribute $3 to the Presidential Election Campaign Fund; do not check for spouse |
|  |  | 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: |
|  |  |  | * 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) **SEE WORK PRODUCT – NJ TAX MUNICIPALITY LOOKUP TOOL**
 |
|  | 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

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 NO to indicate that Karl does not wish to contribute to the Gubernatorial Elections Fund; answer YES for Kara
 |
|  |  |  | * 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 |
|  |  | NJ Checklist | 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 State section later |
|  | Part I | Basic Information section* Disabled row
 | Since neither Karl nor Kara is disabled, circle NO for each on the NJ Disability row for entry later in the State section |
|  | Part II Notes | * Number of Dependents Under Age 22 that Attended College Full Time row
 | Since Kendra is under 22 and a full-time college student, note this information in the NJ Checklist Basic Information section for entry later in the State section (to claim an extra NJ dependency exemption) **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 lineKendra (TSO automatically populates last name the same as taxpayer’s) – Daughter, 12 months lived in home, full-time student at a post-secondary education institution box checkedDavid Thomas (Name on SS card, so update last name automatically populated by TSO) - Grandchild, 12 months lived in homeCarmen Bryant – Sister, 12 months lived in home, disabled box checked |
| **2** | **W-2** |  | **W-2 for Acme School** |
|  |  | Federal section \ Income \ Enter Myself \ Wages and Salaries (W-2) |  |
|  | Box e | Employee | Click on Kara as the employee |
|  |  | Employee's Name & Address fields | TSO populates Kara'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 $13,817 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 6TSO transfers Box 1 wages to 1040 Line 7 |
|  | Box 2 | Federal Tax Withheld | Enter $987 as Federal tax withheldTSO transfers to 1040 Line 64 |
|  | Box 12 | Box 12 Codes & Amounts | Enter code DD & $765. This represents the total cost that employee and employer paid for employer-sponsored health coverage plan. Cannot use this amount for medical expenses on Sch A since it includes employer contributions also |
|  | Box 14 | Box 14 Codes & Amounts | Choose the type of other NJ withholdings listed in Box 14 from the drop-down menu & enter associated amountsTSO transfers the appropriate withholdings to Sch A Line 5a for the State Income Taxes deduction. Total is now $98 The 414H entry indicates a pension contribution that cannot be claimed on Sch A Line 5a and also does not qualify for the Form 8880 Credit for Qualified Retirement Savings Contributions. So choose "Retirement (Not in Box 12) - Do not carry to Form 8880" from the drop-down menu |
|  | Box 15 | State NameState EIN | Choose New Jersey from the drop-down menuEnter 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. If not, correct amount in Box 16TSO transfers to NJ 1040 Line 14. |
|  | Box 17 | State Income Tax | Enter $693 as state income tax withheldTSO transfers to NJ 1040 Line 48 & to Sch A line 5a. Line 5a is now $791 ($98 + 693) |
| **3** | **W-2** |  | **W-2 for Acme Corp** |
|  |  | 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 | Check that this W-2 is for Karl |
|  |  | Employee's Name & Address fields | TSO populates Karl'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 $28,134 as Federal wages. TSO automatically populates the amounts in Boxes 3-6On the printed W-2, the amounts for SS wages in Box 3 & Medicare wages in Box 5 are different from Box 1 amount because Karl made a pre-tax contribution to a 401k plan which is not included in Federal wages (shown as Code D in Box 12). Manually change the amounts in Boxes 3 & 5 to match the printed W-2 ($31,088). TSO recalculates Boxes 4 & 6. Do not worry about calculated cents being different from printed form; they will round to the same numberTSO transfers Box 1 wages to 1040 Line 7. Total wages are now $41,951  |
|  | Box 2 | Federal Tax Withheld | Enter $2,176 as Federal tax withheldTSO transfers to 1040 Line 64. Total Federal tax withheld is now $3,163  |
|  | Box 12 | Box 12 Codes & Amounts | Enter code D & $2,954. This represents Karl's contribution to his 401K plan |
|  |  |  | Enter code DD & $3,252. This represents the total cost that employee and employer paid for employer-sponsored health coverage plan. Cannot use this amount for medical expenses on Sch A since it includes employer contributions also |
|  | Box 13 | Box 13 | Ensure that Retirement Plan is checked. This is important in calculating the deductibility of IRA contributions |
|  | Box 14 | Box 14 Codes & Amounts | Choose the type of other NJ withholdings listed in Box 14 from the drop-down menu & enter associated amountsTSO transfers the appropriate withholdings to Sch A Line 5a for the State Income Taxes deduction. Line 5a is now $998 |
|  | Box 15 | State NameState EIN | Choose New Jersey from the drop-down menuEnter employer's state ID number (if not automatically populated) |
|  | Box 16 | State Wages | TSO automatically populates state wages with the amount from Box 1. Since Box 16 state wages are different from the Federal wages, manually change Box 16 to match the printed W-2 ($29,334). Further probing indicates that the difference between Box 1 & Box 16 wages is due to pre-tax Federal, after-tax NJ dental insurance premiums withheld from Karl's pay. Note this information in the Subtractions from Income section of the NJ Checklist for entry later in the TSO State section. Note $1,200 on the Pre-Tax (Federal) / Post Tax (NJ) Medical from W-2(s) row **SEE WORK PRODUCT – NJ CHECKLIST** TSO transfers Box 16 NJ wages to NJ 1040 Line 14. Total NJ wages is now $43,151  |
|  | Box 17 | State Income Tax | Enter $1,674 as state income tax withheld TSO transfers to NJ 1040 Line 48 (now $2,367) & to Sch A line 5a (now $2,672)  |
| **4** | **Notes** |  | **Seller Financed Mortgage** |
|  |  | Federal section \ Income \ Enter Myself \ Interest and Dividends (1099-INT, 1099-DIV) \ Interest or Dividend Income \ Seller Financed Interest Income |  |
|  |  | Payer's Name | Enter Charles Campbell as person who paid the interest |
|  |  | Taxpayer, Spouse, or Joint | Check that the interest was paid to Karl, the taxpayer |
|  |  | Payer's SS # & Address | Enter the SS # and address for Charles Campbell |
|  |  | Interest Income | Enter $2,782 as the interest receivedTSO transfers to Sch B Line 1, to 1040 Line 8a & to NJ 1040 Line 15a |
|  |  | Federal section \ Income \ Enter Myself \ Interest and Dividends (1099-INT, 1099-DIV) \ Did You Have Interest in a Foreign Bank Account? | Since the Kents have more than $1,500 in taxable interest income, they have to answer 2 questions:* Did you at any time during this tax year, have an interest in or a signature or other authority over a financial account in a foreign country, such as a bank account, securities account, or other financial account?
* Did you at any time during the tax year receive a distribution from, or were the grantor of, or transferor to, a foreign trust?

TSO assumes the answers to these 2 questions are No. If that is not true, you must go to the Interest in a Foreign Bank screen to check the appropriate answers |
| **5** | **1099-INT** |  | **1099-INT for Acme Bank** |
|  |  | Federal section \ Income \ Enter Myself \ Interest and Dividends (1099-INT, 1099-DIV) \ Interest or Dividend Income \ Interest Income, Form 1099-INT | Click on Add an Interest and Dividends line so that you can enter the 1099-INT. Click on Interest Income, Form 1099-INT to enter Federal taxable interest |
|  | Payer's Name & Address | Payer's Name | Enter Acme Bank as payer's name |
|  | Recipient's Name & Address | Taxpayer, Spouse, or Joint | Check that the interest was paid to Karl, the taxpayer  |
|  | Box 1 | Interest Income | Enter $456 as taxable income |
|  | Box 2 | Early Withdrawal Penalty | Enter $46 as an early withdrawal penalty for taking money out of a CD earlyOn the Federal 1040, the entire amount of interest is reported on 1040 Line 8a (total now $3,238), while the early withdrawal penalty is transferred as an adjustment to income on 1040 Line 30On the NJ 1040, the early withdrawal penalty is netted against the taxable interest, and the difference ($410) is transferred to NJ 1040 Line 15a. Total NJ taxable interest is now $3,192  |
| **6a** | **1099-INT** |  | **1099-INT for Acme Brokerage Statement (Interest only)**  |
|  |  |  | In the Federal section of TSO, you must enter Federal taxable interest income on a separate screen from Federal tax-exempt interest |
|  |  | Federal section \ Income \ Enter Myself \ Interest and Dividends (1099-INT, 1099-DIV) \ Interest or Dividend Income \ Interest Income, Form 1099-INT | Click on Add an Interest and Dividends line. Click on Interest Income, Form 1099-INT to enter Federal taxable interest |
|  | Payer's Name & Address | Payer's Name | Enter Acme Brokerage as payer's name |
|  | Recipient's Name & Address | Taxpayer, Spouse, or Joint | Check that the interest was paid to Karl, the taxpayer  |
|  | Line 1 | Interest Income (Line 1) | Enter $123 for taxable interestTSO transfers to Sch B Line 1, to 1040 Line 8a (total now $3,361) & to NJ 1040 Line 15a (total now $3,315) |
|  | Line 3 | Interest on U.S. Savings Bonds and Treasury obligations (Box 3) | Enter $2,455 for taxable interest on U.S. Savings Bonds. (Not tax-exempt for Federal unless it is used for education expenses, not house repairs)TSO transfers to Sch B Line 1 & to 1040 Line 8a. Total Federal taxable interest is now $5,816Interest on U.S. Savings Bonds is not taxable in NJ. Therefore, enter $2,455 on the line that says, "Amount of Interest on U.S. Savings Bonds and Treasury Obligations that you want subtracted from your state return"Choose NJ from the drop-down menuTSO transfers to NJ 1040 Line 15b for tax-exempt interest (total $2,455), instead of Line 15a for taxable interest (total still $3,315) |
|  | Line 4 | Federal Tax Withheld (Box 4) | Enter $245 for tax withheldTSO transfers to 1040 Line 64. Total Federal tax withheld is now $3,408  |
| **6b** |  | Federal section \ Income \ Enter Myself \ Interest and Dividends (1099-INT, 1099-DIV) \ Interest or Dividend Income \ Tax Exempt Interest Income, Form 1099-INT, Box 8 or Form 1099-DIV, Box 10 | Click on Add an Interest and Dividends line. Click on Tax Exempt Interest Income, Form 1099-INT, Box 8 or Form 1099-DIV, Box 10 to enter Federal tax-exempt interest |
|  | Payer's Name & Address | Payer's Name | Enter Acme Brokerage as payer's name |
|  | Recipient's Name & Address | Taxpayer, Spouse, or Joint | Check that the interest was paid to Karl, the taxpayer  |
|  | Line 8 | Interest Income | Enter $338 as Federal tax-exempt interestTSO transfers to 1040 Line 8b |
|  | Line 8New Jersey Muni Bond line under Interest Detail |  | To determine how much of the Federal tax-exempt interest is taxable for NJ, you must examine the detail behind the tax-exempt interest. Interest on NJ bonds are tax-exempt for NJ as well as for the Federal. Therefore, you do not have to do anything special for NJ once you have entered the Federal tax-exempt interestTSO transfers $149 to NJ 1040 Line 15b. Total NJ tax-exempt interest is now $2,604 |
|  | Line 8Georgia Muni Bond line under Interest Detail | Taxable State Interest Item | Interest on municipal bonds from states other than NJ are taxable for NJ even though they are tax-exempt for the Federal. Therefore, click on Add Interest Items button to add state taxable interest items.Choose New Jersey from the drop-down menu as StateChoose Taxpayer from the drop-down menu as OwnerEnter $189 as the amount that should be added as taxable interest for NJTSO transfers to NJ 1040 Line 15a. Total NJ taxable interest is now $3,504 |
| **7a** | **1099-DIV** |  | **1099-DIV for Acme Brokerage Statement (Dividends only)** |
|  |  | Federal section \ Income \ Enter Myself \ Interest and Dividends (1099-INT, 1099-DIV) \ Interest or Dividend Income \ Dividend Income, Form 1099-DIV | Click on Add an Interest and Dividends line. Click on Dividend Interest Income, Form 1099-DIV to enter taxable dividends |
|  | Line 1a | Ordinary Dividends | Enter $232 as ordinary dividendsTSO transfers to Sch B Line 5, to 1040 Line 9a, & to NJ 1040 Line 16 |
|  | Line 1b | Qualified Dividends | Enter $125 as qualified dividendsTSO transfers to 1040 Line 9b  |
|  | Line 2a | Capital Gain to Schedule D | Enter $69 as capital gains distributionTSO transfers to 1040 Line 13 & to NJ 1040 Line 18 |
|  | Line 3 | Nondividend Distributions | Enter $2 as nondividend distributionsNondividend distributions are return of capital. They are not taxable when they are distributed, but they should be entered into TSO anyway. They should be subtracted from the cost basis when the investment is sold |
|  | Line 6 | Foreign Tax Withheld | Enter $4 as foreign tax paidTSO transfers to 1040 Line 48  |
| **7b** |  | Federal section \ Income \ Enter Myself \ Interest and Dividends (1099-INT, 1099-DIV) \ Interest or Dividend Income \ Tax Exempt Interest Income, Form 1099-INT, Box 8 or Form 1099-DIV, Box 10 | Click on Add an Interest or Dividends line. Click on Tax Exempt Interest Income, Form 1099-INT, Box 8 or Form 1099-DIV, Box 10 to enter Federal exempt-interest dividends |
|  | Payer's Name & Address | Payer's Name | Enter Acme Brokerage as payer's name |
|  | Recipient's Name & Address | Taxpayer, Spouse, or Joint | Check that the interest was paid to Karl, the taxpayer  |
|  | Line 10 | Interest Income | Enter $200 as exempt interest dividends received from a regulated investment company (mutual fund) TSO transfers to 1040 Line 8b. Total Federal tax-exempt interest is now $538  |
|  |  |  | Look at the Exempt-Interest Dividends detail to determine if the federal exempt-interest dividend is treated the same or differently for NJ. The rule is that interest attributable to NJ bonds held by mutual funds is only tax-exempt in NJ if the mutual fund is a “NJ Qualified Investment Fund” (has 80% or more of its investments in obligations that are exempt from NJ income tax - New Jersey will usually be part of fund name). See instructions for NJ 1040 Line15b and GIT-5 for more details, as well as NJ Special Handling document on TaxPrep4Free  |
|  | Line 10 Select US General Fund |  | The Select US General Fund is not a NJ Qualified Investment Fund since it is not NJ specific. Therefore, the exempt interest attributable to NJ is taxable (10%), as well as the part attributable to all other states (60%), together totaling 70%. The only part that is tax exempt on the NJ return is the part attributable to the US obligations (30%)  |
|  | Line 10 Select NJ Qualified Fund |  | The Select NJ Qualified Fund is considered a "NJ Qualified Investment Fund," so the exempt interest attributable to NJ obligations (65%) is tax exempt, along with the part for US obligations (20%). Only the part attributable to all other states (15%) is taxable |
|  |  |  | **SEE WORK PRODUCT – 1099-DIV NJ TAXABLE PART OF LINE 10** |
|  |  | Taxable State Interest Item | Click on Add Interest Items button to add the amounts that are taxable for NJChoose New Jersey from the drop-down menu as StateChoose Taxpayer from the drop-down menu as OwnerEnter $85 ($70+15) as the amount that should be added as taxable for NJTSO transfers the taxable interest to NJ 1040 Line 15a. Total NJ taxable interest is now $3,589 TSO transfers the tax-exempt interest to NJ 1040 Line 15b. Total NJ tax-exempt interest is now $2,719  |
| **8** | **1099-G****Notes** |  | **Prior Year State Income Tax Refund - 1099-G, Line 2** |
|  |  | Federal section \ Income \ Enter Myself \ State & Local Refunds (1099-G Box 2) | The state income refund that the Kents received for last year may be taxable if the Kents received a tax benefit last year by claiming state income taxes. This means that they itemized last year and claimed State Income Taxes on Sch A Line 5a, instead of Sales Tax on Line 5b. Since the Kents did this, you have to determine how much of their state tax refund is taxable this year |
|  | Line 2 | State Tax Refunds | Enter the $437 NJ income tax refund from prior year (Use link to NJ Form 1099-G Inquiry on TaxPrep4Free.org Preparer page to verify amount) |
|  | Notes | Last Year’s (2015 Tax Return) Standard\Itemized Deductions Found on Line 40 Form 1040 | Enter $13,884 as last year’s itemized deductions |
|  |  | Last Year’s Filing Status (2015 Tax Return) | Choose Married Filing Jointly from the drop-down menu as the filing status for last year |
|  |  | Last Year’s (2015 Tax Return) Deductions for Age 65 and Over or Blind  | Since Karl was born in 1945, he would have been eligible to claim the Over 65 deduction on last year's return. Kara was not over 65. Neither were blindCheck the box for “Check here if Taxpayer claimed the Age 65 and older deduction last year” |
|  |  |  | TaxSlayer uses information on the last 2 lines to determine the standard deduction the Kents could have claimed last year if they didn’t itemize ($13,850) |
|  |  | Prior Year State Tax Withheld | Enter $3,287 as last year’s state income taxes withheld on Sch A Line 5a |
|  |  | Prior Year Sales Tax Deduction | On the printed 1040 from last year, you will only see the amount on Sch A line 5a or 5b (whichever one was actually claimed). Since the Kents claimed 5a, you would have to use the NJ Sales Tax Worksheet on TaxPrep4Free.org Preparer page to calculate the amount of sales tax that would have been on Line 5b (Don’t have to do that here, since notes give you the answer)Enter $3,077 as the amount that would have been on Sch A Line 5b  |
|  |  |  | Last year's refund is only taxable to the extent that itemized deductions for last year exceeded the standard deduction ($13,884 – 13,850 = $34) or state income tax exceeded state sales tax ($3,287 – 3,077 = $210). Therefore, only $34 of the refund is taxable this year TSO transfers the taxable part of last year's refund to 1040 Line 10 |
|  |  |  | A state tax refund is not taxable on the NJ return |
|  |  |  | For some clients, last year’s 1040 might show that the total of deductions (Line 40) + exemptions (Line 42) is greater than AGI (Line 38). When this occurs, the client actually had negative taxable income, even though the taxable income on Line 43 is never shown as less than zero. In this situation, the negative amount can be subtracted from the income tax refund received this year when calculating how much is taxable. TSO does not handle this situation, so use the State Tax Refund worksheet on TaxPrep4Free.org Preparer page instead  |
| **9** | **1099-MISC** |  | **1099-MISC and Self Employment for Acme Services** |
|  |  | Federal section \ Income \ Enter Myself \ Form 1099-MISC |  |
|  | Payer's Name & AddressPayer 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? | Check that the 1099-MISC is for Kara  |
|  |  | Recipient Information | TSO populates Kara's name & address info from the Basic Information section. If 1099-MISC info is different, make necessary changes |
|  | Box 7 | Nonemployee Compensation | Enter $1,637 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" |
|  | **Notes** |  | **Sch C for Acme Services** |
|  |  | **Basic Information**Federal section \ Income \ Enter Myself \ Profit or Loss From A Business (Schedule C) \ Basic Information about Your Business |  |
|  |  | Business Owner | Click on Kara as owner of the business |
|  |  | Name & Address | Leave blank since there is no separate business name  |
|  |  | Business Code | Enter 561410 as the business code. Click on "Click here for a list of business codes" to search for the appropriate code. You can also use links to Sch C Business Codes or NAICS Search Tool on TaxPrep4Free.org Preparer’s page. Use Ctrl + F within any of those tools to search for specific words |
|  |  | Description of Business | When you enter the business code, TSO will automatically populate the description associated with that code, "Document preparation" |
|  |  | **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 | Cash is already checked as the accounting method (anything else is Out of Scope) |
|  |  | Method Used to Value Closing Inventory | Cost is already checked as the method used to value inventory (anything else is Out of Scope) |
|  |  | Material Participation | Box that says, " Check here if you "materially participated" in the operation of this business during the tax year" is already checked (if you didn’t materially participate, Out of Scope)None of the other boxes should be checked since they do not apply. |
|  |  | **Income**Federal section \ Income \ Enter Myself \ Profit or Loss From A Business (Schedule C) \ Income |  |
|  |  | Gross Receipts or Sales | TSO has already included $1,637 as Total Income from Form 1099-MISC. Now enter the $1,082 in cash income Kara received from other doctorsTSO transfers the total income ($2,719) to Sch C Line 1 |
|  |  | **Car & Truck Expenses**Federal section \ Income \ Enter Myself \ Profit or Loss From A Business (Schedule C) \ Car & Truck Expenses |  |
|  |  | Description of Vehicle | Enter Ford Mustang as the description of vehicle |
|  |  | Date You Placed Your Vehicle in Service for Business Purposes | Enter 01/02/2012 as the date the car was placed in service for the business |
|  |  | Business Miles | Enter 420 business miles (35 miles x 12 months). TSO calculates a business mileage expense of $227 (420 miles x $.54 per mile) |
|  |  | Other | Enter 10,000 as other miles |
|  |  | Checkboxes | Check box that says, "Check if you have (or your spouse has) another vehicle available for personal use." |
|  |  |  | 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 $227 business mileage expense to Sch C Line 9 & all the other car & truck info to Sch C Part IV |
|  |  | **Other Expenses**Federal section \ Income \ Enter Myself \ Profit or Loss From A Business (Schedule C) \ Other Expenses |  |
|  |  | Office expense | Enter description and amounts for Kara’s other expenses ($45 for paper + $68 for printer cartridge). You could instead enter the expenses on the correct lines under General Expenses, but it is sometimes difficult to figure out which particular line to use for an expense TSO transfers the individual expenses to Sch C Part V and the total ($113) to Sch C Line 27a |
|  |  |  | TSO calculates total business expense of $340 ($113 + 227), which it populates on Sch C Line 28 |
|  |  | **Sch C** | TSO calculates net profit/loss from business of $2,379 (losses are Out of Scope)TSO transfers the net profit to 1040 Line 12 & to NJ 1040 Line 17 |
|  |  | **Sch SE for Spouse** | **Self-Employment Tax & Adjustment for Acme Services** |
|  |  | Line 12 | Kara has to pay self-employment tax on her self-employment income from Sch C. This tax consists of Social Security tax (12.4%) and Medicare tax (2.9%) for a total of 15.3%. It is similar to the Social Security and Medicare taxes withheld from the pay of most wage earners TSO calculates that Kara's self-employment tax is $336TSO transfers the self-employment tax to 1040 Line 57  |
|  |  | Line 13 | Kara is allowed to deduct one-half (the employer-equivalent portion) of her self-employment tax as an adjustment to income TSO calculates that the deduction for one-half of the self-employment tax is $168TSO transfers the deduction for one-half of the self-employment tax to 1040 Line 27 |
| **10** | **Notes** |  | **Capital Loss Carryover** |
|  |  | Federal section \ Income \ Enter Myself \ Capital Gain and Losses (Schedule D) \ Other Capital Gains Data (including Capital Loss Carryover)  |  |
|  |  | Long Term Loss Carryover from 2015  | Enter $2,534 as long-term loss carryover (enter as a positive number)TSO transfers a loss of ($2,534) to Sch D Line 14. That line already reflected $69 of capital gains distribution, so the total is now -$2,465 |
|  |  |  | The Federal refund changed, but NJ refund does not, because NJ does not allow carryover losses |
| **11a** | **1099-B** |  | **Brokerage Statement for Acme Brokerage (Capital Gains/Losses Only) - Part 1 - 1099-B** |
|  |  | Federal section \ Income \ Enter Myself \ Capital Gain and Losses (Schedule D) \ Capital Gains and Loss Items |  |
|  | Description | Description of Property | Enter 50 RIMI (# of shares + symbol of stock) as description of property |
|  | Date Acquired | Date Acquired | Enter 9/1/2002 as date acquired |
|  | Date Sold | Date Sold | Enter 5/10/2016 as date sold |
|  | Proceeds | Sales Price | Enter $3,462 as sales price |
|  | Basis Not Reported | Select Cost Basis Type | Choose 1099-B, Box 3 Cost Basis NOT Reported to the IRS from the drop-down menu  |
|  | Cost or Other Basis |  Cost | Enter $3,181 as cost basis |
|  |  | Adjustment to Gain or Loss | No adjustment to profit/loss needed |
|  |  |   | TSO calculates a long-term gain of $281 |
|  |  |  | Click Save and Enter Another  |
|  | Description | Description of Property | Enter 100 RIMI (# of shares + symbol of stock) as description of property |
|  | Date Acquired | Date Acquired | Enter 9/1/2002 as date acquired |
|  | Date Sold | Date Sold | Enter 10/20/2016 as date sold |
|  | Proceeds | Sales Price | Enter $7,226 as sales price |
|  | Basis Not Reported | Select Cost Basis Type | Choose 1099-B, Box 3 Cost Basis NOT Reported to the IRS from the drop-down menu  |
|  | Cost or Other Basis | Cost | Enter $6,362 as cost basis |
|  |  | Adjustment to Gain or Loss | No adjustment to profit/loss needed |
|  |  |   | TSO calculates a long-term gain of $864 |
|  |  |  | Click Save and Enter Another |
|  | Description | Description of Property | Enter 100 RUST (# of shares + symbol of stock) as description of property |
|  | Date Acquired | Date Acquired | Enter 11/1/1999 as date acquired |
|  | Date Sold | Date Sold | Enter 9/23/12016 as date sold |
|  | Proceeds | Sales Price | Enter $1,700 as sales price |
|  | Basis Not Reported | Select Cost Basis Type | Choose 1099-B, Box 3 Cost Basis NOT Reported to the IRS from the drop-down menu  |
|  | Cost or Other Basis |  Cost | Enter $3,200 as cost basis |
|  |  | Adjustments to Gain or Loss | Enter $100 as a positive adjustment to the loss for this sale |
|  |  | Adjustment Explanation | This shows a code W in the Adjustment Code column. Check Pub 4012 Page D-26 to see W indicates a wash sale. A wash sale means that Karl sold a security at a loss, but he purchased something substantially identical within 30 days before or after the sale. Therefore, he was not allowed to claim $100 of the lossChoose Nondeductible Loss From a Wash Sale from the drop-down menu as the adjustment explanation  |
|  |  |  | TW calculates a long-term loss of $1,400 ($1,700 - 3,200 + 100) |
|  |  |  | Click Save and Enter Another |
|  | Description | Description of Property | Enter 65 RIDE (# of shares + symbol of stock) as description of property |
|  | Date Acquired | Date Acquired | Click on Alternate Option for the date acquired. Choose Inherited - Long Term from the drop-down menu |
|  | Date Sold | Date Sold | Enter 10/20/2016 as date sold |
|  | Proceeds | Sales Price | Enter $8,663 as sales price |
|  | Basis Not Reported | Select Cost Basis Type | Choose 1099-B, Box 3 Cost Basis NOT Reported to the IRS from the drop-down menu  |
|  | Cost or Other Basis |  Cost | Enter $7,222 as cost basis (Fair Market Value on date of uncle's death) |
|  |  | Adjustment to Gain or Loss | No adjustment to profit/loss needed |
|  |  |   | TW calculates a long-term gain of $1,441 |
|  |  |  | Click Continue |
|  |  | **8949 with Code E Checked** | **Long-Term Capital Gains with No Cost Reported to IRS** |
|  |  |  | TSO transfers all the long-term capital gains transactions with no cost basis reported to the IRS |
|  |  | **Sch D** | **All Capital Gains Transactions** |
|  |  | Line 9 | TSO transfers totals from 8949 with Code E Checked (Sales Price $21,051, Cost $19,965, Adjustments to Gain or Loss $100, Gain or Loss $1,186) |
| **11b** | **1099-B** |  | **Brokerage Statement for Acme Brokerage (Capital Gains/Losses Only) - Part 2 - 1099-B** |
|  |  | Federal section \ Income \ Enter Myself \ Capital Gain and Losses (Schedule D) \ Capital Gains and Loss Items  | Click on Add a Capital Gains Transaction line |
|  |  |  | You are allowed to consolidate a number of 1099-B transactions, instead of entering each one separately, as long as the transactions are all in the same category. Since all these transactions are the same 1099 code A (short-term transactions with cost reported to IRS), you can consolidate all of them and just report the totals. You would need to enter a separate line for the consolidation of each other 1099 Code grouping (B, D, E). Also, since the cost basis on all these transactions has been reported to the IRS, there is no need to mail in copies of the brokerage statement and Forms 8949 |
|  | Description | Description of Property | Enter Acme Brokerage as description of property |
|  | Date Acquired | Date Acquired | Click on Alternate Option under dated acquired. Choose Various - Short Term from the drop-down menu |
|  | Date Sold | Date Sold | Enter 4/15/2016 (latest date of the consolidated transactions) or 12/31/2016 (last day of the year) as date sold |
|  | Proceeds | Sales Price | Enter $13,7000 as sales price |
|  | Basis Reported to IRS | Select Cost Basis Type | Choose 1099-B, Box 3 Cost Basis Reported to the IRS from the drop-down menu  |
|  | Cost or Other Basis |  Cost | Enter $13,600 as cost basis |
|  |  | Adjustments to Gain or Loss | Enter $0 as adjustment to gain or loss |
|  |  | Adjustment Explanation | Choose Reporting Multiple Transactions on a Single Row from the drop-down menu as the adjustment explanation  |
|  |  |   | TSO calculates a long-term gain of $100 |
|  |  | Click Continue |  |
|  |  | **8949 with Code A Checked** | **Short-Term Capital Gains with Cost Reported to IRS** |
|  |  |  | TSO transfers the short-term consolidated capital gains transaction with the cost basis reported to the IRS |
|  |  | **Sch D** | **All Capital Gains Transactions** |
|  |  | Line 1b | TSO transfers totals from 8949 with Code A Checked (Sales Price $13,700, Cost $13,600, Gain or Loss $100) |
| **11c** | **1099-B** |  | **Brokerage Statement for Acme Brokerage (Capital Gains/Losses Only) - Part 3 - 1009-B** |
|  |  | Federal section \ Income \ Enter Myself \ Capital Gain and Losses (Schedule D) \ Capital Gains and Loss Items  | Click on Add a Capital Gains Transaction line |
|  |  |  | You are allowed to consolidate a number of 1099-B transactions, instead of entering each one separately, as long as the transactions are all in the same category. Since all these transactions are the same 1099 code D (long-term transactions with cost reported to IRS), you can consolidate all of them and just report the total. Also, since the cost basis on all these transactions has been reported to the IRS, there is no need to mail in copies of the brokerage statement and 8949 |
|  | Description | Description of Property | Enter Acme Brokerage as description of property |
|  | Date Acquired | Date Acquired | Click on Alternate Option under dated acquired. Choose Various - Long Term from the drop-down menu |
|  | Date Sold | Date Sold | Enter 12/15/2016 (last date of the consolidated transactions) or 12/31/2016 (last day of the year) as date sold |
|  | Proceeds | Sales Price | Enter $13,800 as sales price |
|  | Basis Reported to IRS | Select Cost Basis Type | Choose 1099-B, Box 3 Cost Basis Reported to the IRS from the drop-down menu  |
|  | Cost or Other Basis |  Cost | Enter $13,600 as cost basis |
|  |  | Adjustments to Gain or Loss | Enter $0 as adjustment to gain or loss |
|  |  | Adjustment Explanation | Choose Reporting Multiple Transactions on a Single Row from the drop-down menu as the adjustment explanation  |
|  |  |   | TSO calculates a long-term gain of $200 |
|  |  |  | Click Continue |
|  |  | **8949 with Code D Checked** | **Long-Term Capital Gains with Cost Reported to IRS** |
|  |  |  | TSO transfers the long-term consolidated capital gains transaction with the cost basis reported to the IRS |
|  |  | **Sch D** | **All Capital Gains Transactions** |
|  |  | Line 8b | TSO transfers totals from 8949 with Code D Checked (Sales Price $13,800, Cost $13,600, Gain or Loss $200) |
|  |  | Line 7Line 13Line 14Line 15 | TW totals everything on Sch D:Net S/T Gain $100Capital Gains Distribution (from 1099-DIV) $69L/T Capital Loss Carryover -$2,534Net L/T Capital Loss -$1,079 |
|  |  | **Sch D Pg 2** | **All Capital Gains Transactions** |
|  |  | Line 16 | Bottom line for Sch D is a net long-term loss of -$979On the Federal 1040, up to ‑$3,000 of capital loss can be applied against other ordinary income, so TSO transfers the full -$979 Sch D loss to 1040 Line 13. There is no loss left to carry over to next year Since NJ does not allow capital loss carryover, only the transactions from the current tax year are transferred to NJ 1040 Line 18. Calculating all the gains & losses from the brokerage statement + the capital gains distribution, the NJ net gains from disposition of property are $1,555  |
| **12** | **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 & AddressPayer 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? | Check that the 1099-R is for Karl  |
|  |  | Recipient Information | TSO populates Karl'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 ($838) |
|  | Box 2a | Taxable Amount | TSO automatically transfers the gross amount from Box 1 into Box 2a as the taxable amount ($838). If the taxable amount should be something different, you must manually change it |
|  | Box 7 | Distribution Code | Enter code 7 for normal distributionEnsure 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 |
|  |  |  | TSO transfers the taxable amount in Box 2a ($838) to 1040 Line 15b TSO also transfers the taxable amount in Box 2a to NJ 1040 Line 19a. However, the entire line 19a amount is offset by the NJ Pension Exclusion on Line 27a. Therefore, there is no change to the NJ Taxable Income on Line 39 |
| **13** | **1099-R** |  | **1099-R for Acme Trust** |
|  |  | Federal section \ Income \ Enter Myself \ IRA/Pension Distributions (1099-R, RRB-1099-R, SSA-1099) \ Add or Edit a 1099-R | Click on Add a Form 1099-R IRA/Pension Distribution(s) line |
|  | Payer's Name & AddressPayer 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 and address, type it in |
|  | Recipient's Name & Address | Whose 1099-R is this? | Check that the 1099-R is for Karl  |
|  |  | Recipient Information | TSO populates Karl'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 ($11,755)TSO transfers the gross amount to 1040 Line 15a, which now totals $12,593  |
|  | Box 2a | Taxable Amount | Enter $0 for the taxable amount of pension or leave blank, since the code G in Box 7 indicates that this is a direct IRA trustee-to-trustee rolloverNothing is transferred to 1040 Line 15b or to NJ 1040 Line 19  |
|  | Box 7 | Distribution Code | Enter code GEnsure that the IRA box is checked in Box 7 |
|  |  | Rollover or Disability | Click on line that says, "Check here if all/part of the distribution was rolled over, and enter the rollover amount." Enter $11,755 as the amount rolled over (Must be done even if Box 7 is code G) |
|  |  |  | TSO will print the word “ROLLOVER” on the printed 1040 Line 15. This word will not show on the 1040 under Summary/Print |
| **14** | **1099-R** |  | **1099-R for Defense Finance & Accounting Svc** |
|  |  | Federal section \ Income \ Enter Myself \ IRA/Pension Distributions (1099-R, RRB-1099-R, SSA-1099) \ Add or Edit a 1099-R | Click on Add a Form 1099-R IRA/Pension Distribution(s) line |
|  | Payer's Name & AddressPayer 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 and address, type it in |
|  | Recipient's Name & Address | Whose 1099-R is this? | Check that the 1099-R is for Karl  |
|  |  | Recipient Information | TSO populates Karl'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 ($1,200) |
|  | Box 2a | Taxable Amount | TSO automatically transfers the gross amount from Box 1 into Box 2a as the taxable amount ($1,200). If the taxable amount should be something different, you must manually change itTSO transfers the taxable amount to 1040 Line 16b & to NJ 1040 Line 19a (total now $2,038)Since a military pension is not taxable for NJ, note this amount in the Income Subject to Tax section of the NJ checklist for entry later in the TSO state section to subtract it from NJ pensionEnter --$1,200 on the Adjustments to: Line 19a row **SEE WORK PRODUCT – NJ CHECKLIST** |
|  | Box 7 | Distribution Code | Enter code 7 for a normal distribution |
| **15** | **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 | Click on Add a Form 1099-R IRA/Pension Distribution(s) line |
|  | Payer's Name & AddressPayer 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 and address, type it in |
|  | Recipient's Name & Address | Whose 1099-R is this? | Check that the 1099-R is for Karl  |
|  |  | Recipient Information | TSO populates Karl'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 ($18,625)TSO transfers the gross amount to 1040 Line 16a. The total gross for the two pensions is now $19,825  |
|  | Box 2a | Taxable Amount | Since the taxable amount is not determined, you must use the Simplified General Rule Worksheet to determine how much of the pension is taxableClick on “Click here for options” under Box 2a to access the WorksheetThen click on the Begin button for the Simplified General Rule Worksheet |
|  |  | Simplified Method Qualification | Read the instructions on when you should use the Simplified Method. Click Continue to proceed since Karl can use this method |
|  |  | Simplified General Rule Worksheet  | TSO populates the Gross Distribution Amount from Box 1Enter $5,864 as the plan cost at the annuity start date (from Box 9b)Enter 1/1/2015 as the starting date of the annuityDo not check that this is a joint or survivor annuityEnter 69 as the age of recipient at start dateEnter 12 as number of months paid in 2016Enter $335 as amounts previously recovered  |
|  |  | Simplified General Rule Worksheet Summary | TSO calculates that $18,290 of the pension is taxable.Click Continue to use the calculated taxable amount on your 1099-RTSO transfers $18,290 to Box 2a as the taxable amount. It also transfers that amount to 1040 Line 16b (total now $19,490) & to NJ 1040 Line 19a (total now $20,328) |
|  |  |  | Since this pension also contains a tax-exempt amount, that amount should be noted in the Income Subject to Tax section of the NJ checklist for entry later in the TSO state section to adjust 1040 Line 19bEnter $335 ($18,625 - 18,290) on the Adjustments to: Line 19b row **SEE WORK PRODUCT – NJ CHECKLIST** |
|  |  |  | Alternatively, you can use the link to the Annuity Calculator on the TaxPrep4Free.org Preparer page to calculate the taxable part of the pension (instead of the TSO Worksheet). This calculator allows you to enter the recipient's birth date, and it will calculate the age at the pension start date. This may eliminate potential miscalculations. It also can be printed out to track the recovered amounts and remaining cost for next year's return. It shows that the amount excluded from taxation will be the same each year that the pension is received, except if the first and last years are partial yearsIf you use this calculator, you must manually enter the taxable amount in Box 2a in TSO |
|  | Box 2b | Taxable Amount Not Determined | Click on Taxable Amount Not Determined box |
|  | Box 4 | Federal Income Tax Withheld | Enter $1,715 as Federal income tax withheldTSO transfers to 1040 Line 64. Total Federal tax withheld is now $5,123  |
|  | Box 7 | Distribution Code | Enter code 7 for a normal distribution |
|  |  |  | The NJ Refund amount did not change for the previous 3 1099-Rs because the taxable amount of those pensions on NJ 1040 Line 19a was totally offset by the Pension Exclusion on Line 27a. When this Acme Pensions 1099-R is entered, Line 19a ($20,328) now exceeds the Pension Exclusion ($20,000), so NJ Taxable Income and Refund now change  |
|  |  |  | The rule for the NJ Pension Exclusion states that the exclusion cannot be greater than the taxable pension amount on Line 19a. It also states, "When you and your spouse file a joint return and only one of you is 62 or older, you may still claim the maximum pension exclusion ($20,000). However, only the pension, annuity, or IRA withdrawal of the spouse who is 62 or older or disabled may be excluded." Therefore, if the Acme Pensions 1099-R was for Kara (who is under 62), it would not be included in the calculation for the pension exclusion. Karl's taxable pension income would still be under the full $20,000 pension exclusion amount, and some of the exclusion would be lost. All of this distribution (if for Kara) would be taxable |
| **16** | **K-1** |  | **K-1 for Acme Partners** |
|  |  | Federal section \ Income \ Enter Myself \ Other Income \ K-1 Earnings \ Sch K-1 (Form 1065) |  |
|  | Box F |  | Check that the Partnership is for Kara  |
|  | Boxes B & A | Partnership's Name |  |
|  |  | Partnership's EIN | Enter Partnership's EIN. TSO populates name & address if in database. Always check to make sure it matches printed K-1; address can frequently change. Make necessary corrections. If TSO does not populate name and address, type it in |
|  |  |  | Check box that says, "This K-1 is from a Passive Entity" |
|  |  |  | Check box that says, "All Investment is At-Risk"Do not check any other boxes |
|  |  |  | Click Continue |
|  | Box 5 | Interest Income | Enter $123 as interest incomeTSO transfers to 1040 Line 8a (total now $5,939) & NJ 1040 Line 15a (total should now be $3,712). However, TSO appears to have a system bug that is not transferring K-1 taxable interest to NJ return so total is still showing $3,589) |
|  | Box 6a | Ordinary Dividends | Enter $234 as ordinary dividends TSO transfers to 1040 Line 9a (total now $466) & NJ 1040 Line 16 (total now $466) |
|  | Box 6b | Qualified Dividends | Enter $200 as qualified dividendsTSO transfers to 1040 Line 9b (total now $325) |
|  | Box 7 | Royalties | Enter $650 as royaltiesTSO automatically creates a Sch E & transfers $650 to Line 4 as royalties income. It then transfers that amount to 1040 Line 17 & NJ 1040 Line 22 |
|  | Box 8 | Net short-term capital gain (loss) | Enter $123 as net short-term gainTSO transfers to Sch D Line 5 |
|  | Box 9a | Net long-term capital gain (loss) | Enter $234 as net long-term gainTSO transfers to Sch D Line 12The bottom-line total for Sch D Line 16 is now a -$622 net loss, which TSO transfers to 1040 Line 13The total for NJ 1040 Line 18 is now $1,912 |
|  | Box 18A | Tax Exempt Interest Income | Enter $321 as tax exempt interest incomeTSO transfers to 1040 Line 8b (Total is now $859) & NJ 1040 Line 15b (Total is now $3,040) |
| **17** | **1099-G** |  | **1099-G (Unemployment) for NJ Department of Labor** |
|  |  | Federal section \ Income \ Enter Myself \ Unemployment Compensation (1099-G Box 1) \ Add or Edit a 1099-G |  |
|  | Payer's Name & AddressPayer 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-G; address can frequently change. Make necessary corrections. If TSO does not populate name and address, type it in |
|  | Recipient's Name & Address |  | Check that the 1099-G is for Kara  |
|  |  | Recipient Information | TSO populates Kara's address info from the Basic Information section. If printed 1099-G info is different, make necessary changes |
|  | Box 1 | Unemployment Compensation | Enter $2,550 as unemployment compensationTSO transfers to 1040 Line 19Unemployment is not taxable for NJ, so nothing is transferred to the NJ 1040 |
|  | Box 4 | Federal tax withhold | Enter $120 as Federal tax withheld TSO transfers to 1040 Line 64 (total now $5,243 |
| **18** | **SSA-1099** |  | **SSA-1099 for Social Security** |
|  |  | Federal section \ Income \ Enter Myself \ IRA/Pension Distributions (1099-R, RRB-1099-R, SSA-1099) \ Social Security Benefits/RRB-1099 |  |
|  | Box 5 | Taxpayer's Social Security Benefit | Enter $13,682 as Karl's SS benefit. Always enter the amount in Box 5. It will be highlighted in pink on a real SSA-1099 TSO transfers to 1040 Line 20aSince Social Security is not taxable for NJ, nothing is transferred to the NJ 1040 |
|  |  |  | TSO calculates how much of the Social Security is taxable on 1040 Line 20b (based on 1/2 of the Social Security + other gross income on 1040). Taxable amount now is $11,630. If other income changes, TSO will re-calculate the taxable part of Social Security as needed |
|  | Box 6 | Taxpayer's Federal Tax Withheld | Enter $360 as Federal Tax withheldTSO transfers to 1040 Line 64 (total now $5,603) |
|  | Description box | Taxpayer's Medicare Premiums | Enter $1,985 as Karl's Medicare premiums.You can use the Medicare premiums scratch pad on the TaxPrep4Free.org Resource page to document if there are payments for more than one type of Medicare premiums - **SEE WORK PRODUCT – SSA 1099 MEDICARE SCRATCH PAD** |
|  |  |  | TSO includes the Medicare premiums as a Sch A itemized medical deduction. Even though they are included, they do not show on the medical deduction screen |
|  |  |  | Social Security income is not taxable for NJ. However, medical expenses over 2% of NJ Gross Income on Line 28 can be claimed as a deduction on Line 30. TW calculates the 2% ($52,475 x .02 = $1,050). It then subtracts the 2% from the Medicare premiums ($1,985 - 1,050 = $935) to determine the amount of medical expenses to claim. The medical deduction causes NJ Taxable Income and Refund to change |
| **19a** | **W-2G** |  | **W-2G for New Jersey Lottery** |
|  |  | Federal section \ Income \ Enter Myself \ Other Income \ Gambling Winnings W-2G | This step only deals with gambling winnings. Any offsetting gambling losses are dealt with in the Itemized Deductions section |
|  | Winner's Name & Address | This W-2G Issued To: | Click that the W-2G is for the Spouse  |
|  |  | Payee's Address | TSO populates Kara's address info from the Basic Information section. If printed W-2G info is different, make necessary changes |
|  | Payer's Name & AddressPayer Federal ID # | Payer's ID # | 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 and address, type it in |
|  | Box 1 | Gross Winnings | Enter $200 as gross winnings. Since the Federal taxes gross gambling winnings, TSO transfers $200 to 1040 Line 21 and populates GAMBLING WINNINGS as the Other Income Type |
|  |  |  | NJ does not tax lottery winnings less than or equal to $10,000 in one instance. Since this lottery winnings is only $200, it is not taxable for NJHowever, you must still note this information in the Income Subject to Tax section of the NJ Checklist in order to calculate the net gambling winnings for entry later in the TSO State section. Note +$200 as Total Gambling Winnings and -$200 on the NJ Line 23 - Gambling Winnings row as NJ Lottery Winnings (<=10,000) **SEE WORK PRODUCT – NJ CHECKLIST** |
|  | Box 2 | Date Won | Enter 4/14/2016 as date won |
|  | Box 3 | Type of Wager | Enter LOTTERY as type of wager |
| **19b** | **W-2G** |  | **W-2G for Acme Casino** |
|  |  | Federal section \ Income \ Enter Myself \ Other Income \ Gambling Winnings (W-2G) | Click on Add a W-2G Gambling Winnings lineThis step only deals with gambling winnings. Any offsetting gambling losses are dealt with in the Itemized Deductions section (For 2017, TSO is planning to allow you to enter gambling losses on the W-2G screen) |
|  | Winner's Name & Address | This W-2G Issued To: | Click that the W-2G is for the Spouse  |
|  |  | Payee's Address | TSO populates Kara's address info from the Basic Information section. If printed W-2G info is different, make necessary changes |
|  | Payer's Name & AddressPayer Federal ID # | Payer's ID # | 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 and address, type it in |
|  | Box 1 | Gross Winnings | Enter $1,100 as gross winnings. Since the Federal taxes gross gambling winnings, TSO transfers $1,100 to 1040 Line 21. Total is now $1,300  |
|  |  |  | Note this information in the Income Subject to Tax section of the NJ Checklist in order to calculate the net gambling winnings for entry later in the TSO State section. Add +$1,100 to the $200 already on the NJ Line 23 - Gambling Winnings row as Total Gambling Winnings (total now $1,300) **SEE WORK PRODUCT – NJ CHECKLIST** |
|  | Box 2 | Date Won | Enter 5/1ambling5/2016 as date won |
|  | Box 3 | Type of Wager | Enter BACCARAT as type of wager |
|  | Box 4 | Federal tax withheld | Enter $110 as Federal tax withheld (total now $5,713) |
|  **20** | **1099-C** |  | **1099-C Cancellation of Debt for Acme Cards** |
|  |  | Federal section \ Income \ Enter Myself \ Other Income \ Cancellation of Debt (1099-C, Form 982) \ Cancellation of Debt (Form 1099-C) |  |
|  | Debtor's Name & Address | Form Belongs to: | Click on Kara as the owner of the 1099-C |
|  | Creditor's Name & AddressCreditor's Federal ID # | Creditor's Name & Federal Identification Number | Enter Acme Cards as the creditor's name. Enter EIN |
|  | Box 2 | Amount of Debt Cancelled | Enter $625 as the amount of debt cancelledTSO transfers to 1040 Line 21 (total now $1,925) |
|  |  |  | Since cancellation of debt income is not taxable in NJ, TSO does not transfer the $625 to NJ 1040 Line 25 (NEW SINCE THE BEGINNING OF 2016 SEASON) |
| **21** | **Notes** |  | **Educator Expenses** |
|  |  | Federal section \ Deductions \ Enter Myself \ Adjustments \ Educator Expenses |  |
|  |  | Spouse's Educator Expenses | Enter $240 as Kara's educator expensesTSO transfers to 1040 Line 23 as an adjustment to income |
|  |  | Sch A, Line 21 | If the amount spent was greater than the maximum $250 allowed as Educator Expenses, you could claim the excess over $250 as Unreimbursed Employee Expenses (subject to 2% of AGI limitation) - N/A for this problem |
| **22** | **Notes** |  | **Alimony Paid**  |
|  |  | Federal section \ Deductions \ Enter Myself \ Adjustments \ Alimony Paid |  |
|  |  | Recipient's SSN | Enter SS # of ex-wifeTSO transfers to 1040 Line 31b. This will appear on the printed 1040 only; it does not show on the 1040 under Summary/Print |
|  |  | Amount Paid | Enter $3,500 as amount of alimony paid to ex-wifeTSO transfers to 1040 Line 31a & to NJ 1040 Line 31 |
| **23** | **Notes** |  | **IRA Contributions** |
|  |  | Federal section \ Deductions \ Enter Myself \ Adjustments \ IRA Deduction |  |
|  |  | Enter amount of IRA Contribution made by Spouse | Enter $3,000 as the amount of Kara's contribution to her traditional IRA. All of the contribution will be deductible this tax year (See IRA Deduction Worksheet in PDF). The tax will be deferred until the money is withdrawn from the accountTSO transfers the traditional IRA contribution to 1040 Line 32 as an adjustment to incomeNOTE: Do not enter the Roth IRA contribution on this screen (see below) |
|  |  |  | Contributions to a traditional IRA are not deductible for NJ. However, if the taxpayer keeps track of amounts contributed, he/she may be able to exempt that amount from NJ taxation when the money is taken out of the IRA |
|  |  | Taxpayer Retirement Plan | Click that Karl has a retirement plan. This is confirmed because the Retirement Plan box is checked on Karl's W-2 (Box 13) |
|  |  | Spouse Retirement Plan | Click that Kara does not have a retirement plan |
|  |  | Federal section \ Deductions \ Enter Myself \ Credits Menu \ Retirement Savings Credit Form 8880 |  |
|  |  |  | If the Kents meet the eligibility criteria for the Retirement Savings Credit on 4012 Page G-9, you should enter Kara’s contribution to her Roth IRA in the spouse section. You should also complete the information about any distributions received after 2013 and before the due date of the return. These will be subtracted from the total contributions that Karl ($2,954 on W-2) and Kara ($6,000) made to retirement accounts. TSO will then calculate whether the Kents will receive this credit. Since we know that Karl received distributions in 2016 that are greater than their contributions, they will not receive this credit |
|  **24** | **Notes** |  | **Student Loan Interest** |
|  |  | Federal section \ Deductions \ Enter Myself \ Adjustments \ Student Loan Interest Deduction |  |
|  |  | Total Interest Paid on Qualified Student Loans | Kara incurred the student loan to obtain her teaching degree. She is legally responsible to repay the loan. If student loan interest is paid by someone who is not legally liable for it (Kaleb), the payment is treated as received by the person who is legally liable (Kara), and the person legally liable is allowed to take the adjustmentEnter $278 as the total interest paid on qualified student loansTSO transfers to 1040 Line 33 as an adjustment to income |
|  **25a** | **Notes** |  | **Deductions - Medical & Dental Expenses** |
|  |  | Federal section \ Deductions \ Enter Myself \ Itemized Deductions \ Medical & Dental Expenses | The IRS allows you to deduct qualified medical expenses that exceed 10% of your AGI or 7.5% if you or your spouse is 65 or older **(For 2017, it is 10% for all taxpayers)**NJ allows you to deduct qualified medical expenses that exceed 2% of NJ Gross Income  |
|  | Medicare |  | Medicare premiums were already entered when Social Security SSA-1099 was entered. The premiums are included in medical expenses, but they do not show up on the Medical Deductions screen |
|  | Section 125 Medical (W-2) |  | Section 125 medical premiums that are withheld from a paycheck are pre-tax for the Federal. The employee already receives a benefit since the premiums are not included in Wages in Box 1 of the W-2. Therefore, they cannot also be claimed as a medical deduction on Sch ASection 125 medical premiums are after-tax for NJ. They are included in NJ Wages in Box 16. Therefore, they can be claimed as medical expenses on NJ 1040 Line 30 (Entry discussed later in State section) |
|  | Premiums for Marketplace Policies |  | The Kents purchased a Marketplace policy for Kendra and Dave (Step 34). These premiums can also be claimed as medical expenses. However, in order to determine the correct amount to claim, you must first calculate the amount of Premium Tax Credits that the Kents are entitled to. Therefore, you must wait until Step 34b to enter these medical expenses |
|  | Doctor Bills | Amounts Paid to Doctors/Dentists | Enter $1,653 as doctor bills |
|  | Prescription Drugs | Prescriptions | Enter $965 for prescription expenses |
|  | Hospital Bills | Hospital Care | Enter $3,200 for hospital bills |
|  | Prescription Eyeglasses | Medical Aids or Other Medical Expenses | Enter $210 for David's prescription eyeglasses. It does not matter whether you enter them on the Medical Aids line or as Other Medical Expenses |
|  | Wheelchair | Medical Aids | Enter $290 for Carmen's wheelchair |
|  | Medical mileage | Medical Miles Driven | Enter 1,236 miles. TSO will calculates the amount that can be claimed based on $.19 per mile ($235)  |
|  | Funeral expenses |  | Not deductible |
|  | Long Term Care Insurance | Qualified Long-Term Care Premiums | Click on Add Premiums button.Choose Kara from the drop-down menuEnter $4,100 as total premiums paidTSO calculates the correct amount of long-term care premiums that can be claimed, based on Kara's attained age as of 12/31 ($3,900)  |
|  |  |  | Total allowable medical expenses are now $12,438 |
|  |  |  | TSO calculates the amount that is greater than 7.5% of Federal AGI ($79,998 x .075 = $6,000). If both spouses were under 65, they could only claim medical expenses greater than 10% of AGI. For 2017, all taxpayers will be subject to the 10% limitation  |
|  |  |  | TSO calculates an allowable Federal medical expense deduction of $6,438 ($12,438 - 6,000). If AGI changes due to later entries, TSO re-calculates the medical deduction automatically |
|  |  |  | Itemized Deductions on Compare Deductions screen are now $9,110 vs. a Standard Deduction of $13,850. The Kents will still use the standard deduction at this pointTSO transfers $13,850 to 1040 Line 40 |
|  |  |  | TSO calculates the amount that is greater than 2% of NJ Gross Income ($52,475 x .02 = $1,050). It further calculates an allowable NJ medical expense deduction of $11,388 ($12,438 – 1,050) on NJ 1040 Line 30. This amount will change later when you enter the NJ After-Tax Medical Premiums from Karl's W-2 that were noted on the NJ Checklist for later entry in the State sectionThe NJ Refund changed by $183 because you added to the medical deduction  |
|  **25b** | **Notes** |  | **Deductions - Taxes You Paid** |
|  |  | Federal section \ Deductions \ Enter Myself \ Itemized Deductions \ Taxes You Paid |   |
|  | **State Taxes Paid** |  | The Kents can claim either the state & local income taxes they have paid (Sch A Line 5a) **OR** the state sales tax (Line 5b), whichever is greater |
|  | **Sales Tax** | State and Local Sales Tax Paid | Click on Add Sales Tax Worksheet |
|  |  | Sales Tax Worksheet | Select New Jersey from the drop-down menu  |
|  |  |  | Enter zip code of locality. This is used when there is also a local sales tax. Even though NJ does not charge local sales tax, this is a required field. Therefore, just enter the Hales’ zip code |
|  |  |  | Enter 366 as number of days lived in the state (you will get an error message to consider if you put in 365 since 2016 was a leap year)If you do not enter at least the state, zip code and number of days, TSO will not consider the sales tax on Line 5b at all. It will just automatically choose state income taxes on Line 5a as the best option for the taxpayer |
|  |  |  | You do not have to enter the percentages for the state and local sales tax. TSO knows since you chose NJ |
|  |  |  | TSO uses sales tax charts to determine the allowable sales tax to claim. This is based on the taxpayer's state, tax rate, and total income (includes AGI plus non-taxable income) |
|  |  | General Sales Tax Paid | In addition to the sales tax charts amount, the taxpayer can also claim sales tax paid on specific big-ticket items (auto, boat, home, and home building material)Enter $2,100 as the amount of sales tax paid on a new car |
|  |  |  | TSO adds the sales tax paid on the car to the amount determined from the sales tax charts to calculate the total sales tax deduction on Sch A Line 5b ($3,119) |
|  | **2015 Estimated Tax Payment** | Prior Year 4th Quarter State Estimates Paid After 12/31/2015 | The Kents made their final NJ estimated tax payment for 2015 on 1/15/2016. Therefore, they can include that payment on 2016 Sch A Line 5aEnter $50 as Prior Year 4th Quarter State Estimates Paid After 12/31/2015 |
|  |  | Comparison of State Income Tax vs. State Sales Tax | TSO compares the state income tax amount accumulated on Sch A Line 5a from Boxes 14 and 17 on the W-2s ($2,672) plus the NJ estimated payment ($50) (total $2,722) vs. the state sales tax on Line 5b ($3,119) to determine which is better to claim. It populates Sch A Line 5 with $3,119 and checks the general sales tax box |
|  | **Real Estate Taxes** | Real Estate Taxes (Non-Business Property) | On Sch A, the Kents can claim the property taxes they paid on their principal residence in NJ ($7,135) plus the property taxes on an empty lot in Georgia ($245) Use the property tax scratch pad on TaxPrep4Free.org to document the total amount of property taxes they can claim - **SEE WORK PRODUCT – SCH A PROPERTY TAXES SCRATCH PAD**Enter $7,380 as property taxesTSO transfers to Sch A Line 6 |
|  |  |  | Total taxes you paid on Sch A Line 9 is $10,499 |
|  |  |  | The Kents meet the eligibility requirements to claim the NJ property tax deduction/credit. Note the real estate tax information in the Credits section of the NJ Checklist for entry later in the TSO State sectionNote $7,135 on the Property Tax Paid row **SEE WORK PRODUCT – NJ CHECKLIST****Note**: You can only claim the property taxes you paid on your principal residence for NJ; you cannot claim taxes on a second property |
|  |  |  | Itemized Deductions on Compare Deductions screen are now $16,937 vs. a Standard Deduction of $13,850. The Kents will now start to use itemized deductionsTSO transfers $16,937 to 1040 Line 40 |
|  |  |  | Itemized deductions went up by $7,827 after the entries in this step, which appears to be less than the total of the amounts you actually entered. This is because the Sch A state income taxes on Line 5a were previously being claimed, since they were higher than the state sales tax on Line 5b. Now that you entered the extra sales tax on the car, Line 5b becomes higher than Line 5a, but not by the full amount of the car sales tax  |
|  |  |  | The Modified AGI shown on the Taxes You Paid screen is used to calculate the sales tax deduction you can claim. You can see how it is calculated by looking at the NJ Sales Tax tool on TaxPrep4Free.org Preparer page. Notice that the income used in this calculation contains some nontaxable items (Line 3) which are not on the 1040, such as veteran’s benefits, nontaxable combat pay, workers’ compensation, public assistance payments, inheritances, etc. TSO automatically calculates the MAGI using all the other entries you have made. For the nontaxable items that are not on the 1040, add them to the income used to calculate sales tax by entering the total on the line, “Amount to Adjust the Modified AGI By”  |
|  |  |  | When you calculate Modified AGI for the sales tax deduction, you should add any inheritances you received during the tax year.To include this extra amount, enter $10,000 on the line that says, “Amount to Adjust the Modified AGI By” |
|  **25c** | **Notes** |  | **Deductions - Interest You Paid** |
|  |  | Federal section \ Deductions \ Enter Myself \ Itemized Deductions \ Mortgage Interest & Expenses \ Mortgage Interest Reported on Form 1098 | Click on Add Interest and Points Paid button |
|  | Lender's Name & Address | Lender's Name | Enter Acme Mortgage as the lender's name |
|  | Box 1 | Interest Paid | Enter $3,164 as the mortgage interest paid TSO transfers to Sch A Line 10 |
|  |  |  | Itemized Deductions on Compare Deductions screen are now $20,101 vs. a Standard Deduction of $13,850. The Kents will use itemized deductionsTSO transfers $20,101 to 1040 Line 40 |
|  **25d** | **Notes** |  | **Deductions - Gifts to Charity** |
|  | **Cash Gifts to Charity** | Federal section \ Deductions \ Enter Myself \ Itemized Deductions \ Gifts to Charity\ Cash Gifts to Charity  | You can enter cash gifts to charity one by one, or you can group all cash contributions as one single entry |
|  |  | Total Cash Amount Donated | Click on Override buttonUse a scratch pad on TaxPrep4Free.org to document all the cash donations ($1,650 + 225 +250 = $2,125) - **SEE WORK PRODUCT – CHARITABLE CASH**Enter $2,125 as total cash amount donatedTSO transfers to Sch A Line 16 |
|  |  |  | Donations to a political party are not deductible |
|  | **Non-Cash Gifts to Charity** | Federal section \ Deductions \ Enter Myself \ Itemized Deductions \ Gifts to Charity\ Non-Cash Gifts to Charity  |  |
|  |  | Non-Cash Less Than or Equal to $500 | Enter $350 as non-cash amount donatedTSO transfers to Sch A Line 17 |
|  |  |  | Total gifts to charity is now $2,475 |
|  |  |  | Itemized Deductions on Compare Deductions screen are now $22,576 vs. a Standard Deduction of $13,850. The Kents will use itemized deductionsTSO transfers $22,576 to 1040 Line 40 |
|  **25e** | **Notes** |  | **Deductions - Miscellaneous Deductions** |
|  |  | Federal section \ Deductions \ Enter Myself \ Itemized Deductions \ Miscellaneous Deductions |  |
|  | Gambling Losses | Gambling losses to the extent of gambling winnings | Use a scratch pad on TaxPrep4Free.org to total Kara's gambling losses ($612 + 832 = $1,444) **SEE WORK PRODUCT – SCRATCH PADS**You can only claim losses up to the extent of the gambling winnings. Since Kara won a total of $1,300, you can only claim $1,300 of the $1,444 lossesEnter $1,300 as gambling lossesTSO transfers to Sch A Line 28 **Note:** Be sure not to enter a number larger than the actual gambling winnings, since TSO will use whatever number you enter |
|  |  |  | NJ reports the net amount of gambling winnings and losses, rather than keeping them separate as the Federal does. You now need to calculate the net amount for NJ. To document this, note the following on the LIne 23 - Gambling Winnings line on the NJ Checklist:* $1,300 as Total Gambling Winnings (already entered in Steps 19a and 19b)
* $-200 as NJ Lottery Winnings (<= 10,000) (already entered in Step 19a)
* $-1,444 as Gambling Losses
* $-344 as Net Total

**SEE WORK PRODUCT – NJ CHECKLIST** |
|  |  |  | Speeding tickets cannot be claimed as itemized deductions |
|  |  |  | Itemized Deductions on Compare Deductions screen are now $23,876 vs. a Standard Deduction of $13,850. The Kents will use itemized deductionsTSO transfers $23,876 to 1040 Line 40 |
|  |  |  | If later entries change any number on Sch A, TSO will automatically compare the revised total itemized deductions against the standard deduction and re-populate 1040 Line 40 as appropriate |
| **26** | **Notes** |  | **Residential Energy Credit** |
|  |  | Federal section \ Deductions \ Enter Myself \ Credits \ Residential Energy Credit (Form 5695) |  |
|  |  | Main Home in the U.S. | Check the box on the line that says, "Check here if the energy efficiency improvements or residential energy property costs were made to your main home located in the United States." |
|  |  | New Construction | Do not check the box on the line that says, "Check here if any of these improvements were related to the construction of this main home" |
|  | **Nonbusiness Energy Property** | Address of Main Home | Click on line that says, "Use my main address." TSO populates the Kent's address from the Basic Information section |
|  |  | Insulation Material or Systems Specifically and Primarily Designed to Reduce Heat Loss or Gain in Your Home | Enter $175 for insulation materials |
|  |  | Exterior Windows | Enter $7,450 for new windows. TSO knows that the maximum credit for windows is $200 |
|  |  | Credit taken on your 2015 year Form 5695, line 30 | Enter $305 for the Nonbusiness Energy Property credit that the Kents took on last year's return |
|  |  |  | There is a maximum amount for this credit of $500 (windows $200) for all years after 2005. Since the Kents have already claimed a credit of $305, there is only $195 left to claim on the credit this yearTSO creates Form 5695 to claim this credit. It transfers $195 to 1040 Line 53 as a nonrefundable credit**Note:** This credit has expired for 2017 |
| **27** | **Notes** |  | **Child & Dependent Care Expenses** |
|  |  | Federal section \ Deductions \ Enter Myself \ Credits \ Child Care Credit Form 2441 | Click on Add button to add a child care provider |
|  | **Child Care Provider Info** | ID Number | Click on EIN (if not already checked) and enter EIN. TSO populates name & address if in database. Always check to make sure it is accurate. Make necessary corrections. If TSO does not populate name & address, type it in  |
|  |  | Provider's Name | Enter Acme Day Care as the provider's name |
|  |  | Provider's Address | Enter provider's address |
|  |  | Amount Paid to Provider for Child Care | Enter $1,100 for child care amount paid to provider |
|  |  |  | Click on Step 2 Dependents |
|  | **Dependent Info** |  | Click on Edit button for Dave |
|  |  | Qualifying Dependent Expenses | Enter $1,100 as the amount paid for qualifying dependent expenses for Dave |
|  |  |  | 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 |
|  |  |  | 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 people 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 the nonworking spouse for the purpose of calculating this credit only. No income would actually be added to income on the tax returnSince the Kents both had earned income on their 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 received any employer paid dependent care benefits that were not included on the W-2, you would enter the amount manually on this lineThe Kents did not receive any employer paid dependent care benefits |
|  |  |  | TSO creates Form 2441 to claim this credit. It calculates that the allowable credit is $220, 20% of qualified expensesTSO transfers to 1040 Line 49 as a nonrefundable credit |
| **28** | **Notes** |  | **Federal Payments & Estimates** |
|  | **Federal Payments** | Federal section \ Payments & Estimates \ Federal Estimated Payments for 2016 |  |
|  |  | Amount Applied from Prior Year Refund | Enter $200 as amount applied from last year's Federal tax refund toward this year's Federal taxes |
|  |  | Estimated Federal Tax Paid(6/15/2016) | Enter the $100 estimated tax payment made on 6/14/2016 |
|  |  | Estimated Federal Tax Paid(9/15/2016) | Enter the $100 estimated tax payment made on 9/15/2016 |
|  |  |  | TSO transfers the total of the amount applied from last year's refund ($200) plus the 2 estimated tax payments ($200) as Federal tax payments made in 2016 ($400) to 1040 Line 65 |
|  | **Vouchers for 2017 Estimated Taxes** | Federal section \ Payments & Estimates \ Vouchers for Next Year's Estimated Payments |  |
|  |  | Quarterly Payments | Enter $120 as the amount the Kents would like to pay each quarterTSO will include 4 vouchers in the print package for the Kents |
|  |  |  | Go over with the Kents how to make out their checks, where to send the payments, due dates, etc. as you review their return with them |
| **29** | **Notes** |  | **State Payments & Estimates** |
|  | **State Payments** | Federal section \ Payments & Estimates \ State Estimated Payments  |  |
|  |  | Amount Applied from Prior Year Refund | Enter $100 as amount applied from last year's NJ tax refund toward this year's state taxes |
|  |  | Estimated State Tax Paid on(6/15/2016) | Enter the $250 estimated tax payment made on 6/14/2016 |
|  |  | Estimated State Tax Paid on(9/15/2016) | Enter the $240 estimated tax payment made on 9/15/2016 |
|  |  | State Name | Choose New Jersey from the drop-down menu |
|  |  |  | TSO transfers the total of the amount applied from last year's refund plus the 2 estimated payments ($100 + 250 + 240 = $590) to NJ 1040 Line 50 |
|  |  |  | TSO also transfers $590 to Sch A Line 5a as State Income Taxes paid in 2016. Total itemized deductions are now $24,069 |
|  |  |  | Since the itemized deductions increased, the Federal refund also went up |
| **30** | **Notes** |  | **1098-T for Education Expenses** |
|  |  | Federal section \ Deductions \ Enter Myself \ Credits \ Education Credits (1098-T) | In this step, you are going to determine the best option for claiming the education expenses paid for Kendra. You must enter the info for 3 different options to see which yields the maximum benefit for the Kents:* Tuition & Fees Deduction (T&F deduction) – expired for 2017
* Lifetime Leaning Credit (LLC)
* American Opportunity Credit (AOC)
 |
|  |  |  | To determine the amount of qualified education expenses that can be claimed, you must subtract the amount of any scholarships/grants from the tuition and fees payments ($7,750 - 5,000 = $2,750). Then you must evaluate what other expenses qualify for each option. See chart on Pub 4012 Page J-2 for detailsQualified Expenses:* T&F deduction - tuition & fees ($2,750). Amount paid for books or computer cannot be claimed
* LLC - tuition & fees plus amounts paid for required books, etc. that must be paid to the educational institution ($2,750 + 250 = $3,000). Amount paid for computer cannot be claimed
* AOC - tuition & fees plus amounts paid for books, supplies & 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 ($2,750 + 250 + 400 = $3,400). The amount paid for a computer can only be claimed if it is a requirement for enrollment or attendance. Since the computer is not required in this case, the $850 cannot be claimed
 |
|  |  | Eligible Student | Be sure that Kendra is selected from the drop-down menu |
|  | **Tuition & Fees Deduction** |  | Click on T&F deduction |
|  |  | Qualified Expenses | Enter $2,750 |
|  |  |  | Note the Federal ($3,267) & NJ ($2,501) refund monitors before trying the next option Even though education expenses do not pertain to the NJ return, you should include the NJ refund amount in your calculations. This is because the NJ refund could change if the taxpayer is eligible for an earned income credit since the NJ EITC is based on a percentage of the Federal EIC |
|  | **Lifetime Learning Credit** |  | Click on LLC |
|  |  | Qualified Expenses | Enter $3,000 |
|  |  | Institution 1 | Enter name & address of educational institution |
|  |  | 2016 1098-T | Enter Yes that student received Form 1098-T from this institution for 2016 |
|  |  | 2015 1098-T | Enter No that student did not receive Form 1098-T from this institution for 2015 with Box 2 filled in and Box 7 checked |
|  | 1098-T Filer's Federal ID # | Institution's Federal ID # | Enter the institution's Federal ID # |
|  |  | Claimed Credit on 4 Prior Tax Returns | Enter No that the Hope Scholarship Credit or AOC has not already been claimed on 4 prior tax returns |
|  | 1098-T Box 8 | Half-Time Student | Enter Yes that the student was enrolled at least half time |
|  |  | Completion of First 4 years of Post-Secondary Education | Enter No that the student did not complete the first 4 years of post-secondary education before 2016 |
|  |  | Drug Felony | Enter No that the student was not convicted, before the end of 2016, of a felony for possession or distribution of a controlled substance |
|  |  |  | Note the Federal ($3,417) & NJ ($2,501) refund monitors before trying the next option  |
|  | **American Opportunity Credit** |  | Click on AOC |
|  |  | Qualified Expenses | Enter $3,400 |
|  |  | Other Questions | All the other questions that you answered for the LLC will still be answered for the AOC |
|  |  |  | Note the Federal ($5,167) & NJ ($2,501) refund monitors. This is the most beneficial way for the Kents to claim Kendra's education expenses, so you can leave everything on this screen as is |
|  |  |  | TSO creates Form 8863 to claim the AOC. The tax credit is based on 100 percent of the first $2,000 of qualifying expenses, plus 25 percent of the next $2,000. Therefore, the total credit is $2,350TSO calculates a nonrefundable credit of 60% of the total ($1,410). It transfers that amount to 1040 Line 50TSO also calculates a refundable credit of 40% of the total ($940). It transfers that amount to 1040 Line 68 |
| **31** | **Notes** |  | **1098-T for Education Expenses** |
|  |  | Federal section \ Deductions \ Enter Myself \ Credits \ Education Credits (1098-T) | Click on the Add button to add a second Form 8863 – Education Credit for Kara |
|  |  |  | In this step, you are going to determine the best option for claiming the education expenses paid for KaraKara is not eligible for the AOC; she is not pursuing a degree nor is she at least a half-time student Since the courses were not related to Kara’s self-employment, they cannot be a Sch C business expense eitherTherefore, you can just try 2 options to see which yields the maximum benefit for the Kents:* Tuition & Fees Deduction (T&F deduction) – expired for 2017
* Lifetime Leaning Credit (LLC)
 |
|  |  |  | The amount of qualified education expenses that can be claimed for either option is just the $1,000 paid for tuition & fees. The course-related books Kara purchased cannot be claimed because they are not required for enrollment  |
|  |  | Eligible Student | Be sure that Kara is selected from the drop-down menu |
|  | **Tuition & Fees Deduction** |  | Click on T&F deduction |
|  |  | Qualified Expenses | Enter $1,000 |
|  |  |  | Note the Federal ($5,332) & NJ ($2,501) refund monitors before trying the next option  |
|  |  |  | The T&F deduction lowers the Kents AGI by $1,000. Since they are in the 15% tax bracket, they should save $150 in taxes. However, the refund calculated using this option ($5,332) is $165 higher than the refund in Step 30 ($5,167). The extra $15 in tax savings occurred because the medical expense deduction on Sch A also increased. The amount of medical expenses that can be claimed is the amount that exceeds 7.5% of the Kents AGI. As AGI decreases, the medical deduction increases |
|  | **Lifetime Learning Credit** |  | Click on LLC |
|  |  | Qualified Expenses | Enter $1,000 |
|  |  | Institution 1 | Enter name & address of educational institution |
|  |  | 2016 1098-T | Enter Yes that student received Form 1098-T from this institution for 2016 |
|  |  | 2015 1098-T | Enter No that student did not receive Form 1098-T from this institution for 2015 with Box 2 filled in and Box 7 checked |
|  | 1098-T Filer's Federal ID # | Institution's Federal ID # | Enter the institution's Federal ID # |
|  |  | Claimed Credit on 4 Prior Tax Returns | Enter No that the Hope Scholarship Credit or American Opportunity Credit has not already been claimed on 4 prior tax returns |
|  | 1098-T Box 8 | Half-Time Student | Enter No that the student was enrolled at least half time. Based on this answer, TSO knows that Kara is not eligible for the AOC. Therefore, it does not ask any other questions that pertain just to AOC  |
|  |  |  | Note the Federal ($5,367) & NJ ($2,501) refund monitors. Since this is a better option than the T&F deduction, leave everything on this screen as is  |
|  |  |  | TSO creates Form 8863 to claim the LLC. This tax credit is based on 20% of the first $10,000 of qualified education expenses you paid for all eligible students. Since Kendra did not claim the LLC, Kara can claim 20% of her full $1,000 expenses.TSO calculates a nonrefundable credit of $200. It transfers that amount to 1040 Line 50. When this $200 is added to Kendra's nonrefundable credit of $1,410, the total on Line 50 is now $1,610 |
| **32** | **Notes** |  | **IRS Identification Pin** |
|  |  | Federal section \ Miscellaneous Forms \ IRS Identification Pin |  |
|  |  | IRS Identity Protection Pin | Enter 142536 on the line for Kendra |
| **33** | **Notes** |  | **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 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 |
|  |  |  | The Kents do not appear to be eligible for this credit because their AGI is too high for the MFJ status |
| **34a** | **Notes** | **Health Insurance Section** | **ACA Health Insurance** |
|  |  | Health Insurance section |  |
|  |  | 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 Yes to question, "Did you purchase health insurance via HealthCare.gov or a State Marketplace?" (for Kendra and Dave) |
|  |  | Verify Your Household Members | You do not need to do anything on this screen since there you do not need to add or delete dependents nor are there additional household members that are neither a spouse or a dependent |
|  |  | 12-Month Coverage | Answer No to question, "Was your entire household insured for all 12 months of 2016?" since Kara, Kendra and Dave were not insured all year |
|  |  | # of Months Insured | Enter 12 months of coverage for Karl and CarmenEnter 9 months of coverage for KaraEnter 10 months of coverage for Kendra and Dave |
|  |  | Insured Months for Kara | Check April through December boxes for Kara's minimum essential coverage (MEC) |
|  |  | Insured Months for Kendra | Check January through June and September through December for Kendra's MEC |
|  |  | Insured Months for Dave | Check January through June and September through December for Dave's MEC |
|  |  | 1095-A or Advance Premium Tax Credits | Answer Yes to question, "Did you receive a 1095-A statement or any Premium Tax Credits to assist you in paying for your health care for 2016?"  |
|  |  | Repayment of Entire APTC | Answer No to question, “Are you required to repay all of the APTC received?” You would only answer Yes if you were not considered lawfully present in the U.S. or you meet the Health Coverage Tax Credit criteria. TSO automatically calculates a full repayment of APTC when the Modified AGI is greater than 400% of the Federal Poverty Line (See Pub 4012 Page H-21) |
|  |  | Income Below 100% of Federal Poverty Line | TSO already answered No to question, “Is your household income below 100% of the Federal poverty line, and do you meet all of the requirements under either "Estimated household income at least 100% of the Federal poverty line" or "Alien lawfully present in the United States"? |
|  |  | Full-year coverage on 1095-A | Answer No to question, "Do all Forms 1095-A include coverage for January through December, with no changes in monthly amounts?" since the 1095-A does not show any amounts for July through December |
|  |  | Monthly APTC Information | Enter the numbers from Part III Lines 21 - 26 Columns A - C of the 1095-A. You can use copy/paste to make data entry easier |
|  |  | Dependents Modified AGI (If Filing Requirement) | You do not have to enter anything for dependents on this screen since none of the Kent dependents had a Federal filing requirement (see Pub 4012 Page H-8 and H-9 for details) |
|  |  | Health Care Exemptions Eligibility | You can click on the links at the bottom of the screen for help from the Marketplace website to determine if the Kents can claim the “Health Care is Unaffordable.” They do not qualify so you can just click Continue |
|  |  | Health Care Exemption Certificates | TSO already answered this question No because the Kents do not qualify for an exemption based on their household or gross income. However, Kendra and Dave do qualify for a short coverage exemption, so change the answer to Yes |
|  |  |  | You can answer the following questions the same for both Kendra and Dave, since their health care coverage information is the same. Answer the questions for Kendra and then click on the Add Another Exemption button to add another exemption for Dave  |
|  |  | Health Insurance/Exemption  | Choose Kendra/Dave from the drop-down menu as the name of the individual |
|  |  | Marketplace Exemption  | Answer No to question, "Do you have a marketplace-issued certificate for this exemption or going to apply for an exemption?" Neither Kendra nor Dave is going to apply to the Marketplace for an exemption; you will claim an exemption for them on the tax return |
|  |  | Exemption Type  | Choose "Short gap in coverage" from the drop-down menu as the exemption type |
|  |  | Months that Exemption Applies  | Check boxes for July and August since Kendra/Dave had a short coverage gap of less than 3 months |
|  |  |  | Kara does not qualify for any exemption, so you should not complete the Health Insurance/Exemption screen for her. She will have to pay a Shared Responsibility Payment (SRP) for the months she did not have coverage |
|  |  |  | TSO calculates Kara's SRP as $368 and populates that amount on 1040 Line 61 |
|  |  |  | TSO completes Form 8965 to claim the short coverage exemptions for Kendra and Dave. TSO lists Kendra and Dave in Part III and claims exemption type B for July and August for them both |
|  |  |  | TSO completes Form 8962 to calculate the Premium Tax Credit (PTC) that the Kents are eligible forIn Part I, TSO calculates the Kents' monthly contribution amount of $649, based on their household income as a percent of the Federal poverty line (291%)In Part II, TSO calculates the amount of PTC that the Kents can claim. It compares the Kents' monthly contribution amount ($649 from 8962 Column c) to the premiums for the Second Lowest Cost Silver Plan available in their area through the Marketplace ($720 from 8962 Column b) to get the monthly maximum premium assistance. It then compares the $71 difference to the monthly enrollment premium ($600 from 8962 Column a). The smaller amount is what they can claim as a PTC for each month they had the Marketplace policy (January - June).Their total PTC is calculated on Line 24 ($426 = $71 PTC x 6 months). The Kents got Advance PTCs of $300 (8962 - Column f) that were sent directly to the insurance carrier to help pay their premiums. Therefore, they are still entitled to an additional $126 of PTC on their tax return. (8962, Line 26) TSO transfers the $126 net PTC to 1040 Line 69  |
|  |  |  | Once you have completed the TSO Health Insurance section, review your entries in Part VI of the Intake/Interview Sheet and make any necessary corrections  |
| **34b** | **Notes** |  | **ACA Health Insurance - Marketplace Premiums on Sch A** |
|  |  |  |  |
|  |  |  | The Kents can claim the premiums they paid for the Marketplace policy for Kendra and Dave as a medical expense on Sch A. The total cost of the policy they bought was $3,600 (Form 1095-A Column A total). Healthcare.gov paid $300 to the insurance company on the Kents' behalf during the year as an Advance Premium Tax Credit (Form 1095 Column C total). Therefore, the Kents’ out-of-pocket expenses during the year were $3,300. However, when you complete the Kents’ income tax return, you also see that they are entitled to a net premium tax credit of $126 on 1040 Line 69. This is the additional PTC they will get after you reconciled the 1095-A form. So they will only pay $3,174 out of pocket in total |
|  |  |  | If the Kents had to pay back some of the Advance PTC they received, as shown on 1040 Line 46, you would add that amount to their out-of-pocket expenses (N/A in this problem) |
|  |  | Federal section \ Deductions \ Enter Myself \ Itemized Deductions \ Medical & Dental Expenses | Enter $3,174 on medical and dental insurance lineTotal itemized deductions are now $27,243 which the Kents will claim on 1040 Line 40 |
|  |  |  | **State Section (New Jersey)**  |
|  |  |  | As you have been completing the Federal section, you have been collecting information on areas where NJ tax law requires different handling from the Federal. Now you will enter that information into the State section - **SEE WORK PRODUCT – NJ CHECKLIST** |
| **35** | **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' 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 12/31/2015?* Taxpayer
* Spouse
 | Answer No on both the taxpayer and spouse lines since neither was disabled |
|  | Number of dependents under age 22 that attended college full time row | Enter the number of dependents under age 22 claimed on your federal return that attended college | Enter 1 for Kendra who is a full-time college student under age 22 |
|  | Death certificate | Death certificate attached for deceased returns? | If there is a refund due and Kara wants NJ to issue a check to her or the estate, answer Yes to the question, “Death certificate attached for deceased returns?” Must mail in a copy of death certificate |
| **36** | **NJ Checklist** |  | **NJ Checklist - Income Subject to Tax** |
|  |  | State section \ Edit \ Enter Myself \ Income Subject to Tax |  |
|  | NJ Line 23 - Gambling Winnings row | Enter Taxable Gambling Winnings | You should have already noted total gambling winnings (+$1,300 from Steps 19a & 19b), any NJ lottery winnings (<= $10,000) (-$200 from Step 19a) & gambling losses (-$1,444 from Step 25e) on the NJ Checklist. Calculate the net winnings/loss ($1300 - 200 - 1444 = -$344)Since you cannot claim a net gambling loss on the NJ 1040, do not enter anything on the taxable gambling winnings line |
|  | Adjustments to Line 19a row | Enter Military Pension or Survivor's Benefit Payments Received - Taxpayer | You should have already noted the military pension amount from Step 14Enter -$1,200 to subtract the military pension from NJ pension income on NJ 1040 Line 19a |
|  | Adjustments to Line 19b row | Tax-Exempt Pensions and Annuities | You should have already noted the amount excluded from tax on the pension in Step 15Enter $335 as the tax-exempt pension amount. Note that you do not include pensions that are totally tax exempt on this line, like the military pension TSO transfers to NJ 1040 Line 19b |
| **37** | **NJ Checklist** |  | **NJ Checklist - Subtraction from Income** |
|  |  | State section \ Edit \ Enter Myself \ Subtractions from Income |  |
|  | Pre-Tax (Federal)/ Post-Tax (NJ) Medical from W-2s row | Enter any Medical Premiums that You Did Not Include on Your Federal Return Because They Were Deducted on a Pre-Tax Basis | You should have already noted the amount of the NJ after-tax medical premiums from the W-2 in Step 3Enter $1,200 as the after-tax medical amountTSO adds this amount to any other NJ medical expenses already on NJ 1040 Line 30 |
| **38** | **NJ Checklist** |  | **NJ Checklist - Credits** |
|  |  | State section \ Edit \ Enter Myself \ Credits \ Property Tax Credit/Deduction |  |
|  | Property Tax row | Did You Meet Property Tax Eligibility Requirements? | Answer Yes to indicate that the Kents meet the requirements to claim a NJ property tax deduction or credit |
|  |  | Enter Property Taxes Paid | You should have already noted the amount of the property taxes that the Kents paid on their principal residence from Step 25b. Remember that they cannot claim the property taxes that they paid on the empty lot in GeorgiaEnter $7,135 as property taxes  |
|  |  | Were You a Homeowner in 2016? | Answer Yes since the Kents were homeowners last year |
|  |  | Block Information | Enter 50001 as the block # of the Kents' residenceTSO transfers to NJ 1040 Page 1 |
|  |  | Lot Information | Enter 00002 as the lot # of the Kents' residenceTSO transfers to NJ 1040 Page 1 |
|  |  | County property located in | Choose Somerset County – Bedminster Twp as the county where the Kents primary residence is located |
|  |  |  | TSO determines whether it is more beneficial for the Kents to claim a NJ property tax deduction or credit. In this case, the deduction is betterTSO transfers the $7,135 total property taxes paid to NJ 1040 Line 37aTSO transfers the $7,135 deduction that it calculates to NJ 1040 Line 38. This amount will be the same as the total property taxes unless the total amount is greater than $10,000, which is the limit for the deduction |
| **39** | **NJ Checklist** |  | **NJ Checklist - Tax** |
|  |  | State section \ Edit \ Enter Myself \ Tax |  |
|  | Use Tax | Use Tax Due on Out-of-State Purchases | Use the NJ-1040 Worksheet G – Use Tax on TaxPrep4Free.org Preparer page to calculate the amount of use tax that the Kents owe based on their NJ gross income - **SEE WORK PRODUCT – NJ USE TAX**Enter $84 for use taxTSO transfers to NJ 1040 Line 45 |
| **40** | **Notes** |  | **NJ Checklist - NJ Estimated Payment Vouchers** |
|  |  | State section \ Edit \ Enter Myself \ Miscellaneous Forms \ Estimated Payment Vouchers, Form NJ-1040-ES |  |
|  |  | Select Yes and enter the amounts you would like to print on your estimated payment vouchers. | Select Yes from the drop-down menu |
|  |  | Payment Voucher | Enter $20 as the amount the Kents would like to pay each quarter TSO will include 4 vouchers in the print package for the KentsGo over with the Kents how to make out their checks, where to send the payments, due dates, etc. as you review their return with them |
|  |  | **E-File Section** |  |
|  |  |  | Resolve any warnings that TSO displays before moving on to e-filing. In this return, TSO tells you that the Begin Date on the NJ 1065 K-1 is blank. The Kents did not receive a NJ 1065 K-1, so you would have to print and mail their NJ return. For purposes of this practice problem, ignore this validation error and click Continue  |
| **41a** | **Intake Sheet** |  | **E-File - Due Diligence Checklist** |
|  |  |  | A lot of the due diligence questions do not pertain to the TaxAide program; they are meant for paid preparers. Those questions will be eliminated from TSO for 2017. The questions pertaining to the eligibility for the Earned Income credit (EIC), the American Opportunity credit (AOC), and the Additional Child Tax credit (ACTC) will remainAnswer questions as best as you can. Then click Continue |
| **41b** |  |  | **E-File – Form 8867 – Due Diligence Checklist** |
|  |  |  | TSO gives you the status of Due Diligence items. It tells you that the Kents are not eligible for the EIC, but certifies that they are eligible for the AOC |
| **41c** |  |  | **E-File - Miscellaneous Statement** |
|  |  |  | Just click Continue |
| **42a** | **Intake Sheet** |  | **E-File - Return Type**  |
|  | Part VII | Federal Return Type | Per the Intake Sheet, the Kents want to have their refund direct depositedChoose E-file: Direct Deposit from the drop-down menu |
| **42b** | **Notes** |  | **E-File - Tax Preparation & E-File Information** |
|  |  |  | The fees section does not apply to us |
|  |  | Client Email | Enter KarkandKara@mail.com as the Kents' email |
|  |  |  | The E-file PINs are automatically generated |
| **42c** | **Notes** |  | **E-File - Taxpayer Bank Account Information** |
|  |  | State Return Type | TSO allows each district to choose one of 2 formats for the Taxpayer Bank Account Information screen:* Form 8888 (Practice Lab is using this) – allows taxpayers to split their refund between multiple bank accounts or to purchase savings bonds
* Screen shown on Pub 4012 Page K-2 (requires designation of a State Return Type with the same 4 options as the Federal Return Type, but in a different order)
 |
|  |  | Type of Account | Choose Checking as the type of bank account that will be used for the direct deposit |
|  |  | Name of Bank | Enter Your Bank as the name of the Kents' bank |
|  |  | Routing Transit Number | Enter 325070760 as the routing number of the Kents' bank account |
|  |  | Bank Account Number | Enter 123654 as the Kents' bank account number (do not include the check number) |
|  |  |  | On the screen shown on Pub 4012 Page K-2, you must type the routing number and bank account number twice to confirm their accuracy. Form 8888 does not require the confirmations |
| **42d** | **Notes** |  | **E-File - Third Party Designee Info** |
|  |  |  | Do not fill in anything in this section |
| **42e** |  |  | **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 abovePrimary/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 yearFirst, there will be a paragraph that will help the taxpayer understand global carry forwardThe taxpayer must then either grant or deny permission for global carry forward, and the appropriate statement must be checkedThe taxpayer’s PIN (5 numbers) and the date must be entered. If appropriate, spouse must do the same  |
| **42f** | **Intake Sheet****Notes** |  | **E-File - Questions** |
|  |  |  | These are questions that are used for statistical purposes and to obtain grants for the program. Answers do not affect the taxpayer’s tax liability. We are required to ask the questions on the Intake/Interview sheet, but the taxpayer may choose not to answer |
|  |  | Other than English what language is spoken in your home? | Choose None from the drop-down menu |
|  |  | Are you or your spouse a Veteran from the US Armed Force? | Since the Kents choose not to answer this question, just skip it. In production, there may be an answer “Prefer Not to Answer” which you can choose |
|  |  | 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 |
| **43** |  |  | **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 |